

**Office of the County Auditor**  
**Auditor's Analysis**

**Council Bill No. 2-2024**

Introduced: January 2, 2024

Auditor: Rebecca Gold

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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**

| <b>Option</b> | <b>Payment Terms</b>              | <b>Down Payment</b> | <b>Interest</b> | <b>Principal</b> | <b>Total Payment</b> |
|---------------|-----------------------------------|---------------------|-----------------|------------------|----------------------|
| 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

|  |                           |            |
|--|---------------------------|------------|
| <b>1. Parcel Size Relative to Average Acreage of Remaining Uncommitted Land (40 acres)</b>   | <b>Maximum 150 points</b> | <b>150</b> |
| 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  |
| <b>2. Soil Capability – Percentage of Class I, II and III Soils Relative to Property Total</b>   | <b>Maximum 150 points</b> | <b>100</b> |
| 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  |
| <b>3. Soil Productivity as Measured by Land Evaluation Score</b>   | <b>Maximum 150 points</b> | <b>150</b> |
| 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  |
| <b>4. Adjacency to Preserved Land</b>  | <b>Maximum 125 points</b> | <b>100</b> |
| 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  |
| <b>5. Concentration of Preserved Lands</b>   | <b>Maximum 125 points</b> | <b>125</b> |
| 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  |
| <b>6. Current Land Use</b>   | <b>Maximum 150 points</b> | <b>150</b> |
| 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  |
| <b>7. Soil Conservation and Water Quality Plan (SCWQP)/Best Management Practices (BMPs)</b>  | <b>Maximum 100 points</b> | <b>100</b> |
| 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   |

|                                   |                                   |           | <b>POINTS</b>                 |
|-----------------------------------|-----------------------------------|-----------|-------------------------------|
| <b>8. Ownership and Operation</b> |                                   |           |                               |
| 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**

|   |  |                              |                               |
|---|--|------------------------------|-------------------------------|
| <b>1. Relinquishment of Tenant House Rights, if applicable</b>                          |  | <b>Maximum 50 points</b>     | <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     |  |                              |                               |
| <b>2. Optional APB Points</b>   |  | <b>Maximum +/- 50 points</b> | <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**