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.

Howard County Maryland Agricultural Land Preservation Program (Fund 2023) Cash Flow Analysis

								•							
	Revenues (Fund 2020)				Expenses										
		Acct 485200		Acct 401550	Acct 409930							Cost of			
	Beginning	Interest on Cash	Acct 432490	State Ag	Transfer Tax			ing Debt Service		=		Zero Coupon	Admin		
Fiscal	Fund	Balance Only +	& 489900	Transfer	Receipts	Total	Through	Treasury Strip		Projected	NET DEBT	Bonds or Cash	Costs	Total	Ending
Year	Balance	0.05%	Miscellaneous	Tax		Revenues	Batch 22	Income	Net	Enrollments ⁽²⁾	SERVICE	or 5% Down ⁽¹⁾	2.00%	Expenses	Balance
0044#	00 100 715	00.107		00.000		- 105 071	4.070.040		1.070.010		4.070.040	4 4 4 4 000	050.400	0.070.050	07.000.050
2011*	29,432,745	66,497	255	39,306	5,329,914	5,435,971	4,872,648		4,872,648		4,872,648	1,141,600	958,109	6,972,358	27,896,358
2012*	27,896,358	34,342	11,946	164,703	6,450,253	6,661,244	6,977,789		6,977,789		6,977,789	2,805,900	1,027,270	10,810,959	23,746,643
2013*	23,746,643	27,014	1,000	104,136	6,316,161	6,448,311	7,404,920		7,404,920		7,404,920		1,097,624	8,502,544	21,692,410
2014*	21,692,410	18,281	12,800	153,431	6,726,946	6,911,458	7,435,078		7,435,078		7,435,078	4,453,745	1,223,474	13,112,297	15,491,572
2015*	15,491,572	23,318	7,616	162,316	7,741,048	7,934,298	7,889,733		7,889,733		7,889,733	652,495	1,071,788	9,614,016	13,811,854
2016*	13,811,854	53,274	745	105,166	7,892,622	8,051,806	8,256,158		8,256,158	1	8,256,158		1,326,804	9,923,047	11,940,613
2017*	11,940,613	45,348	600	125,326	9,476,018	9,647,292	14,774,718	(6,608,200)	8,166,518		8,166,518		1,469,848	10,202,497	11,385,408
2018*	11,385,408	107,517	24,785	291,059	9,456,530	9,879,891	10,688,627	(1,669,000)	9,019,627		9,019,627	162,930	1,554,016	10,736,573	10,528,726
2019*	10,528,726	290,705	6,000	314,891	7,841,755	8,453,351	9,309,621	(759,000)	8,550,621		8,550,621		1,055,414	9,606,035	9,376,042
2020*	9,376,042	132,640	214,800	928,659	10,035,244	11,311,343	21,769,007	(13,604,000)	8,165,007		8,165,007		878,188	9,043,195	11,644,190
2021*	11,644,190	26,342	97,698	223,293	11,129,962	11,477,295	21,292,147	(14,481,000)	6,811,147		6,811,147	50,580	1,400,601	8,262,328	14,859,157
2022*	14,859,157	(69,240)	26,620	48,591	12,678,631	12,684,602	9,509,764	(3,695,000)	5,814,764		5,814,764	371,055	1,428,613	7,614,433	19,929,327
2023	19,929,327	9,965		100,000	9,000,000	9,109,965	5,940,250		5,940,250		5,940,250	85,960	1,457,186	7,483,396	21,555,896
2024	21,555,896	10,778		100,000	7,600,000	7,710,778	16,086,293	(10,287,000)	5,799,293	786,571	6,585,864	672,485	1,486,329	8,744,678	20,521,995
2025	20,521,995	10,261		100,000	9,000,000	9,110,261	4,983,161	(557,000)	4,426,161	857,422	5,283,583		1,516,056	6,799,639	22,832,618
2026	22,832,618	11,416		100,000	10,100,000	10,211,416	5,438,455	(3,950,000)	1,488,455	850,217	2,338,672		1,546,377	3,885,049	29,158,985
2027	29,158,985	14,579		100,000	10,200,000	10,314,579	9,816,255	(1,295,000)	8,521,255	843,012	9,364,267		1,577,305	10,941,571	28,531,993
2028	28,531,993	14,266		100,000	10,420,000	10,534,266	6,462,900	(2,158,000)	4,304,900	835,806	5,140,706		1,608,851	6,749,557	32,316,702
2029	32,316,702	16,158		100,000	10,680,000	10,796,158	4,077,900		4,077,900	828,601	4,906,502		1,641,028	6,547,529	36,565,331
2030	36,565,331	18,283		100,000	10,960,000	11,078,283	3,579,490		3,579,490	821,396	4,400,886		1,673,848	6,074,734	41,568,879
2031	41,568,879	20,784		100,000	11,200,000	11,320,784	3,501,836		3,501,836	814,191	4,316,026		1,707,325	6,023,352	46,866,312
2032	46,866,312	23,433		100,000	11,400,000	11,523,433	1,517,861		1,517,861	806,985	2,324,847		1,741,472	4,066,318	54,323,427
2033	54,323,427	27,162		100,000	11,780,000	11,907,162	1,227,751		1,227,751	799,780	2,027,531		1,776,301	3,803,832	62,426,757
2034	62,426,757	31,213		100,000	11,920,000	12,051,213	1,207,721		1,207,721	792,575	2,000,296		1,811,827	3,812,123	70,665,847
2035	70,665,847	35,333		100,000	12,120,000	12,255,333	1,079,390		1,079,390	785,370	1,864,759		1,848,064	3,712,823	79,208,357
2036	79,208,357	39,604		100,000	12,280,000	12,419,604	822,106		822,106	778,165	1,600,271		1,885,025	3,485,296	88,142,665
2037	88,142,665	44,071		100,000	12,380,000		809,768		809,768	770,959	1,580,727		1,922,726	3,503,453	97,163,284
2038	97,163,284	48,582		100,000	12,600,000	12,748,582	574,819		574,819	,	1,338,573		1,961,180	3,299,753	106,612,112
2039	106,612,112	53,306		100,000	12,860,000	13,013,306	414,332		414,332	756,549	1,170,881		2,000,404	3,171,285	116,454,133
2040	116,454,133	58,227		100,000	13,100,000	13,258,227	410,327		410,327	749,344	1,159,671		2,040,412	3,200,082	126,512,278
2041	126,512,278	63,256		100,000	13,380,000	13,543,256	406,321		,521	742,138	742,138		2,081,220	2,823,358	137,232,176
2042	137,232,176	68,616		100,000	13,380,000		354,265			734,933	734,933		2,122,844	2,857,778	147,923,014
	- ,,			· · · · · · · · · · · · · · · · · · ·		-,,						<u> </u>			, ,
Total		11,848,632	630,560	17,535,991	426,636,552		278,171,127	(59,063,200)	218,347,341	15,117,768	233,465,109	22,618,146	58,999,760	315,083,014	
*Actual															

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



Owner

Rhonda and Jeff Winkler

Howard County Agricultural Land Preservation Program 2024 PRICE FORMULA WORKSHEET

Parcel(s) _____118

	Farm Address 1611 Sain	t Michaels Rd, Woo	dbine	Acres	56.02
					POINTS
1.	Parcel Size Relative to Average Acreage of Remaining Un	committed Land (4	0 acres)	Maximum 150 points	150
	40 acres or more	56.02	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 Rela	ative to Property To	otal	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	78.40%	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	94.6	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	59%	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	1143	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	95%	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 I	Management Pract	ices (BMPs)	Maximum 100 points	100
	Longstanding landowner relationship with SCD, and SCWQP o	on the property is predo	ominantly impleme	ented	
	with no major resource concerns			X	100 points
	Landowner has relationship with SCD and has made considera	·	nt SCWQP on this	property	
	or another property, or landowner has implemented considerab	DIE BIMPS ON THEIR OWN			75 points
	New relationship with SCD and has made efforts to implement	SCWQP on this prope	erty or another prop	perty,	EO mainte
	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 X Non-owner operated No current operation	Maximum 50 points 50 points 25 points 0 points	50
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		
Relinquishment of Tenant House Rights, if applicable Number of tenant houses allowed by right at 1 per 25 acres Tenant house rights relinquished x 10 points per house	Maximum 50 points	20
2. Optional APB Points See separate scoring sheet - points may be added or subtracted	Maximum +/- 50 points	33
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

56.02 acres x \$39,120 per acre =

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