

Office of the County Auditor
Auditor's Analysis

Council Bill No. 53-2020

Introduced: October 5, 2020

Auditor: Michael A. Martin

Fiscal Impact:

The fiscal impact of this legislation is approximately \$7.47 million, including all costs associated with bond issuance and interest. In addition, there is net lost revenue of approximately \$1.4 million for the foregone construction of 52 townhomes.

Expenditures include \$5.75 million in GO Bond principal payments, \$1.65 million debt service interest payment over 20 years, \$50,000 bond issuance cost, and \$20,000 interest to the seller.

There is only one appraisal specific to the 10.18 acres noted in this legislation. This was performed by Karen H. Belinko Appraisals, LLC, using a sale comparison approach. We reviewed this current appraisal, dated June 19, 2020, and noted that it valued the land at \$7 million and was based on the best and highest potential use of the land (development of 52 townhouse units). It analyzed eight comparable sales in the area with similar features. Four were in Turf Valley and the other four are developments in other parts of the County that have been constructed in a similar manner.

The Department of Public Works (DPW) confirmed a second appraisal for the 10.18 acres has been ordered. However, it indicated that the results of the second appraisal will not be considered in the calculation of the Installment Purchase Agreement.

The decision to forego plans (F-08-085) to develop the land into 52 townhome lots could result in potential lost tax revenue of \$1.9 million in the first year of full occupancy. However, there may also be a possible annual educational savings of \$412,000. Attachment A provides details on this calculation.

We have asked Department of Planning and Zoning (DPZ) to confirm the current status of this development plan.

Purpose:

The purpose of this legislation is to finance the acquisition of land for a new elementary school in the Turf Valley neighborhood of Ellicott City through an installment purchase agreement (not to exceed \$6 million).

Other Comments:

Five appraisals have been performed on this property since December 2017, four of which were performed by Karen H. Belinko Appraisals, LLC, and one of which was performed by Principle Real Estate Consultants (Principle). These appraisals ranged from \$5.8 million to \$7.0 million for 12.23 acres, which includes a 2.05-acre berm no longer sought by the County.

The initial plan for this acquisition included a 2.05-acre berm that is no longer needed due to findings cited in an environmental study. Per DPZ, Turf Valley Master Community Association, Inc., will retain ownership and control of this land. It is not aware of any plans for this land.

We were advised by the Administration that the project will initially be funded through Bond Anticipation Notes or Lines of Credit which will be paid off once the annual bond sale is held.

We noted that the County entered into an *executed* Letter of Intent, dated March 30, 2018, for the purchase of approximately 15.1 acres at a purchase price of \$5,750,000.

The total acreage referenced in this letter included parcels of land that are inconsistent with what is stated in the legislation, as verified by DPW. The DPW is not aware of plans to acquire the additional land stated in this letter.

Attachment A

Lost Tax Revenue from not developing plan F-08-085

Annual Revenue Sources	
Property Tax	198,000
Local Income Tax	142,000
Total	340,000

One-Time Revenue Sources	
County Transfer Tax	244,000
Recordation	49,000
School Surcharge	1,000,000
Road Excise Tax	202,000
Total	1,495,000

Non-General Fund Revenue Sources	
Fire Tax	46,000
Ad Valorem	16,000
Total	62,000

Assumptions

Housing Type	Number of Housing Units	Average Square Feet	Average Sales Price	Assumed Taxable Income
SFA	52	2,586	375,866	85,590

Cost per pupil savings as a result of legislation

<u>ESTIMATED EDUCATIONAL COST PER 2020 APFO SCHOOL CAPACITY CHARTS</u>					
File Name	Allocations	Unit Type	Estimated Total Yield	Cost Per Pupil	Estimated Education Cost
Villages at Town Square-Ph 3	52	SFD	26.9	15,340	411,553

Student Yields:

- Manor Woods Elementary School (0.324 per SFD unit) - **Student Yield 16.9**
- Mount View Middle School (0.097 per SFD unit) - **Student Yield 5.1**
- Marriott's Ridge High School (0.094 per SFD unit) - **Student Yield 4.9**