

Office of the County Auditor
Auditor's Analysis

Council Bill No. 2-2024

Introduced: January 2, 2024

Auditor: Rebecca Gold

Fiscal Impact:

The fiscal impact of this legislation is approximately **\$2,571,569** in expenditures from the County's Agricultural Land Preservation Program Fund (the Fund) over the next 15 years to acquire an agricultural preservation easement on private property within the County. Anticipated financing and payment terms of this acquisition include a 10 percent down payment of \$219,160, fifteen annual principal payments of \$131,496, and semi-annual interest payments of 2.5 percent of the outstanding principal. Transfer tax proceeds will be used to make the payments associated with this acquisition. Settlement will be scheduled after the legislation is passed and any title issues have been resolved.

We have reviewed the Administration's estimated amortization schedule for this Installment Purchase Agreement (IPA) and believe it accurately depicts the terms of the agreement.

The parcel under consideration will be eligible to receive the Agricultural Property Tax Credit, which equals 75 percent of the County Property Tax imposed on the land included in the easement. The future fiscal impact of the tax credit is unknown, as the credit is dependent upon the property owner submitting a one-time application and the assessment of the land at the time the credit is applied. We have calculated the tax credit based on the known assessed value for the current tax year at \$1,778.

This fiscal impact does not consider the potential loss of additional property tax revenue and other foregone fees that the County would receive if the property were to be developed, along with other associated costs and revenues.

The Administration confirmed that this acquisition was included in the most recent cash flow analysis for the Fund and will not result in a decrease in the noted future projected Fund balance. The cash flow can be found in **Attachment A** and is current as of April 2023.

Purpose:

Council Bill 2-2024 proposes that the County enter into a multi-year IPA to acquire the development rights of approximately 56.02 acres of agriculture land owned by Rhonda and Jeff Winkler located at 1611 Saint Michaels Road in Woodbine (the Winkler Property) for a maximum price of \$2,191,600 (or not more than \$39,120 per acre).

Other Comments:

This IPA marks a recent change in financing options for the Agricultural Land Preservation Program (ALPP). Previously, easement acquisitions were made under one set of standard terms. As of December 13, 2023, the ALPP is now offering three payment options. **Attachment B** shows a comparison of the new financing options to the original option, which we estimated based on each set of published financing terms.

Regarding this IPA:

- The County's cost per acre is determined using a Price Formula Worksheet that awards points based on the applicant's parcel meeting certain criteria. We verified this parcel's cost per acre of \$39,120 based on the Price Formula Worksheet (see **Attachment C**).
- The Agricultural Preservation Board unanimously voted in favor of recommending the acquisition of this preservation easement on February 27, 2023.

According to the County's financial system, there will be approximately \$19.3 million of available funding after the proposed IPA is approved in Capital Project G0163-Agricultural Land Preservation Program, of which \$4.7 million will be available for funding future IPAs.

The total transfer tax revenue for FY 2023 was \$42.0 million, versus a budgeted amount of \$57.4 million. The total transfer tax revenue for FY 2024 as of January 11, 2024, is \$19.9 million, as compared to the budgeted amount of \$38.0 million.

Attachment B

Auditor's Comparison of Financing Options

Option	Payment Terms	Down Payment	Interest	Principal	Total Payment
Original^	20 years, 5% down, 1% interest	109,580	212,509	2,082,020	2,404,109
Option 1*	15 years, 10% down, 2.5% interest	219,160	379,969	1,972,440	2,571,569
Option 2^	20 years, 10% down, 3% interest	219,160	603,972	1,972,440	2,795,572
Option 3^	20 years, 15% down, 1% interest	328,740	190,139	1,862,860	2,381,739

*Option 1 was selected as the financing terms for the Installment Purchase Agreement.

^Our Office estimated these payments based on our application of the publicized financing terms.

Attachment C



Howard County Agricultural Land Preservation Program

2024 PRICE FORMULA WORKSHEET

Owner Rhonda and Jeff Winkler Tax Map 7 Parcel(s) 118
 Farm Address 1611 Saint Michaels Rd, Woodbine Acres 56.02

POINTS

1. Parcel Size Relative to Average Acreage of Remaining Uncommitted Land (40 acres)	Maximum 150 points	150
40 acres or more	<u>56.02</u>	150 points
35 acres to 39.9 acres	_____	125 points
30 acres to 34.9 acres	_____	100 points
25 acres to 29.9 acres	_____	75 points
20 acres to 24.9 acres	_____	50 points
2. Soil Capability – Percentage of Class I, II and III Soils Relative to Property Total	Maximum 150 points	100
90% or greater Class I, II and III Soils	_____	150 points
80% to 89% Class I, II and III Soils	_____	125 points
70% to 79% Class I, II and III Soils	<u>78.40%</u>	100 points
60% to 69% Class I, II and III Soils	_____	75 points
Less than 60% Class I, II and III Soils	_____	50 points
3. Soil Productivity as Measured by Land Evaluation Score	Maximum 150 points	150
90 or greater Land Evaluation Score	<u>94.6</u>	150 points
80-89 Land Evaluation Score	_____	125 points
70-79 Land Evaluation Score	_____	100 points
60-69 Land Evaluation Score	_____	75 points
Less than 60 Land Evaluation Score	_____	50 points
4. Adjacency to Preserved Land	Maximum 125 points	100
75 to 100% perimeter adjacent to preserved land	_____	125 points
50 to 74% perimeter adjacent to preserved land	<u>59%</u>	100 points
25 to 49% perimeter adjacent to preserved land	_____	75 points
Less than 25% perimeter adjacent to preserved land	_____	50 points
5. Concentration of Preserved Lands	Maximum 125 points	125
More than 600 acres of preserved land within 3/4 mile	<u>1143</u>	125 points
400-599 acres of preserved land within 3/4 mile	_____	100 points
200-399 acres of preserved land within 3/4 mile	_____	75 points
Less than 200 acres of preserved land within 3/4 mile	_____	50 points
6. Current Land Use	Maximum 150 points	150
90% or greater of property in agricultural use	<u>95%</u>	150 points
80% to 89% of property in agricultural use	_____	125 points
70% to 79% of property in agricultural use	_____	100 points
60% to 69% of property in agricultural use	_____	75 points
Less than 60% of property in agricultural use	_____	50 points
7. Soil Conservation and Water Quality Plan (SCWQP)/Best Management Practices (BMPs)	Maximum 100 points	100
Longstanding landowner relationship with SCD, and SCWQP on the property is predominantly implemented with no major resource concerns	<u>X</u>	100 points
Landowner has relationship with SCD and has made considerable efforts to implement SCWQP on this property or another property, or landowner has implemented considerable BMPs on their own	_____	75 points
New relationship with SCD and has made efforts to implement SCWQP on this property or another property, or landowner has implemented BMPs on their own	_____	50 points
New SCWQP with no conservation or BMP activity	_____	0 points

			POINTS
8. Ownership and Operation			
Owner operated	<u> X </u>	50 points	<u> 50 </u>
Non-owner operated	<u> </u>	25 points	
No current operation	<u> </u>	0 points	

SUBTOTAL POINTS **Maximum 1000 points** 925

PRELIMINARY PRICE CALCULATION - Maximum \$40,000 per acre

 925 points x \$40/point = \$37,000

Additional Points - Maximum 100 points

1. Relinquishment of Tenant House Rights, if applicable		Maximum 50 points	<u> 20 </u>
<u> 2 </u> Number of tenant houses allowed by right at 1 per 25 acres			
<u> 2 </u> Tenant house rights relinquished x 10 points per house			

2. Optional APB Points		Maximum +/- 50 points	<u> 33 </u>
See separate scoring sheet - points may be added or subtracted			

TOTAL POINTS **Maximum 1000 points** 978

FINAL PRICE CALCULATION - Maximum \$40,000 per acre

 978 points x \$40/point = \$39,120

TOTAL PRICE OFFER

 56.02 acres x \$39,120 per acre = **\$2,191,502**

AGRICULTURAL PRESERVATION BOARD POINTS

Owner Winkler Tax Map 7 Parcel(s) 118 Acres 58.5

Farm Address

Total of 50 potential points can be added

1) Contribution to Agricultural Economy – Maximum 10 points 10 points

- 5 points – The farm has a specialized or unique operation
- 5 points – The farm has significant agricultural infrastructure
- 5 points – The farm business is active within the local community by:
 - a. Purchasing agricultural products from other area farms
 - b. Supplying agricultural products to farms, businesses or individuals

2) Contribution to Agricultural Sustainability – Maximum 10 points 10 points

- 5 points – An easement acquisition on this farm would be a new addition to properties already under easement belonging to same owner
- ~~• 5 points – This is a Century Farm~~
- 10 points – Purchase of an easement will assist in the transfer to a new and/or next generation farmer

3) Green Infrastructure Network (GIN)/Water Quality – Maximum 10 points

- ~~• 5 points – Farm includes portions of GIN hub(s)~~
- ~~• 3 points – Farm includes portions of GIN corridor(s)~~
- ~~• 5 points – 50' minimum forested riparian buffer width~~
- ~~• 3 points – 35' minimum forested riparian buffer width~~

4) Historic and Scenic Resources – Maximum 10 points

3 points

- ~~• 5 points – Farm includes an historic structure encumbered by a Maryland Historic Trust easement~~
- ~~• 3 points – Farm includes a structure listed on the National, Maryland or Howard County Registers of Historic Places~~
- ~~• 5 points – Farm is located on the Historic National Road (Rt. 144)~~
- 3 points – Farm is located on a Maryland or Howard County Scenic Road**

5) Discretionary - Maximum 10 points

10 points

Reason for allocating points **This property expands on the continuity of preservation land in the immediate area**