

Office of the County Auditor
Auditor's Analysis

Council Bill No. 35-2024

Introduced: June 3, 2024

Auditor: Rebecca Gold

Fiscal Impact:

The fiscal impact of this legislation is approximately \$3,392,781 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 \$290,540, fifteen annual principal payments of \$174,324, and semi-annual interest payments of 2.5 percent of the outstanding principal.

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 amount of a potential Agricultural Property Tax Credit is unknown at this time, contingent on if or when the property owner applies for such. If an application is submitted and approved, the parcel under consideration will receive the Agricultural Property Tax Credit, which equals 75 percent of the County Property Tax imposed on the land included in the easement. Based on the 2023 value of the land, as assessed by the Maryland Department of Assessments and Taxation, we estimate that the annual tax credit will be \$1,824 (subject to change as new assessments become available).

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.

We requested confirmation from the Administration that this acquisition was included in the most recent cash flow analysis for the Fund (included as **Attachment A**, current as of April 2023) and that the acquisition will not result in a decrease in the future projected Fund balance. *As of June 13, 2024, we await a response from the Administration regarding this inquiry.*

Purpose:

Council Bill 35-2024 proposes that the County enter into a multi-year IPA to acquire the development rights of approximately 86.16 acres of agriculture land owned by the Edward E. Day Revocable Living Trust located at 880 Long Corner Road in Mount Airy for a maximum price of \$2,905,400 (or not more than \$33,720 per acre).

Other Comments:

Attachment B shows a comparison of the potential financing options now offered for the Agricultural Land Preservation Program (ALPP), 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 \$33,720 based on the Price Formula Worksheet (see **Attachment C**).
- The Agricultural Preservation Board (APB) recommended the acquisition of this preservation easement, according to its staff report dated April 22, 2024.
- The Director of the Department of Planning and Zoning provided the IPA's draft amortization schedule which included September 1, 2024, as an estimated settlement date. Actual settlement will be scheduled after the legislation is passed and any title issues have been resolved. The first interest payment may change based on the final settlement date.

According to the County's financial system, there is currently approximately \$21.3 million in unobligated funding in the Agricultural Land Preservation Program Capital Project. We estimate that there will be approximately \$18.4 million of funding remaining in Capital Project G0163 after the proposed IPA is approved.

The total actual transfer tax revenue for FY 2023 was approximately \$42.0 million, versus a budgeted amount of \$57.4 million. As of June 11, 2024, the total actual transfer tax revenue for FY 2024 is \$33.2 million, as compared to the budgeted amount of \$38.0 million.

Attachment A

**Howard County Maryland
Agricultural Land Preservation Program (Fund 2023)
Cash Flow Analysis (10% Down, 2.5% Interest, 15-years)**

Fiscal Year	Revenues (Fund 2020)					Expenses							Total Expenses	Ending Balance
	Acct 485200 Interest on Cash Balance Only + 0.05%	Acct 432490 & 489900 Miscellaneous	Acct 401550 State Ag Transfer Tax	Acct 409930 Transfer Tax Receipts	Total Revenues	Existing Debt Service			Projected Enrollments ⁽²⁾	NET DEBT SERVICE	Cost of Zero Coupon Bonds or Cash or 5% Down ⁽¹⁾	Admin Costs 2.00%		
					Through Batch 22	Treasury Strip Income	Net							
2011*	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*	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*	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*	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*	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*	53,274	745	105,166	7,892,622	8,051,806	8,256,158		8,256,158		8,256,158	340,085	1,326,804	9,923,047	11,940,613
2017*	45,348	600	125,326	9,476,018	9,647,292	14,774,718	(6,608,200)	8,166,518		8,166,518	566,130	1,469,848	10,202,497	11,385,408
2018*	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*	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*	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*	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*	(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	2,143,795	8,329,614	19,214,145
2023*	471,455	611	73,575	8,398,087	8,943,728	5,940,250		5,940,250		5,940,250	39,525	2,315,888	8,295,663	19,862,209
2024	9,931		100,000	6,250,000	6,359,931	16,131,310	(10,287,000)	5,844,310	1,577,763	7,422,073	2,243,930	2,362,206	12,028,209	14,193,931
2025	7,097		100,000	7,200,000	7,307,097	5,080,083	(557,000)	4,523,083	1,817,583	6,340,666		2,409,450	8,750,116	12,750,912
2026	6,375		100,000	7,960,000	8,066,375	5,534,561	(3,950,000)	1,584,561	1,783,924	3,368,486		2,457,639	5,826,125	14,991,162
2027	7,496		100,000	8,400,000	8,507,496	9,911,545	(1,295,000)	8,616,545	1,750,265	10,366,810		2,506,792	12,873,602	10,625,055
2028	5,313		100,000	8,620,000	8,725,313	6,557,374	(2,158,000)	4,399,374	1,716,606	6,115,981		2,556,928	8,672,908	10,677,459
2029	5,339		100,000	8,860,000	8,965,339	4,171,558		4,171,558	1,682,948	5,854,506		2,608,066	8,462,572	11,180,226
2030	5,590		100,000	9,100,000	9,205,590	3,672,332		3,672,332	1,649,289	5,321,621		2,660,228	7,981,848	12,403,968
2031	6,202		100,000	9,380,000	9,486,202	3,593,862		3,593,862	1,615,630	5,209,491		2,713,432	7,922,923	13,967,246
2032	6,984		100,000	9,660,000	9,766,984	1,609,071		1,609,071	1,581,971	3,191,042		2,767,701	5,958,742	17,775,487
2033	8,888		100,000	9,920,000	10,028,888	1,318,145		1,318,145	1,548,312	2,866,456		2,823,055	5,689,511	22,114,864
2034	11,057		100,000	10,200,000	10,311,057	1,297,299		1,297,299	1,514,653	2,811,952		2,879,516	5,691,468	26,734,454
2035	13,367		100,000	10,500,000	10,613,367	1,168,151		1,168,151	1,480,994	2,649,145		2,937,106	5,586,251	31,761,570
2036	15,881		100,000	10,800,000	10,915,881	910,052		910,052	1,447,335	2,357,387		2,995,848	5,353,235	37,324,215
2037	18,662		100,000	11,100,000	11,218,662	896,897		896,897	1,413,676	2,310,573		3,055,765	5,366,339	43,176,539
2038	21,588		100,000	11,400,000	11,521,588	661,133		661,133	1,380,017	2,041,150		3,116,881	5,158,030	49,540,097
2039	24,770		100,000	11,720,000	11,844,770	499,830		499,830		499,830		3,179,218	3,679,048	57,705,818
2040	28,853		100,000	12,080,000	12,208,853	495,008		495,008		495,008		3,242,803	3,737,811	66,176,860
2041	33,088		100,000	12,420,000	12,553,088	490,187		490,187				3,307,659	3,307,659	75,422,290
2042	37,711		100,000	12,780,000	12,917,711	437,314		437,314				3,373,812	3,373,812	84,966,189
Total	11,974,984	631,170	17,509,566	397,024,639		279,835,888	(59,063,200)	219,845,187	23,960,965	243,806,152	24,143,156	80,579,157	348,528,465	

Attachment B

Auditor's Comparison of Financing Options - CB35-2024

Option	Payment Terms	Down Payment	Interest	Principal	Total Payment
Option 1*	15 years, 10% down, 2.5% interest	290,540	487,381	2,614,860	3,392,781
Option 2	20 years, 10% down, 3% interest	290,540	781,189	2,614,860	3,686,589
Option 3	20 years, 15% down, 1% interest	435,810	245,930	2,469,590	3,151,330

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

Our Office estimated Option 2 and Option 3 payments based on our application of the publicized financing terms.

Attachment C



**Howard County Agricultural Land Preservation Program
2020 PRICE FORMULA WORKSHEET**

Owner _____ Day _____ Tax Map _____ 6 Parcel(s) _____ 119
 Farm Address _____ 880 Long Corner Road, Mt. Airy _____ Acres _____ 86.16

POINTS

1. Parcel Size Relative to Average Acreage of Remaining Uncommitted Land (40 acres) Maximum 150 points _____ **150**

40 acres or more	_____ 88.05	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 _____ **125**

90% or greater Class I, II and III Soils	_____	150 points
80% to 89% Class I, II and III Soils	_____ 81%	125 points
70% to 79% Class I, II and III Soils	_____	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 _____ **125**

90 or greater Land Evaluation Score	_____	150 points
80-89 Land Evaluation Score	_____ 88	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 _____ **75**

75 to 100% perimeter adjacent to preserved land	_____	125 points
50 to 74% perimeter adjacent to preserved land	_____	100 points
25 to 49% perimeter adjacent to preserved land	_____ 30%	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	_____ 1,257	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 _____ **100**

90% or greater of property in agricultural use	_____	150 points
80% to 89% of property in agricultural use	_____	125 points
70% to 79% of property in agricultural use	_____ 74%	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 _____ **75**

Longstanding landowner relationship with SCD, and SCWQP on the property is predominantly implemented with no major resource concerns _____ 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 _____ X _____ 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	_____	50 points	
Non-owner operated	_____ X _____	25 points	
No current operation	_____	0 points	

Maximum 50 points _____ 25

SUBTOTAL POINTS

Maximum 1000 points _____ 800

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

_____ 800 points x \$40/point = _____ \$32,000

Additional Points - Maximum 100 points

1. Relinquishment of Tenant House Rights, if applicable

Maximum 50 points _____ 20

_____ 3 Number of tenant houses allowed by right at 1 per 25 acres
 _____ 2 Tenant house rights relinquished x 10 points per house

2. Optional APB Points

Maximum +/- 50 points _____ 23

See separate scoring sheet - points may be added or subtracted

TOTAL POINTS

Maximum 1000 points _____ 843

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

_____ 843 points x \$40/point = _____ \$33,720

TOTAL PRICE OFFER

_____ 86.16 acres x _____ \$33,720 per acre = **\$2,905,315**

PRICE FORMULA WORKSHEET – APB POINTS

Owner Day Tax Map 6 Parcel(s) 119 Acres 86.16

Farm Address

880 Long Corner Rd

Mount Airy, MD 21771

Total of 50 potential points can be added

1) Contribution to Agricultural Economy – Maximum 10 points 0 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 0 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 – If the farm is for sale at the time of application, 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 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 pts

Reason for allocating points: Discretionary points allocated for deer management efforts on the subject property, as requested by the property owner.