

**FISCAL IMPACT ANALYSIS  
FOR  
THE PROPOSED ANNEXATION  
OF THE  
PROPERTY  
OF**

**Annapolis Neck, LLC/ Samaras Property**

**5.649(±) ACRES  
AND IMPROVEMENTS,**

**LOCATED  
ON THE  
SOUTHWESTERLY SIDE OF BAY RIDGE ROAD,  
ANNAPOLIS,  
SECOND ASSESSMENT DISTRICT OF  
ANNE ARUNDEL COUNTY,  
MARYLAND  
21401**

**Analysis  
Prepared  
for:**

**Mr. Charles F. Delavan, Esq.  
C/o Blumenthal, Delavan & Williams, PA  
170 Jennifer Road, Suite 240  
Annapolis, MD 21401**

**Prepared by:**

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C/o Westholm & Associates, LLC  
140 South Street, Suite 200  
Annapolis, Maryland 21401**

**Effective Date: April 29<sup>th</sup>, 2014**

**EXHIBIT M**

# ***Westholm & Associates, LLC***

## ***Real Estate Appraisers-Consultants***

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May 13<sup>th</sup>, 2014

Mr. Charles F. Delavan, Esq.  
C/O Blumenthal, Delevan & Williams, PA  
170 Jennifer Road, Suite 240  
Annapolis, MD 21401

Re: Property of Annapolis Neck, LLC and Samaras Property/Properties; Proposed annexation into the City of Annapolis of several individual, contiguous, parcels of land being 5.649 (+/-) acres and improvements, located on the southwesterly side of Bay Ridge Road, in the Second Assessment District of Anne Arundel County, Maryland

Dear Mr. Delavan:

In accordance with your request, Westholm & Associates has prepared a fiscal impact analysis of the above-captioned proposed annexation. The purpose of this analysis is to determine if the annexation shall generate revenue(s) at least equal to, or greater than, the anticipated cost of providing municipal services to the property when, and if, annexed into the City of Annapolis. This analysis is in compliance with *Chapter 2.52 of the Annapolis City Code, Section 2.52.070 Required Findings*, which states:

"Within the Required Findings, it is necessary that, in order to act favorably with regard to the petition [for annexation], the City Council shall find that:

F. "The annexation will generate revenue at least equal to the anticipated cost of providing municipal services."

The effective date of this fiscal impact analysis is "current day"; i.e., as of April 29<sup>th</sup>, 2014.

In analyzing the fiscal impact of the proposed annexation, the long term revenues and expenses have been analyzed based upon two different physical/legal scenarios:

1. As Developed
2. As Is

Long Term expenses are those costs that will be incurred by the City of Annapolis to provide municipal services to the subject property after the property is either fully developed or remains in its "as is" state. Long Term revenues are those revenues the City of Annapolis will receive from the subject property as developed or remains in its "as is" state. The primary sources of revenue will be real property taxes. However, there are other sources of revenue (such as utility taxes) that are more fully described within this report and which are considered revenues which the City of Annapolis shall receive as a result of the proposed annexation of the subject property.

In analyzing the Long Term impact of the subject "as developed" the analysis herein focuses on the "**direct**" impact of additional commercial development in the City. Thus, in the "as developed" fiscal impact analysis herein only revenues and expenses associated directly with non-residential uses were considered.

In analyzing the Long Term impact of the subject "as is" the analysis herein focuses on the "**direct**" impact of the subject assuming that no additional development occurs on the subject property. Thus, in the "as is" fiscal impact analysis, once again, revenues and expenses associated directly with only non-residential uses were considered.

In completing this fiscal impact analysis it is necessary to make a number of specific assumptions relative to costs, revenues and existing development. These specific assumptions are enumerated below:

- All cost estimates and revenue estimates are in constant 2014 dollars and have not been adjusted for inflation.
- Property tax rates incorporated in this analysis are based on 2013-2014 fiscal tax year rates, which were in effect as of the effective date of this analysis.
- Projected real property assessments are based upon the assumed annexation (into the City of Annapolis) and resultant value considerations by the State Department of Assessments and Taxation.
- Income tax rates are based upon 2014 tax rates, which are the latest available according to the office of the Comptroller of Maryland.
- All revenue (excluding property tax) and expense projections have been extracted from the City of Annapolis Fiscal Year 2014 Adopted Operating Budget.

- It is a specific assumption of this analysis that in the “as developed” analysis the subject property shall be commercially developed with 4 buildings, totaling approximately 47,840 gross square feet of commercial space.
- It is a specific assumption of this analysis that, if annexed into the City of Annapolis, the composite subject property shall be zoned “B-2” (Community Shopping District), which is the same zoning as the property/properties immediately adjoining the subject property to the northeast and which are within the City of Annapolis.
- The City currently provides public services to the composite subject property. These include fire and ambulance service. It is an assumption that these services will not require upgrading as a result of the annexation.
- It is an assumption of this analysis that the current level of services provided by the City of Annapolis to properties within the City, both in terms of quality and extent of services, will be provided to the subject property, which is proposed for annexation.
- It is an assumption of this analysis that the current amount of improved non-residential (i.e., commercial, office and industrial) space within the City is approximately 6,750,000 square feet (per the City of Annapolis Department of Economic Affairs, *Commercial Tax Base Update, September 2009, then adjusted upward*).

#### **Fiscal Impact Analysis Conclusion(s):**

##### **As Is:**

Based on the analysis presented in this report, subject to the specific assumptions enumerated above and, as well, the Underlying Assumptions and Contingent Conditions contained herein, it is the opinion of Westholm & Associates that annexation of the composite subject property “as is” (i.e., without subsequent development) shall reasonably result in **net positive** (net of all expenses) **Long Term “Direct”** revenues of approximately **Seven Hundred Dollars (\$700.00) Per Annum (rounded)**, first year, for the City of Annapolis. This annually recurring revenue projection is estimated in constant 2014 dollars and is not adjusted for inflation.

##### **Comment:**

In the “As Is” analysis, due to the lack of information relative to the condition of the existing dwellings, Westholm & Associates has not analyzed the income tax revenue(s) which would be generated by assuming that each dwelling was occupied. While the fiscal analysis herein indicates that there would be a “net positive” cash flow to the City of Annapolis if annexed in the “as is” physical state, it

is fully recognized that the "net positive" cash flow would be significantly higher if the income tax revenues per household were considered. Illustratively, based upon the income taxes generated per employee of the commercial component assumed to be residents of the City of Annapolis (see supporting data as contained within this fiscal impact analysis as related to the "as is" subject property), up to an additional \$1,315.00, more or less, in revenues would be generated by the existence of occupied residences. Conversely, if it was determined that not all dwellings were habitable, then the expenses assigned to the "as is" analysis would decrease; thus also resulting in a higher "net positive" cash flow to the City of Annapolis. For the aforesaid reasons Westholm & Associates has analyzed the revenues and expenses in the "as is" physical state in the most conservative manner possible; which still has resulted in a "net positive" cash flow to the City of Annapolis were the composite subject property annexed into the City.

#### **As Developed:**

Based on the analysis presented in this report, subject to the specific assumptions enumerated above and, as well, the Underlying Assumptions and Contingent Conditions contained herein, it is the opinion of Westholm & Associates that annexation of the composite subject property and subsequent development as described herein shall reasonably result in **net positive** (net of all expenses) **Long Term "Direct"** revenues of approximately **Eighty-Eight Thousand Dollars (\$88,000.00) Per Annum (rounded)**, first year, for the City of Annapolis. This annually recurring revenue projection is estimated in constant 2014 dollars and is not adjusted for inflation.

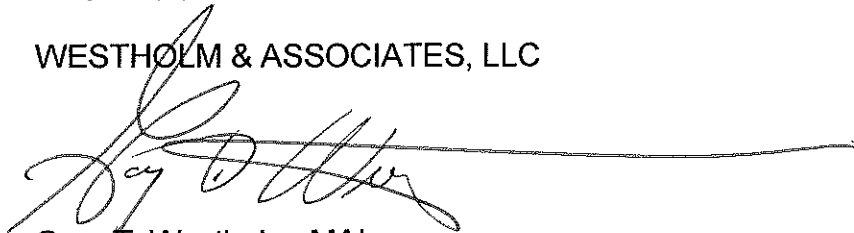
#### **Closing Remarks:**

In closing it is noted that in the Annexation Policy and Procedures as contained within the Annapolis City Code (see chapter/section 2.52.030) there are portions of the petition filing contents which are also addressed within this analysis, including estimates of the cost to the City of having to provide (each) service and estimates of the potential revenue to be realized by the City.

Thank you for this opportunity to have been of service.

Very truly yours,

WESTHOLM & ASSOCIATES, LLC



Gary T. Westholm, MAI  
Maryland General Certified  
Appraiser # 04-498

## **PROPERTY IDENTIFICATION**

The subject is a composite property comprised of several individual, contiguous parcels under several ownerships (totaling 5.649 (±) acres), all of which are intended to be developed. This composite 5.649 (±) acre property (the "total proposed annexation") is located on the southwesterly side of Bay Ridge Road, approximately 900 feet southeasterly of the intersection of Bay Ridge Road and Quiet Waters Road, and directly opposite the intersection of Bay Ridge Road and Georgetown Road. The composite subject borders the City limits (directly across Bay Ridge Road from Bay Forest shopping center). The subject has approximately 420(±) feet of frontage on Bay Ridge Road.) The composite subject property is located within the Second Assessment District of Anne Arundel County.

For the purposes of this analysis, the total proposed annexation being analyzed for annexation and development is known (and shall be identified) as the "Annapolis Neck LLC/Samaras Property." A section of the relevant Anne Arundel County tax map, showing the total proposed annexation and identifying the "Annapolis Neck LLC/Samaras" Property, is on the following page.

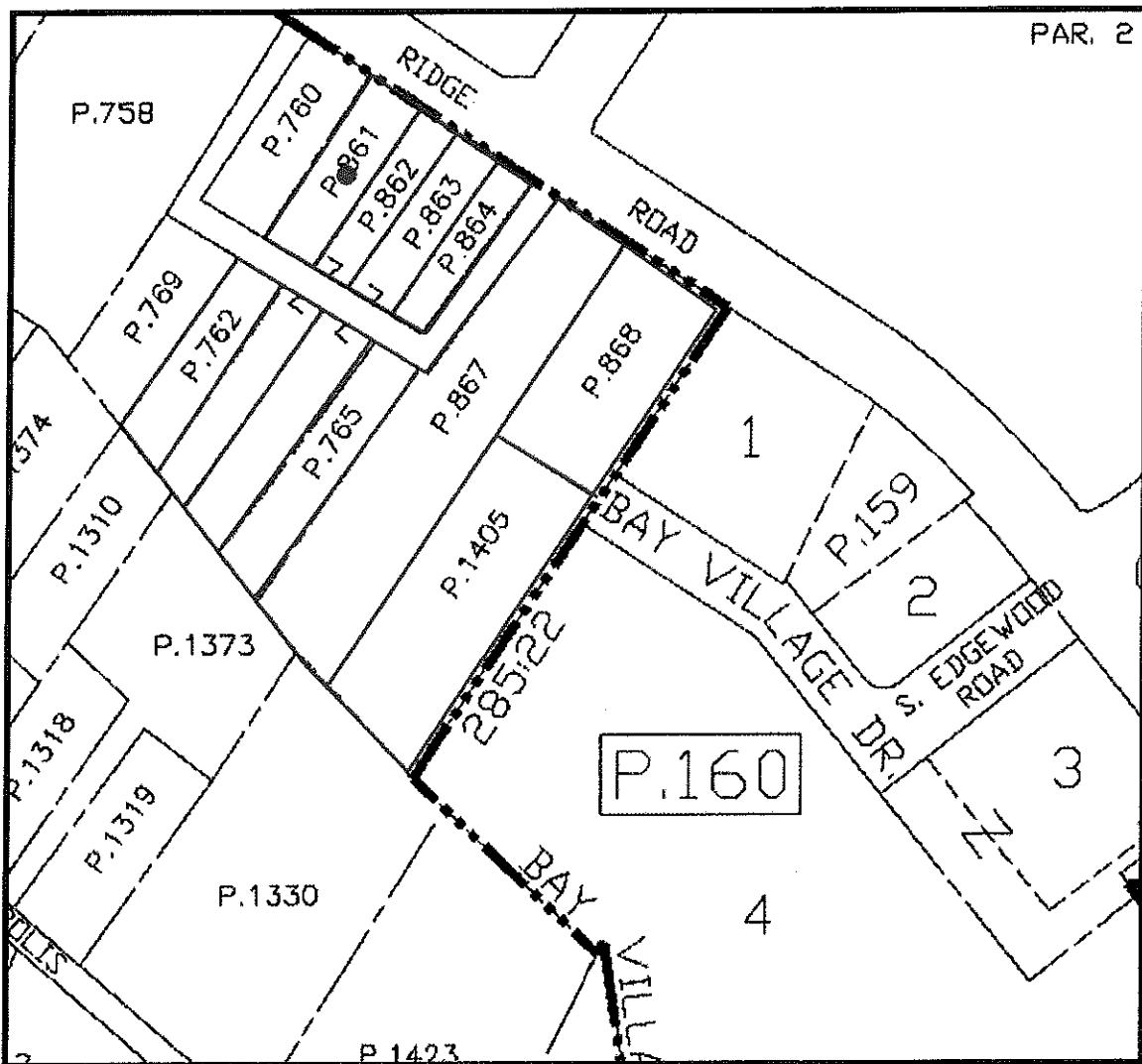
The composite subject property/total proposed annexation is irregular in shape. While the composite subject is located within an Annapolis zip code area, it is, in fact, situated just outside of (and bordering on) the corporate limits of the City of Annapolis. The corporate limits of the City run adjacent to the northeastern and southeastern borders of the total proposed annexation/composite subject property. The composite subject property is shown on Anne Arundel County Tax Map No. 57, in Block 1.

The individual parcels comprising the total proposed annexation/composite subject property are identified by the State Department of Annexation and Taxation as follows:

<b>TAX ACCOUNT</b>	<b>PARCEL</b>	<b>SF</b>	<b>ACRES</b>	<b>LOT</b>	<b>ADDRESS</b>	<b>OWNER</b>
02-000-10166100	861	12,971	0.298	6	Bay Ridge Rd	Daphne S Forman et. al.
02-000-07269740	762	14,090	0.323	6	917 Bay Ridge Rd	Annapolis Neck, LLC
02-000-10166300	863	28,073	0.644	7	Bay Ridge Rd	Daphne S Forman et. al.
02-000-10166400	864	13,897	0.319	7	Bay Ridge Rd	Daphne S Forman et. al.
02-000-10316600	765	14,649	0.336		929A Bay Ridge Rd	Samaras Granschildren Property, LLC
02-000-10166440	867	58,425	1.341	8	Bay Ridge Rd	Daphne S Forman et. al.
02-000-90035408	P/O 868	30,274	0.695		941 Bay Ridge Rd	Annapolis Neck, LLC
02-000-10165800	862	27,543	0.632		925 Bay Ridge Rd	Daphne S Forman et. al.

02-000-90035409	1405	26,617	0.611	1	939 Bay Ridge Rd	Annapolis Neck, LLC
		15,737	0.361		Bay Ridge R/W	
06-000-12623805	P/O 160	3,776	0.087	4	979 Bay Village Dr.	

NOTE: There is a discrepancy in the parcel sizes, thus aggregate areas, as reported by the State Department of Assessment and Taxation *versus* the as provided by Bay Engineering Inc. (consultant civil engineers). For area computational purposes for this analysis, the area calculations provided by Bay Engineering Inc., indicating the total parcel area to be annexed in the City of Annapolis, shall be used.



The composite subject property (for clarification also referred to herein as "the subject" or the "composite subject") is currently C-1, Local Commercial District (Anne Arundel County zoning). The subject is not located within the Chesapeake Bay Critical Area. Upon annexation of the composite subject property, it is assumed both public water and public sewer (to be provided by the City of Annapolis) will be available to the total proposed annexation (area).

The Samaras Property annexation has a sloping topography; ranging from approximately 60 feet above sea level (along Bay Ridge Road), to a low point of approximately 47 feet above sea level at around mid- composite property (south of an existing internal road/driveway), and then rising to levels of 50 to 60 feet above sea level towards the rear of the property. Based upon a concept plan by Bay Engineering, Inc. upon annexation the composite subject is assumed to have the (reasonable) maximum development potential for development with four commercial buildings (with a gross building area of approximately 47,840 square feet).

For the purposes of this analysis, and based on the concept plan by Bay Engineering Inc. (dated April 2014) the proposed development consists of:

<b><u>Proposed Structures</u></b>	<b><u>Size (Sq. Ft.)</u></b>
Retail	12,600
	7,630
	14,110
	6,000
Retail Total	40,340
Office	7,500
<b>TOTAL</b>	<b>47,840</b>

#### **EFFECTIVE DATE OF ANALYSIS**

The effective date of this analysis is current day; i.e., April 29<sup>th</sup>, 2014, which is the most recent date of inspection of the composite subject property by Westholm & Associates.



## **PURPOSE OF ANALYSIS**

The composite subject property owner has applied to the City of Annapolis for the purpose of annexing the subject property into the City of Annapolis. *Chapter 2.52 of the Annapolis City Code, Section 2.52.070 Required Findings* states:

Within the Required Findings, it is necessary that, in order to act favorably with regard to the petition [for annexation], the City Council shall find that:

- F. "The annexation will generate revenue at least equal to the anticipated cost of providing municipal services."

The purpose of this analysis is to estimate the net fiscal impact to the City of Annapolis as a direct result of a proposed annexation into the City of the composite subject property. This fiscal impact analysis shall consider the cost(s) to the City of Annapolis in terms of services provided by the City. Similarly, this analysis will consider revenue(s) to the City which are generated by the annexation of the subject property; assuming development as proposed. The difference between the cost to the City of Annapolis and the revenues generated by the proposed annexation/development shall represent the net fiscal impact, whether positive or negative, to the City of Annapolis as a direct result of annexation of the subject property into the City.

### **Comment:**

In completing this fiscal impact analysis it is necessary to make a number of specific assumptions relative to costs, revenues and the type of development proposed for the subject property. These specific assumptions are enumerated below:

1. All cost estimates and revenue estimates are in constant 2014 dollars and have not been adjusted for inflation.
2. Property tax rates incorporated in this analysis are based on 2013-2014 fiscal tax year rates, which were in effect as of the effective date of this analysis.
3. Projected real property assessments are based upon the assumed annexation (into the City of Annapolis) and resultant value considerations by the State Department of Assessments and Taxation.
4. Income tax rates are based upon 2014 tax rates, which are the latest available according to the office of the Comptroller of Maryland.
5. All revenue (excluding property tax) and expense projections have been extracted from the City of Annapolis Fiscal Year 2014 Adopted Operating Budget.
6. It is a specific assumption of this analysis that in the "as developed" analysis the subject property shall be commercially developed with 4 buildings, totaling approximately 47,840 gross square feet of commercial space.

7. It is a specific assumption of this analysis that, if annexed into the City of Annapolis, the composite subject property shall be zoned "B-2" (Community Shopping District), which is the same zoning as the property/properties immediately adjoining the subject property to the northeast and which are within the City of Annapolis.
8. The City currently provides public services to the composite subject property. These include fire and ambulance service. It is an assumption that these services will not require upgrading as a result of the annexation.
9. It is an assumption of this analysis that the current level of services provided by the City of Annapolis to properties within the City, both in terms of quality and extent of services, will be provided to the subject property, which is proposed for annexation.
10. It is an assumption of this analysis that the current amount of improved non-residential (i.e., commercial, office and industrial) space within the City is approximately 6,750,000 square feet (per the City of Annapolis Department of Economic Affairs, *Commercial Tax Base Update, September 2009, then adjusted upward*).

**Comment(s):**

a. It is importantly noted that it is recognized that the assumed gross square footage of commercial/industrial space is slightly dated and, thus, the assumed square footage above is subject to error. However, during the past year or so commercial/industrial development has not been significant within the City. Shawn Wampler, the GIS coordinator for the City of Annapolis, suggested the 2009 figures (6,720,328 square feet of commercial space) would be a decent representation of commercial/industrial square footage since the raw SDAT data would not be a good accounting. However, it is recognized that there has been some development. Therefore, due to the fact that there has been some additional improved square footage of commercial/industrial space since the study cited, Westholm & Associates is of the opinion that utilizing the above cited gross square footage would be in slight error; thus, for purposes of this analysis the estimated square footage of improved non-residential space within the City is increased to 6,750,000 square feet. In our opinion this rounded estimate of space shall not result in any significant errors (or misleading opinions) within this report and, thus, shall be used herein.

b. In the Annexation Policy and Procedures as contained within the Annapolis City Code (see chapter/section 2.52.030) there are portions of the petition filing contents which are also addressed within this analysis, including estimates of the cost to the City of having to provide (each) service and estimates of the potential revenue to be realized by the City.

## **ANALYSIS METHODOLOGY**

Westholm & Associates has in the past prepared several fiscal impact analyses for proposed annexations of property into the City of Annapolis. In analyzing the fiscal impact to the City of Annapolis as a result of the subject's annexation into the City and its subsequent development, the subject shall be analyzed under two different physical/legal scenarios:

- As Is (property is considered in its "as is" physical state), and
- As Developed (as commercially/industrially developed to a reasonably estimated 47,840 gross square foot space based upon preliminary plan(s)).

In each scenario described above the Long-Term revenues and expenses were analyzed to ascertain the fiscal impact of the subject's annexation into the City. In the "as developed" scenario, the long term analysis is based upon the reasonably projected physical state subsequent to development. It is noted that, after previous discussions with the City of Annapolis Finance Department prior to commencing most recent past fiscal impact analyses it was agreed to:

- Not include within this fiscal impact analysis any short-term analyses (as done in many previous annexation applications showing projected income and expense revenues during physical development phase), since in all previous annexation cases the fees generated as a result of development far exceeded the nominal expenses incurred (by the City of Annapolis) during this short term period.
- Not include within the fiscal impact analysis Long-Term "Indirect" (revenue and expense) analyses (with the exception of indirect revenue from income taxes), since in all previous annexation cases "indirect" revenues and expenses had not been considered by the City of Annapolis in their review of the fiscal impact(s) caused by these individual annexations being considered/analyzed.

### **Important comment:**

In the "As Is" analysis, due to the lack of information relative to the condition of the existing dwellings, Westholm & Associates has not analyzed the income tax revenue(s) which would be generated by assuming that each dwelling was occupied. While the fiscal analysis herein indicates that there would be a "net positive" cash flow to the City of Annapolis if annexed in the "as is" physical state, it is fully recognized that the "net positive" cash flow would be significantly higher if the income tax revenues per household were considered. Illustratively, based upon the income taxes generated per employee of the commercial component assumed to be residents of the City of Annapolis (see supporting data as contained within this fiscal impact analysis as related to the "as is" subject property), up to an additional \$1,315.00, more or less, in revenues would be generated by the existence of occupied residences. Conversely, if it was

determined that not all dwellings were habitable, then the expenses assigned to the "as is" analysis would decrease; thus also resulting in a higher "net positive" cash flow to the City of Annapolis. For the aforesaid reasons Westholm & Associates has analyzed the revenues and expenses in the "as is" physical state in the most conservative manner possible; which still has resulted in a "net positive" cash flow to the City of Annapolis were the composite subject property annexed into the City.

### **Long-Term Analysis Methodology**

#### **Long Term, As Developed:**

The Long-Term analysis assumes that all development work is completed and the subject property has been developed in accordance with the Preliminary Conceptual Site plan made by Bay Engineering, Inc. and provided to Westholm & Associates. The Long-Term expenses analyzed shall consist of all General Fund expenses associated with the operation of the City of Annapolis. However, Enterprise Funds will not be considered, as these funds are self-supporting through user fees. The Enterprise Funds include Water, Sewer, Off Street Parking, Dock, Market, Transportation and Refuse. Long-term revenues consist of property taxes, income taxes, fees for services, rental of City property, interest income on City investments, etc. All of the revenue sources are discussed in greater detail within the "Long-Term, As Developed" analysis.

The annexation policies and procedures of the City of Annapolis include the requirement that, to act favorably with regard to any annexation petition, the City Council shall find that "the annexation will generate revenue at least equal to the anticipated cost of providing municipal services." Since this requirement does not specify the quantitative measurement standards to be applied, Westholm & Associates has analyzed said fiscal impact following the format previously used in fiscal impact analyses by Westholm & Associates.

Comment: Of the two analyses (based upon two different physical/legal scenarios) included within this fiscal impact study, the first analysis herein shall be the "As Developed" scenario. As a result, the narrative text for this portion of the overall study shall be far more extensive than in the other (As Is) analysis. Therefore, for clarification purposes in the "As Is" analysis, one is referred to the "As Developed" analysis contained herein.

#### **Long-Term, As Is:**

The "As Is" Long-Term analysis assumes that the subject property shall remain in its current, "as is" physical state, examining the property as it presently exists.

As in the previously discussed analysis, the long-term expenses analyzed shall consist of all General Fund expenses associated with the operation of the City of Annapolis. Again, Enterprise Funds will not be considered, as these funds are self-

supporting through user fees. The Enterprise Funds include Water, Sewer, Off Street Parking, Dock, Market, Transportation and Refuse. Long-term revenues consist of property taxes, income taxes, fees for services, rental of City property, interest income on City investments, etc. All of the revenue sources are discussed in greater detail within the "Long-Term, As Developed" analysis.

### **Analysis Methodology of "Direct" Revenues and "Direct" Expenses**

For purposes of considering the net fiscal impact to the City caused by a property being annexed, it is Westholm & Associates' opinion that analyzing the cash flow(s) for both Direct Expenses and Direct Revenues is the primary element of importance. In most previous annexation-related fiscal impact analyses prepared by Westholm & Associates the analyses have included a byproduct of annexation, the "indirect" revenues and expenses caused by annexation(s). In more recent annexation cases both the City Finance Department and Westholm & Associates have agreed that analyzing "indirect" revenues and expenses is not necessary and, thus, this scenario will not be included (with the exception of indirect revenue from income taxes) within this fiscal impact analysis as related to the subject property.

The following format/methodology is presented based upon the "As Developed" analysis, in which the entire subject property is viewed as being developed/redeveloped for commercial purposes only.

Subject to the above, the "Direct" analysis/approach shall analyze those revenues and expenses directly associated with the commercial base within the City. Examples of "direct" revenues include property tax revenues, income taxes, the City's share of utility taxes attributable to the commercial base, highway taxes attributable to the commercial base, etc. In some cases data was not available to provide a precise break-out of the "direct" expenses and revenues for the commercial sector. Therefore, estimates have been made based on information obtained from other sources, as well as the experience of Westholm & Associates in analyzing a multitude of non-residential and residential properties over the years. The net difference between the "direct" revenues and "direct" expenses shall represent the estimated "direct" impact to the City of Annapolis as a result of the subject property's annexation and development in accordance with the "As Developed" conceptual plan.

#### **Comment:**

Relative to the analysis described above, unless otherwise noted all revenue and expense estimates/projections contained herein:

- are on a per annum basis,
- are in current-day, i.e. constant, 2014 dollars, and
- have been apportioned on a per square foot of commercial space basis. This is the unit of comparison/measurement considered most applicable to the analysis.

## **REAL ESTATE ASSESSMENT(S), METHODOLOGY, CALCULATIONS/PROJECTED REVENUES**

Included within this section of the fiscal impact analysis are the real estate assessments and projected real estate tax revenues for the two scenarios analyzed. Both scenarios within this fiscal impact analysis of the subject require examination of the projected real estate taxes for each development/non-development scenario.

### **“As Is” Real Estate Assessment(s) Projections:**

Real estate tax revenue to the City of Annapolis is based upon an established formula – the real estate/property assessment. In order to estimate the projected “as is” assessments assuming the property were to be annexed into the City of Annapolis, Westholm & Associates has reviewed the basis for assessments and, as well, revisions to assessments. Though both parts of the subject property involved in the subject annexation currently have assessments, several facts/factors have to be considered regarding whether the current assessments shall remain in place or shall the Maryland Department of Assessments and Taxation review and reassess the subject properties. Facts/factors which have to be considered include:

- The properties’ relative position within the State’s triennial assessment procedure.
- Change in zoning (from County zoning to City zoning).
- The fact that property assessments can be changed “out of cycle” (the triennial period) due to changes/events which affect a property.

Due to the various issues involved in arriving at an opinion of the subject assessments upon annexation and, furthermore, in order to minimize the amount of conjecture within this fiscal impact analysis, Westholm & Associates interviewed a representative of the Maryland Department of Assessments and Taxation. The interview focused upon causes for reassessment in general and annexations in particular. All State Department of Assessments and Taxation responses (below) are based upon their policies and, furthermore, supported by citing historical precedence(s).

The responses to questions centering on the issue of, basis for “out of cycle” reassessment included:

- The subject property and, as well, all properties within the City of Annapolis were most recently reassessed last year; with a Date of Finality of 1 January 2013; and effective fiscal year (FY 2014, commencing 1 July 2013). This reassessment is for all properties located within the Second and Sixth Assessment District (Note: The City is defined/delineated as the Sixth Assessment District.)
- The above referenced reassessments are due to the tri-annual formula/format currently used by the Maryland State Department of Assessments and Taxation.

Of note is that, in Anne Arundel County, "one-third" of the county is reassessed every year.

- Change in zoning due to annexation is not, alone, a basis for review and reassessment of a property. SDAT is well aware of the fact that (a) the County and City zonings are not totally consistent/compatible with each other; and that (b) properties annexed are zoned by the City to a classification which is as similar as possible to the zoning classification the property in question had before annexation.
- An exception to the above generalized policy by the Maryland Department of Assessments and Taxation is, if a property is zoned by the City to a significantly different zoning classification than that which it previously had before being annexed, then upon notification the Maryland Department of Assessments and Taxation does re-assess the property "out of cycle." (Note: This rezoning scenario can reasonably occur when annexed, when a property's zoning is significantly changed based upon/in compliance with an existing/approved Anne Arundel County Comprehensive Plan.)
- A new assessment (revaluation) would only occur if there were a "significant" change in zoning, such as residential to commercial.
- Another exception to the above, regardless of annexation, is when a property owner (or assigns) has a property "piecemeal rezoned" as a result of their own initiative. If this occurs, then, upon notification, the Maryland Department of Assessments and Taxation does reassess the property "out of cycle".
- On the issue of zoning, though not totally relevant to annexations, it is noted that the Maryland Department of Assessments and Taxation recognizes that sometimes (illustratively, due to "comprehensive zoning") property owners are zoned to classifications which are entirely different than the property's present use (illustratively, when an owner-occupied, residentially zoned, residence is comprehensively rezoned to a commercial zoning classification). When this occurs, normally through no actions of the property owner, and the owner is to continue "residential use", then SDAT does allow the property owner to apply for consideration of keeping the assessment at "residential" rates. Per SDAT it is their policy to recognize the property owner's stated intention to continue the current use.
- An exception to the first response above (change in ownership does, of itself, not cause reassessment of property "out of cycle"), is when the recorded sale price of a property is significantly higher than the assessed value; indicating the possible change in use of the property. Per SDAT, when notified of a property sale and there is a significant difference between the assessed value and the sale price, Maryland Department of Assessments and Taxation does reassess the property "out of cycle". Per SDAT they do not normally adjust the assessment to 100% of the recorded sale price; instead they reassess to a new assessed value normally below the actual recorded sale price. (Note: In general the local SDAT office endeavors to have, and is highly successful at doing so,

individual assessments at a conservative value point. They consider having assessed values at 95% to 98% of market value professionally reasonable.)

Based on the above, it does not appear likely that there would be a reassessment of the subject property based solely on its being annexed into the City of Annapolis, as there is no change in use (i.e., commercial to residential or residential to commercial).

**Full Cash Value of the Composite Subject Property "As Is"**

Tax Acct. No.	Property Parcel No.	Size		Assessments		Full Cash Value
		Land (acres)*	Enclosed Area*	Land	Improvement	(land and improvements)
02-000-10166100	861	0.298	0	\$517,700.00	\$11,500.00	\$529,200.00
02-000-07269740	762	0.323	1,072	\$184,500.00	\$58,000.00	\$242,500.00
02-000-10166300	863	0.644	1,548	\$428,900.00	\$1,000.00	\$429,900.00
02-000-10166400	864	0.319	1,090	\$205,000.00	\$52,300.00	\$257,300.00
02-000-10316600	765	0.336	778	\$184,500.00	\$40,500.00	\$225,000.00
02-000-10166440	867	1.341	560	\$218,800.00	\$39,300.00	\$258,100.00
02-000-90035408	P/O 868	0.695	1,290	\$212,200.00	\$90,500.00	\$302,700.00
02-000-10165800	862	0.632	4,674	\$452,000.00	\$238,600.00	\$690,600.00
02-000-90035409	1405	0.611	1,760	\$190,400.00	\$137,900.00	\$328,300.00
Bay Ridge R/W		0.361		\$0.00	\$0.00	\$0.00
06-000-12623805	P/O 160	0.087		\$146,800.00	\$0.00	\$0.00
	Gross Area	5.647	12,772	Applicable Aggregate FCV		\$3,263,600.00

\* per SDAT

The above chart illustrates the assessments of the composite subject property as reported by Maryland State Department of Assessments and Taxation and as applies to the total proposed annexation. The composite subject property is within the Anne Arundel County Reassessment Area Group 3 and will next be reassessed with a Date of Finality of January 1, 2015 (and would be effective July 1, 2015 (for Fiscal Year 2016)).

Note: The parcel numbers shown above are taken from the Annexation Plat by Bay Engineering. One parcel (P/O 160) is part of a much larger parcel (over 6 acres and assessed at \$146,800.00) and, thus, no assessment was assigned to said "parcel".

**Projected "As Is" Real Estate Tax Revenue:**

Based upon the Full Cash Value of the current assessments by the Maryland State Department of Assessments and Taxation of the composite subject property, the



following illustrates the annualized real estate tax revenue which the City of Annapolis shall reasonably receive upon annexation of the composite subject property.

(\$3,263,600.00 divided by 100) x 0.65 = \$21,213.40 per annum, first year

**Projected "As Developed" Full Cash Value:**

In the "as developed" state preliminary plans provided to Westholm & Associates (by Bay Engineering, Inc.) indicate that approximately 47,840 gross square feet of commercial space are projected to be constructed in a total of four buildings.

There are no plans for any residential component.

In estimating how much of a change is anticipated in the real property taxes for the "Samaras" Property "As Developed" upon annexation, Westholm & Associates has reviewed full cash value assessments of properties in general proximity to Annapolis (outside of the City but in general proximity) which are similarly developed with commercial structures, from 7,337 square feet to 77,280 square feet in gross square feet. In an effort to stay in a comparable market area with similar size structures, built from 2004 to 2012, assessments from recent commercial construction in Annapolis, Baltimore, Linthicum Heights, Silver Spring, Gambrills, Millersville, and Jessup have been analyzed, also. Included in the Addenda of this analysis are aerial photos of these properties, identifying the location of each. Along with each photograph is that property's current assessment data, indicating the full cash value (including the square footage, age, and date of finality).

Below is table showing the selected properties assessments:

	Address	Location	Building Construction Date	Building Size sq. ft.	Land Area sq. ft.	Base Value Date	Land & Improvement Value	Rate/GBA
1	3613-3615 E Joppa Rd	Baltimore	2006	22,777	84,071	1/1/2013	\$3,815,400.00	\$167.51
2	101 Ferguson Rd	Annapolis	2005	20,048	86,249	1/1/2013	\$5,111,100.00	\$254.94
3	810 Nursery Rd	Linthicum Heights	2007	22,615	108,900	1/1/2014	\$3,594,400.00	\$158.94
4	10727-10741 Columbia Pike	Silver Spring	2005	24,750	152,718	1/1/2014	\$9,776,100.00	\$394.99
5	Brickhead Rd	Gambrills	2012	56,254	220,414	1/1/2014	\$12,881,000.00	\$228.98
6	8666 Veterans Hwy	Millersville	2006	34,392	126,760	1/1/2014	\$7,364,400.00	\$214.13

<b>7</b>	7690 Dorchester Blvd	Jessup	2008	22,500	106,722	1/1/2014	\$3,014,800.00	<b>\$133.99</b>
<b>8</b>	8529 Veterans Hwy	Millersville	2009	7,337	9,134	1/1/2013	\$1,459,200.00	<b>\$198.88</b>
<b>9</b>	2629 Riva Rd	Annapolis	2004	77,280	327,136	1/1/2012	\$16,961,700.00	<b>\$219.48</b>

Based upon the research completed, the selected per square foot rate applicable for estimating the projected subject full cash value in the "As Developed" scenario is \$235.00 per gross square foot of building, including land. As this will be new construction within the City of Annapolis, the selected square foot rate is near the upper end of the range of the square foot rate of comparable construction.

Based upon the assessment comparable supported rate per gross square foot of building area, the projected Full Cash Value for the "as developed" subject property is:

<b>Projected Commercial Square Footage</b>	<b>47,840</b>
<b>Projected Assessed rate (per SF)</b>	<b>\$235.00</b>
<b>Projected Full Cash Value</b>	<b>\$11,242,400</b>

Therefore, in the "As Developed" scenario being analyzed herein, the above indicated full cash value shall be used within this analysis as the commercial real estate full cash value for the subject property, assuming the subject to have been annexed into the City of Annapolis.

#### **Projected Real Estate Tax Revenue (both scenarios):**

Based upon the preceding analysis, the following estimates of the annualized real estate tax revenue which the City of Annapolis shall reasonably receive upon annexation and, when appropriate, subsequent development are:

##### Projected "As Is" Full Cash Value Revenue:

$(\$3,263,600.00 \text{ divided by } 100) \times 0.65 = \textbf{\$21,213.40}$  per annum, first year

##### Projected "As Developed" Full Cash Value Revenue:

$(\$11,242,400.00 \text{ divided by } 100) \times 0.65 = \textbf{\$73,075.60}$  per annum/first year

**ESTIMATED**  
**NON-RESIDENTIAL SPACE**  
**WITHIN THE CITY OF ANNAPOLIS**

The unit of comparison for estimating revenues and expenses for non-residential space within the City of Annapolis shall be based upon a "per square foot" rate. This formula is considered the most appropriate to the assignment and shall be used within this fiscal impact analysis. As such, it is important to have an understanding of the total square footage of non-residential space which currently exists in the City. Westholm & Associates has referenced and will apply the research results of the *Commercial Tax Base Update, September 2009*, prepared by the Municipal & financial Services Group for the City of Annapolis, which encompasses existing development in the City through June 2009. Per this publication, the amount of improved non-residential (i.e., commercial, office and industrial) space within the City was approximately 6,720,328 square feet in 2009.

Comment:

Again, it is importantly noted that it is recognized that the assumed gross square footage of commercial/industrial space is slightly dated and, thus, the assumed square footage above is subject to error. However, during the past year or so commercial/industrial development has not been significant within the City. Shawn Wampler, the GIS coordinator for the City of Annapolis, suggested the 2009 figures (6,720,328 square feet of commercial space) would be a decent representation of commercial/industrial square footage since the raw SDAT data would not be a good accounting. However, it is recognized that there has been some development. Therefore, due to the fact that there has been some additional improved square footage of commercial/industrial space since the study cited, Westholm & Associates is of the opinion that utilizing the above cited gross square footage would be in slight error; thus, for purposes of this analysis the estimated square footage of improved non-residential space within the City is increased to 6,750,000 square feet. In our opinion this rounded estimate of space shall not result in any significant errors (or misleading opinions) within this report and, thus, shall be used herein.

**AS DEVELOPED,**  
**DIRECT LONG-TERM**  
**FISCAL IMPACT ANALYSIS**

Following is the long-term fiscal impact analysis scrutinizing the composite subject property/total proposed annexation assuming it were annexed into the City of Annapolis and developed in accordance with the preliminary conceptual site plan (provided by Bay Engineering Inc.) for four (4) commercial buildings (totaling 47,840 gross square feet of commercial space).

## **LONG-TERM REVENUES:**

Following is an analysis of long-term revenues that would reasonably be generated by the Annapolis Neck, LLC and Samaras property were it annexed into the City of Annapolis and developed in accordance with the preliminary conceptual site plan for 4 buildings (totaling 47,840 square feet of commercial space). Where appropriate, attempts have been made to segregate the revenues that would be generated by the City's commercial enterprises, eliminating from consideration revenues that would be generated by the residential base in the City.

### **Income Tax Revenue "As Developed" Scenario**

As a municipal corporation, the City of Annapolis receives a share of income taxes collected by the State of Maryland for returns filed from Annapolis. Although the City receives only a fraction of the tax collected by the State, it is the second largest source of revenue to the General Fund. Below are the actual and adopted income tax revenues as stated in the City's Fiscal Year 2014 adopted budget.

#### **Income Tax**

<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>
\$5,215,404.00	\$4,700,000.00	\$5,000,000.00

Based on information provided by the office of the Comptroller of Maryland (Mr. Andrew Schaufele, Economist-Revenue Analyst, Bureau of Revenue Estimates), this share of income tax from residents of Annapolis which is returned to the City is based on the following:

The greater of:

1. 17% of county income taxes, or
2. 0.37% of the Maryland taxable income.

The amount payable under No. 1 is adjusted if the County tax rate is below 2.6%, which is currently the case with Anne Arundel County's tax rate at 2.56%. Adjusting the percentage of County income taxes as a result of the County's rate being below 2.56% yields a rate of 17.27% (of County income tax liability for City residents) that would accrue to the City of Annapolis.

The next step in estimating the projected revenues from income taxes that the City of Annapolis would receive is to estimate the income level for each potential employee at the subject location/property who would be a resident of the City of Annapolis. Although it is obviously not possible for us to arrive at an exact figure for contributions to the City revenue from income taxes from these potential employees, it is necessary, however to arrive at a reasonable figure for this segment of the overall revenues due to income taxes which the City shall receive. In order to estimate the projected income taxes as a result of the development of the subject, Westholm &

Associates will assume/estimate that in the proposed commercial building, totaling 47,840 square feet, for the purposes of this analysis, we will assume 144 employees. Of these employees, approximately half (or 72 employees) are projected to be residents of the City, and approximately 36 of those employees are projected to be new residents of Annapolis. It is further assumed/estimated that the average annual salary of these employees will be approximately \$60,000.00 per annum/first year. As a result, the total gross annual salaries for the 36 new City residents employed at the subject property are estimated at \$2,160,000.00.

This represents a gross figure and must be adjusted downward (to reflect typical deductions) in order to arrive at taxable income. Assuming deductions would equate to 15% of gross income, taxable income would be 85% of gross income.

The following table illustrates the projected portion of total new resident employee income tax, generated at the subject property "As Developed," that would be returned to the City of Annapolis.

<b>Total As Developed Resident Salaries</b>			
<b>36 New Resident Employees</b>			
	<u><b>Scenario 1</b></u>		<u><b>Scenario 2</b></u>
Total Salaries	\$2,160,000.00	Total Salaries	\$2,160,000.00
85%	\$1,836,000.00	85%	\$1,836,000.00
2.56% County Tax	\$47,001.60	0.37% of Taxable Income	\$6,793.20
17.27% of County Tax	\$8,117.18		

As previously discussed, the share of taxes that goes directly to a municipal corporation (in this particular case the City of Annapolis) is the **greater of** 0.37% of total taxable income or 17.27% of the County income tax liability. As developed, with the projected 36 new Annapolis resident employees, the estimated additional income tax returned to the City of Annapolis would be \$8,117.18 per annum.

#### **Other Long-Term Revenues – As Developed as Proposed Scenario**

Upon annexation and development of the Annapolis Neck, LLC and Samaras property, as projected by Bay Engineering Inc., with 4 buildings (totaling 47,840 square feet of commercial space) revenue for the City of Annapolis shall further be generated by miscellaneous fees/taxes for various services. Below is a discussion of the miscellaneous fee revenue expected to be generated by the subject upon annexation and development as proposed. Excluded from below are (one-time) permit fees associated with development.

The fees below are considered recurring revenue that will accrue to the City of Annapolis once development of the subject property has been completed.

### **Cable TV Franchise Fees**

The City of Annapolis charges cable companies 5% of gross receipts each year for cable television franchise fees. The actual amount collected in fiscal year 2012 was \$712,077.28. The budgeted amount for fiscal 2013 was \$750,000.00. The budgeted amount for fiscal year 2014 is \$700,000.00. It is projected that 50% of these franchise fees is attributable to the commercial segment of the City of Annapolis (while the remainder is attributable to the residential sector). As discussed earlier, the total commercial space in the City is 6,750,000 square feet.

Based on the proposed square footage of the developed Annapolis Neck, LLC and Samaras Property, the estimated revenue from cable TV franchise fees resulting from the subject's annexation is as follows:

<b>Cable TV Franchise Fees</b>			Commercial	<div>Subject's Share Sq. Ft. Basis \$2,480.59</div>
<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	<u>50%</u>	
\$712,077.28	\$750,000.00	\$700,000.00	\$350,000.00	
			<u>Per Sq. Ft.</u> \$0.0519	

### **Highway Taxes**

This represents the City's share of gasoline tax and motor vehicle registrations collected by the State of Maryland. The actual amount collected in fiscal year 2012 was \$431,615.53. The budgeted amount for fiscal 2013 was \$150,000.00. (Highway tax revenue is estimated and based on information provided to the City by the State.). The budgeted amount for fiscal year 2014 is \$859,000.00. It is projected that 50% of these revenues is attributable to the commercial segment of the City of Annapolis (while the remainder is attributable to the residential sector). As discussed earlier, the total commercial space in the City is 6,750,000 square feet. The estimated revenue from highway taxes resulting from the annexation and development, as proposed, of the Annapolis Neck, LLC and Samaras Property is as follows:

<b>Highway Taxes</b>			Commercial	<div>Subject's Share Sq. Ft. Basis \$3,044.04</div>
<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	<u>50%</u>	
\$431,615.53	\$150,000.00	\$859,000.00	\$429,500.00	
			<u>Per Sq. Ft.</u> \$0.0636	

### **Electricity, Gas, Telephone and Fuel Oil Taxes**

This revenue represents the City's share of taxes collected on usage of the various services and/or sales. The actual amount collected in fiscal year 2012 was \$393,825.26. The budgeted amount for fiscal 2013 was \$482,000.00. The budgeted amount for fiscal year 2014 is \$434,600.00. It is projected that 50% of these franchise

fees is attributable to the commercial segment of the City of Annapolis (while the remainder is attributable to the residential sector). Based on total square footage of commercial space currently in the City of Annapolis, the estimated revenue resulting from the annexation and development of the Annapolis Neck, LLC and Samaras Property is as follows:

**Electricity, Gas, Telephone and Fuel Oil Tax**

	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 50%
Electricity	\$161,387.73	\$200,000.00	\$190,000.00	\$217,300.00
Natural Gas	\$22,920.18	\$30,000.00	\$2,600.00	<u>Per Sq. Ft.</u>
Telephone	\$207,615.44	\$250,000.00	\$240,000.00	\$0.0322
Fuel Oil	<u>\$1,901.91</u>	<u>\$2,000.00</u>	<u>\$2,000.00</u>	
Total	\$393,825.26	\$482,000.00	\$434,600.00	

Subject's Share Sq. Ft. Basis \$1,540.09
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**Use of Money and Property**

This revenue comes from interest income received on City investments, rental revenue from City properties, miscellaneous fees for services and revenues not accounted for elsewhere in the budget. Following is a breakdown of these revenues for the 2012 through 2014 (current) fiscal years. Fiscal 2012 revenues represent actual revenues collected. Subsequent years are adopted budget amounts. It is projected that 25% of these franchise fees is attributable to the commercial segment of the City of Annapolis. Based on total square footage of commercial space currently in the City of Annapolis, this estimated revenue resulting from the annexation of the Annapolis Neck, LLC and Samaras Property is as follows:

**Money and Property**

<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 25%
\$730,373.32	\$837,100.00	\$916,100.00	\$229,025.00
			<u>Per Sq. Ft.</u>
			\$0.0339

Subject's Share Sq. Ft. Basis \$1,623.19
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Other fees (revenues) to the City of Annapolis exist solely from commercial development within city limits, depending on the type of business to be conducted.

**Traders Licenses**

The fees derived from Traders Licenses are derived totally from commercial sources. The actual amount collected in fiscal year 2012 was \$65,359.99. The budgeted amount for fiscal 2013 was \$75,000.00. The budgeted amount for fiscal year 2014 is \$70,000.00. Based on total square footage of commercial space currently in the City of Annapolis, the estimated revenue resulting from the annexation and development of the Annapolis Neck, LLC and Samaras Property is as follows:

**Traders Licenses**

2012 (actual)  
\$65,359.99

2013 (adopted)  
\$75,000.00

2014 (adopted)  
\$70,000.00

Commercial  
100%  
\$70,000.00  
Per Sq. Ft.  
\$0.0104

Subject's Share Sq. Ft. Basis \$496.12
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**Other Revenues**

Per the 2014 City of Annapolis budget, there are other revenues to the City from sources such as other taxes, licenses and permits, fines and forfeitures, and charges for services which have not been noted above. Westholm & Associates has included the various revenue line items in the budget which we consider shall be derived from the annexation and development of the Annapolis Neck, LLC and Samaras Property, as follows:

<b>Other Taxes</b>	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 10%	Subject's Share Sq. Ft. Basis
Pers. Property					
- Incorporated	\$1,451,077.26	\$1,500,000.00	\$1,500,000.00	\$164,500.00	\$1,165.88
Penalties and					
Interest - Real	\$120,146.99	\$145,000.00	\$145,000.00	<u>Per Sq. Ft.</u>	
<b>Total</b>	<b>\$1,571,224.25</b>	<b>\$1,645,000.00</b>	<b>\$1,645,000.00</b>	<b>\$0.0244</b>	

<b>Licenses and Permits</b>	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 10%	Subject's Share Sq. Ft. Basis
Street Use	\$218,477.04	\$270,000.00	\$225,000.00	\$49,000.00	\$347.28
Residential Parking	\$116,934.00	\$94,000.00	\$116,000.00	<u>Per Sq. Ft.</u>	
Occupancy	\$16,790.61	\$6,000.00	\$8,000.00	\$0.0073	
Use	\$6,108.00	\$10,000.00	\$6,000.00		
Other	\$87,721.50	\$100,000.00	\$135,000.00		
<b>Total</b>	<b>\$446,031.15</b>	<b>\$480,000.00</b>	<b>\$490,000.00</b>		

<b>Fines and Forfeitures</b>	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 5%	Subject's Share Sq. Ft. Basis
	\$121,285.00	\$466,500.00	\$466,500.00	\$23,325.00	\$165.31
				<u>Per Sq. Ft.</u>	
				\$0.0035	

<b>Charges for Service</b>	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 10%	Subject's Share Sq. Ft. Basis
Zoning and					
Subdiv. Fees	\$32,135.00	\$50,000.00	\$51,000.00	\$166,100.00	\$1,177.22
Public Safety					
Fees	\$1,705,828.51	\$1,410,000.00	\$1,610,000.00	<u>Per Sq. Ft.</u>	
<b>Total</b>	<b>\$1,737,963.51</b>	<b>\$1,460,000.00</b>	<b>\$1,661,000.00</b>	<b>\$0.0246</b>	



### **Summary of All Long-Term Revenues**

Based on the above analysis of reasonable expectations for revenue generation, assuming the subject property were annexed into the City of Annapolis and developed with 47,840 gross square feet of commercial space, the projected revenues per square foot, on an annual basis, would reasonably be as follows:

	<b>Revenue 47,840 Sq. Ft. Commercial</b>	<b>Commercial Per Sq. Ft.</b>
<b>Cable TV Franchise Fees 2014 (Adopted)</b>	\$2,480.59	\$0.0519
<b>Highway Taxes 2014 (Adopted)</b>	\$3,044.04	\$0.0636
<b>Electricity, Gas, Telephone and Fuel Oil Tax 2014 (Adopted)</b>	\$1,540.09	\$0.0322
<b>Use of Money and Property 2014 (Adopted)</b>	\$1,623.19	\$0.0339
<b>Traders Licenses 2014 (Adopted)</b>	\$496.12	\$0.0104
<b>Other Revenue: Taxes 2014 (Adopted)</b>	\$1,165.88	\$0.0244
<b>Other Revenue: Licenses &amp; Permits 2014 (Adopted)</b>	\$347.28	\$0.0073
<b>Other Revenue: Fines &amp; Forfeitures 2014 (Adopted)</b>	\$165.31	\$0.0035
<b>Other Revenue: Charges for Services 2014 (Adopted)</b>	\$1,177.22	\$0.0246
<b>Other Revenue: Transfers In/Interfund Sources 2014 (Adopted)</b>	\$25,426.07	\$0.5315
<i>Total per sq. ft. Lic, Fes, Other Rev/</i>		<b>\$0.7831</b>
<b>As Developed (Lic. &amp; Fees) Subtotal</b>	\$37,465.81	
<b>As Developed Income Taxes (projected)</b>	\$8,117.18	
<b>As Developed Property Taxes</b>	\$73,075.60	
<b>FULLY DEVELOPED TOTAL</b>	<b>\$118,658.59</b>	

The total projected annual revenue (in 2014 constant dollars) generated by the Annapolis Neck, LLC and Samaras Property as developed, as envisioned with 47,840 square feet of commercial improvements is \$118,658.59.

## **LONG-TERM EXPENSES:**

The following is a discussion of the long-term expenses that would be attributable to the commercial base and the Annapolis Neck, LLC and Samaras Property assuming it were annexed into the City and developed with 47,840 square feet of commercial space, (including 4 buildings). The discussion and estimation of expenses is broken down on a departmental basis and reasonable attempts have been made to segregate the cost attributable to the City's commercial enterprises only, excluding costs that would be attributable to the expenses associated with residential base within the City. Percentages assigned to each expense component for commercial space (based upon overall square footage within the city limits) are based upon both discussions with the City of Annapolis and a review of the selected percentage rates used in previous annexation fiscal impact analyses completed by Westholm & Associates. Where deviations from any previous analyses occur they are based upon further review and both consultation with the City Finance Department and, as well, taking into consideration the types of commercial components involved in this analysis (illustratively, office space requires less of a pro-rata share of certain department expenses when compared to retail space).

### **Police Department**

The City of Annapolis Police Department serves not only the City of Annapolis, but also provides mutual aid to areas of the County just outside of the city limits. Furthermore, the County also provides mutual aid assistance to the City when needed. Mutual aid calls are not billed to the neighboring jurisdiction and neither the City nor the County receives compensation for mutual aid services between the Police Departments.

Based on previous recent studies performed by Westholm & Associates concerning annexation of commercial property into the City of Annapolis, the direct impact of a 47,840 square foot commercial development to the City would be nominal at this time. In respect to services, no additional personnel or equipment would be necessary. It is reasonable to conclude that there will be no additional cost to the Police Department for increases in manpower or equipment as a direct result of the subject being annexed into the City of Annapolis.

On a longer-term basis, the subject property as annexed benefits from the services offered by the (City of Annapolis) Police Department. The precise extent of services that would be used cannot be defined, but each commercial enterprise in the annexed property (totaling 47,840 square feet as developed) could be expected to pay their proportionate (pro rata) share of costs for police protection. In as much as we have noted that it is reasonable to state that there shall be no direct impact (need, cost, etc.) to the Police Department caused by the simple annexation of the Annapolis Neck, LLC and Samaras Property, Westholm & Associates does recognize that when one considers the annexation of many properties over a longer term, there is the need for accountability of each "property" which causes an overall increase in demand (thus

costs) for said services – therefore, the need for a “pro rata” accountability of impact to costs for said services that the City of Annapolis does provide.

The total expense for the Police Department in fiscal year 2012 was \$16,801,879.00. The budgeted amount for Fiscal year 2013 was \$15,165,147.00. For the current fiscal year (2014), the cost is budgeted at \$14,621,989.00. It must be considered that the Police Department does not have a breakdown readily available of the number of calls answered from commercial enterprises vs. the number of calls received from residential areas. The following table assumes that 5% of the calls responded to by the Police Department are generated from commercial enterprises within the City.

Police Department			Commercial	Subject's Share Sq. Ft. Basis \$5,181.60
<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	<u>5%</u>	
\$16,801,879.00	\$15,165,147.00	\$14,621,989.00	\$731,099.45	
			<u>Per Sq. Ft.</u> \$0.1083	

The proportionate share of expenses for business enterprises in the City, associated with the operation of the Annapolis Police Department is estimated at \$0.1083 per square foot of commercial space. Accordingly, the subject's pro rata share, assuming the property is fully developed with 47,840 square feet of commercial improvements, would be \$5,181.60 per annum, first year.

### **Fire Department**

The City of Annapolis Fire Department serves not only the City of Annapolis, but also provides aid to areas in Anne Arundel County on the Annapolis Neck Peninsula just outside of the City limits. The City of Annapolis receives payments from Anne Arundel County in lieu of taxes for these services. A precise count on the number of calls made to areas outside of the City limits was not available.

Based on previous recent studies performed by Westholm & Associates concerning annexation of residential and commercial property into the City of Annapolis, the impact of a 47,840 square foot commercial development to the City would be nominal at this time. In respect to the services of the Fire Department, no additional personnel or equipment would be necessary. It is reasonable to conclude that there will be no additional cost to the Fire Department for increases in manpower or equipment as a result of the subject being annexed into the City of Annapolis. On a longer-term basis, the subject property shall benefit from the services offered by the Fire Department. The precise extent of services that would be used cannot be defined, but each commercial enterprise in the annexed property (totaling 47,840 square feet as fully developed) could be expected to pay their proportionate (pro rata) share of costs for fire protection and EMS services (which is part of the Fire Department budget). The logic of why is similar to that as explained in analyzing the Police department costs.

The total expense for the Fire Department in fiscal year 2012 was \$13,992,120.00. The budgeted amount for Fiscal year 2013 was \$13,615,455.00. For the current fiscal year (2014), the cost is budgeted at \$14,026,951.00. A review of the data provided by the City as related to a breakdown of payments from the County was not available. Therefore, for purposes of this analysis the total budgeted amount is not reduced by the amount of County payments (for service outside of the City). The actual and budgeted amounts for the Fire Department are detailed below and broken down on a cost per commercial square foot basis. Furthermore, it must be considered that the Fire Department does not have a breakdown readily available of the number of calls answered from commercial enterprises vs. the number of calls received from residential areas. Pursuant to discussions with the City of Annapolis, the following table assumes that 5% of the calls responded to by the Fire Department are generated from commercial enterprises within the City.

	Fire Department			Commercial 5%	Subject's Share Sq. Ft. Basis \$4,970.74
	2012 (actual)	2013 (adopted)	2014 (adopted)		
	\$13,992,120.00	\$13,615,455.00	\$13,840,072.00	\$701,347.55	
Emergency	---	---	\$186,879.00		
Preparedness & Risk Mgmt.				Per Sq. Ft.	
	\$13,992,120.00	\$13,615,455.00	\$14,026,951.00	\$0.1039	

The proportionate share of expenses to business enterprises in the City, associated with the operation of the Annapolis Fire Department is estimated at \$0.1039 per square foot of commercial space. Accordingly, the subject's pro rata share, assuming the property is fully developed with 47,840 square feet of commercial improvements, would be \$4,970.74, first year.

Again, the actual impact would be nominal as there would be no need for additional equipment or additional personnel as a result of the Annapolis Neck, LLC and Samaras Property's annexation and development. Thus, the impact of commercial development of the Annapolis Neck, LLC and Samaras Property would likely be less than a straight prorated share.

### **Recreation and Parks Department**

The addition of a 47,840 square foot commercial development should not require additional recreation facilities or personnel for the Recreation and Parks Department. The utilization of these facilities by the impact of this development cannot be quantified. On a long-term basis, the subject property may benefit from/utilize the services offered by the Recreation and Parks Department, and this department certainly affects, in part, the overall desirability of the larger community (the City).

Accordingly, the prorated share of this expense shall be estimated on the basis of cost per square foot. The total expense for the Recreation and Parks Department in fiscal year 2012 was \$1,636,407.92. The budgeted amount for Fiscal year 2013 was \$2,226,834.00. For the current fiscal year (2014), the cost is budgeted at \$2,042,445.00. The total budgeted amount will be reduced by the amount of payments for recreation and culture program fees. The following table assumes that 5% of the budgeted amount will be generated from commercial enterprises within the City.

<b>Recreation and Parks Department</b>				Commercial	Subject's Share Sq. Ft. Basis \$723.78
	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	<u>5%</u>	
	\$3,707,599.00	\$4,126,834.00	\$4,042,445.00	\$102,122.25	
Culture and Recreation	\$2,071,191.08	\$1,900,000.00	\$2,000,000.00	<u>Per Sq. Ft.</u>	
Net Cost	\$1,636,407.92	\$2,226,834.00	\$2,042,445.00	\$0.0151	

The proportionate share of expenses to commercial enterprises in the City, associated with the operation of the Annapolis Recreation and Parks Department is estimated at \$0.0151 per square foot of commercial space (per annum). Accordingly, the subject's pro rata share, assuming the property is fully developed with 47,840 square feet of commercial improvements, would be \$723.78. It is Westholm & Associates' opinion that the actual impact would be nominal as there would be no need for additional equipment or additional personnel as a result of the Annapolis Neck, LLC and Samaras Property's annexation and development as envisioned.

### **Public Works Department**

A number of different services fall under the purview of the Public Works Department, including streets, engineering and construction, traffic control and maintenance, snow and ice removal, fleet maintenance, and government buildings. On a long-term basis, the subject property would benefit from the services of the Public Works Department, which affects the overall quality of life in the City in of Annapolis. Accordingly, the pro rata share of this expense shall be estimated on the basis of cost per square foot of commercial space.

Assuming the subject property were annexed and developed in accordance with the proposed 47,840 square foot commercial development, any paved internal roadway would be a private roadway, and not impact maintenance or cost of the City's roads. It is also reasonable to expect the Annapolis Neck, LLC and Samaras Property, upon annexation, will pay their proportionate share of expenses for the existing road system as well as the other services of the Public Works Department.

The following is a summary showing the actual expenses incurred for the 2012 fiscal year and the budgeted amounts for the 2013 and 2014 fiscal years.

**Public Works Department**

	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial <u>10%</u>
Administration	\$659,334.00	\$833,775.00	\$860,232.00	\$751,361.10
Engineering & Construction	\$735,796.00	\$837,925.00	\$811,406.00	<u>Per Sq. Ft.</u>
Streets	\$2,576,294.00	\$2,839,919.00	\$3,374,535.00	\$0.1113
Snow and Ice	\$33,656.00	\$88,150.00	\$87,613.00	
Traffic Control & Maintenance	\$256,106.00	\$281,264.00	\$286,140.00	
Fleet Maintenance	\$468,640.00	\$539,471.00	\$511,438.00	
General Gov't. Buildings	\$1,352,065.00	\$1,529,994.00	\$1,582,247.00	
<b>Total</b>	<b>\$6,081,891.00</b>	<b>\$6,950,498.00</b>	<b>\$7,513,611.00</b>	

Subject's Share Sq. Ft. Basis \$5,325.20
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It is estimated that 10% of these items budgeted for the Public Works Department is attributable to commercial enterprises in the City of Annapolis. Adjusting the cost downward by 90% yields a cost per square foot of commercial space in the City of \$0.1113. Were the Annapolis Neck, LLC and Samaras Property annexed in the City and fully developed as proposed, a cost of \$5,325.20 per annum would be attributable to the divisions of the City's Public Works Department.

The actual impact would be nominal, as there would be no need for additional equipment or additional personnel as a result of the subject's annexation and development as proposed.

**Comment:**

Absent in the above analysis are the costs associated with the operation of the Water Plant and Distribution Systems, Sewer Plant and Collection Systems, and all Refuse and Recycling operations. These fall under the purview of the Public Works Department, but each is setup as an Enterprise Fund and is self-supporting based on fees collected for the services.

**Department of Neighborhood and Environmental Programs**

The Department of Neighborhoods and Environmental Programs is a relatively new department and the Inspections and Permits responsibilities, formerly part of Public Works, is now under their purview. As part of this analysis, as well as the presentation in the City Budget, figures applying to Inspections and Permits for 2012, 2013, and the current 2014 fiscal year are included here rather than under Public Works. In each year the budgeted amounts are reduced by the revenue collected for, building permits and wastewater discharge permits to arrive at a net expenditure for the Department of Neighborhood and Environmental Programs.

Department of Neighborhood and Environmental Programs				Commercial	Subject's Share
	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	<u>5%</u>	<u>Sq. Ft. Basis</u>
Expenses	\$2,092,633.00	\$2,455,891.00	\$2,469,094.00	\$79,254.70	\$561.71
Less Building Permits	\$657,446.55	\$800,000.00	\$800,000.00	<u>Per Sq. Ft.</u>	
Wastewater Fund Permits	\$81,365.30	\$75,000.00	\$84,000.00	\$0.0117	
Net Cost	\$1,353,821.15	\$1,580,891.00	\$1,585,094.00		

The direct impact of the Annapolis Neck, LLC and Samaras Property upon annexation and development should be nominal, as the addition of 47,840 square feet of commercial space should not result in increased personnel or equipment for this department. However, this department is clearly essential to the daily operations of the City and each business on the subject property would benefit from this department. The above indication of cost reflects the 5% budgeted costs estimated to be attributable to the commercial segment in the City. The cost per square foot of existing commercial development within the city is \$0.0117 per annum. Therefore, were the Annapolis Neck, LLC and Samaras Property to be annexed and developed as envisioned, the subject's total cost on a square foot basis would be estimated at \$561.71 per annum, per the City's 2014 budget.

### **Department of Transportation**

In previous annexation analyses Westholm & Associates has analyzed the Department of Transportation's expenses. However, while this department still exists, funding is entirely through enterprise funds and, thus, is no longer considered an expense.

### **Department of the Mayor and Alderpersons**

This expense item covers the Mayor's office, the City Council, City Manager, City Attorney, the City Clerk, public information, various boards, commissions, and committees. Shown below is a summary of the expenses with partial offsets for revenues for this department broken down as a cost (per annum) per square foot of commercial space.

Department of the Mayor and Alderpersons				Commercial	Subject's Share
	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	<u>5%</u>	<u>Sq. Ft. Basis</u>
Mayor's Office and Team	\$1,566,590.00	\$1,822,286.00	\$1,726,887.00	\$134,874.40	\$955.91
Office of Law	\$986,560.00	\$985,321.00	\$1,365,893.00	<u>Per Sq. Ft.</u>	
Public Information Office	\$271,680.00	\$251,715.00	\$231,391.00	\$0.0200	
Boards & Commissions	<u>\$93,530.00</u>	<u>\$97,794.00</u>	<u>\$107,377.00</u>		
Expenses	\$2,918,360.00	\$3,157,116.00	\$3,431,548.00		
Other non-business licenses/permits	\$87,721.50	\$1,000,000.00	\$135,000.00		
Alcoholic Beverage Licenses	\$531,364.00	\$350,000.00	\$514,060.00		

Sidewalk Cafes	\$11,900.00	\$12,000.00	\$12,000.00
Vendors-Hucksters Licenses	\$82,210.00	\$50,000.00	\$70,000.00
Towing Licenses	\$100.00	\$0.00	\$0.00
Amusement Licenses	<u>\$2,780.00</u>	<u>\$3,000.00</u>	<u>\$3,000.00</u>
	<u>\$716,075.50</u>	<u>\$1,415,000.00</u>	<u>\$734,060.00</u>
Net Cost	\$2,202,284.50	\$1,742,116.00	\$2,697,488.00

The direct impact of the Annapolis Neck, LLC and Samaras Property upon annexation and development should be nominal, as the addition of 47,840 square feet of commercial space should not result in increased personnel or equipment for this department. However, this department clearly has an impact on the overall quality of life in the City of Annapolis and each business on the subject property would benefit from this department. It must also be recognized that residents benefit from the Department of the Mayor and City Council also. Therefore, the above indication of cost per commercial square foot reflects the 5% of this overall budget item that extends to commercial enterprises. Accordingly, the cost per square foot of commercial space is estimated at \$0.0200 for the 2014 fiscal year. Were the Annapolis Neck, LLC and Samaras Property to be annexed and developed as envisioned, the subject's total cost on a square foot basis would be estimated at \$955.91 per annum, per the City's 2014 budget.

### **Finance Department**

This expense item covers the operation of the office that oversees the City's financial activities. Shown below is a summary of the expenses for this department broken down on a cost per commercial square foot (per annum) basis.

Finance Department	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 10%	Subject's Share Sq. Ft. Basis
Accounting and Budgeting Management	\$1,915,020.00	\$2,123,997.00	\$2,026,228.00	\$405,410.70	\$2,873.31
Information Technology	\$1,469,920.00	\$1,564,012.00	\$1,631,523.00	Per Sq. Ft.	
Central Purchasing	\$339,900.00	\$336,439.00	\$396,356.00	\$0.0601	
Expenses	\$3,724,840.00	\$4,024,448.00	\$4,054,107.00		

The direct impact of the Annapolis Neck, LLC and Samaras Property upon annexation and development should be nominal, as the addition of 47,840 square feet of commercial space should not result in increased personnel or equipment for this department. However, this department is clearly essential to the daily operations of the City and each business on the subject property would benefit from this department. It must also be recognized that the residential sector benefits from this department. Therefore, the above indication of cost per square foot of commercial space is adjusted to reflect the benefit that extends to residences. As in the adjustment of the other expense items, the cost per square foot of commercial space is adjusted to reflect the 10% applied to the commercial segment. Accordingly the cost per square foot of commercial space is estimated at \$0.0601 for the 2014 fiscal year. Were the Annapolis



Neck, LLC and Samaras Property to be annexed and developed as envisioned, the subject's pro rata share would be estimated at \$2,873.31 per annum, per the City's 2014 budget.

### **Human Resources**

This expense item covers the operation of the office that oversees City personnel. Duties include maintenance of employee records, appointments, promotions, and oversight of employees' retirement benefits. Shown below is a summary of the expenses for this department broken down on a cost (per annum) per commercial square foot basis.

<b>Human Resources</b>				Commercial	<div>Subject's Share Sq. Ft. Basis \$610.85</div>
	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	<u>10%</u>	
Expenses	\$705,764.00	\$895,418.00	\$861,883.00	\$86,188.30	
				<u>Per Sq. Ft.</u>	
				\$0.0128	

The direct impact of the Annapolis Neck, LLC and Samaras Property upon annexation and development should be nominal, as the addition of 47,840 square feet of commercial space should not result in increased personnel or equipment for this department. However, this department is clearly essential to the daily operations of the City and businesses in the proposed Annapolis Neck, LLC and Samaras Property as developed would benefit from this department. It must also be recognized that the residential sector benefits from this department. Therefore, the above indication of cost per square foot of commercial space is adjusted to reflect the benefit that extends to residences. The cost per square foot of commercial space is adjusted to reflect 10% of the overall budgeted amount. Accordingly, the cost per square foot of commercial space is estimated at \$0.0128 for the 2014 fiscal year. Were the Annapolis Neck, LLC and Samaras Property to be annexed and fully developed as envisioned, the subject's pro rata expense on a square foot basis would be estimated at \$610.85 per annum, per the City's 2014 budget.

### **Department of Planning and Zoning**

The Department of Planning and Zoning is responsible for all current and long-range planning for development, redevelopment and preservation activities within the City of Annapolis. Shown below is a summary of the expenses for this department broken down on a cost (per annum) per commercial square foot basis.

**Planning and Zoning**

	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 5%
Expenses	\$1,860,827.00	\$1,493,356.00	\$1,490,279.00	\$74,513.95
				<u>Per Sq. Ft.</u> \$0.0110

Subject's Share Sq. Ft. Basis \$528.11
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The direct impact of the Annapolis Neck, LLC and Samaras Property upon annexation and development should be nominal, as the addition of 47,480 square feet of commercial space should not result in increased personnel or equipment for the Department of Planning and Zoning. However, this department is an essential component for ensuring orderly growth and to preserve the quality of life in the City. It must also be recognized that private residences benefit from this department. The cost per square foot of commercial space is adjusted to reflect 5% of the department's overall budgeted amount. Accordingly, the cost per square foot of commercial space is estimated at \$0.0110 for the 2014 fiscal year. Were the Annapolis Neck, LLC and Samaras Property to be annexed and fully developed as envisioned, the subject's pro rata expense on a square foot basis would be estimated at \$528.11 per annum, per the City's 2014 budget.

Again, the actual impact of the subject on the Department of Planning and Zoning would be nominal as there would be no need for additional equipment or additional personnel as a result of the subject property's annexation and development as envisioned. However, following the logic of "pro rata" expense sharing, a cost is included for the Planning and Zoning department.

**Emergency Preparedness and Risk Management**

Currently, Emergency Preparedness and Risk Management is no longer a separate department. Its responsibilities are included in the Fire Department budget.

**Non-Allocated Expenditures**

Per the 2014 City of Annapolis budget, there are non-allocated expenditures that impact the City's budget such as contributions, debt service, other expenses to the General Fund. Westholm & Associates has included the various expenditure line items from the budget which we believe will be contributed to from the annexation and development of the Annapolis Neck, LLC and Samaras Property, as follows:

<b>Debt Service</b>	<u>2012 (actual)</u>	<u>2013 (adopted)</u>	<u>2014 (adopted)</u>	Commercial 10%	Subject's Share Sq. Ft. Basis
Total Debt Service (all funds)	\$5,611,867.00	\$5,919,901.00	\$5,869,954.00	\$355,645.20	\$2,520.60
Debt Service from General Fund	NA	\$3,613,680.00	\$3,556,452.00	<u>Per Sq. Ft.</u> \$0.0527	

Other Expenses to General Fund				Commercial	Subject's Share
	2012 (actual)	2013 (adopted)	2014 (budget)	10%	Sq. Ft. Basis
Transfers Out/Interfund Charges	(\$2,628,127.00)	\$3,117,444.00	\$4,039,144.00	\$892,564.40	\$6,325.97
Contingency, Insurance & Retirement	-	\$3,478,819.00	\$4,466,500.00	Per Sq. Ft.	
Employee Conversions/Furlough Abolish	-	\$821,222.00	\$0.00	\$0.1322	
Other Financing Uses	-	-	\$420,000.00		
<b>Total</b>	<b>(\$2,628,127.00)</b>	<b>\$7,417,485.00</b>	<b>\$8,925,644.00</b>		

### Summary of All Long-Term Expenses

Shown below is a summary of the expenses, reflecting the subject's 47,840 square foot pro rata share, established on a cost (per annum) per commercial square foot basis.

	Commercial	
	As Developed 47,840 Sq. Ft.	Per Sq. Ft.
<b>Police Department</b>	\$5,181.60	\$0.1083
<b>Fire Department</b>	\$4,970.74	\$0.1039
<b>Recreation and Parks Department</b>	\$723.78	\$0.0151
<b>Public Works Department</b>	\$5,325.20	\$0.1113
<b>Neighborhood and Environmental Programs</b>	\$561.71	\$0.0117
<b>Department of the Mayor and City Council</b>	\$955.91	\$0.0200
<b>Finance Department</b>	\$2,873.31	\$0.0601
<b>Human Resources</b>	\$610.85	\$0.0128
<b>Planning and Zoning</b>	\$528.11	\$0.0110
<b>Non-Allocated Expenditures</b>		
<b>Debt Service</b>	\$2,520.60	\$0.0527
<b>Other Expenses to the General Fund</b>	\$6,325.97	\$0.1322
<i>Total Per Sq. Ft. Expense</i>		\$0.6392
<b>Total Long-Term "As Developed" Expenses</b>	\$30,577.78	

To conclude, upon annexation and development of the subject property (as envisioned with 47,840 gross square feet of commercial space) the proportionate share of City expenditures associated with this development will be \$30,577.78 (in constant 2014 dollars) per annum, first year. (Note: This equates to a total cost of \$0.6392 per square foot, based on 6,750,000 square feet of assumed commercial space in the City of Annapolis as of the effective date of this analysis.)

As noted in the discussion of expenses, the actual impact of the subject's annexation and development would be nominal, as there would be no need for additional equipment or personnel in many departments as a result of the annexation and development as proposed. Nonetheless, the proposed development benefits from the many services offered by the City, whether directly or indirectly and, therefore, should bear a proportionate (pro rata) share of the total cost(s).

# **CONCLUSION: LONG-TERM "AS DEVELOPED" FISCAL IMPACT ANALYSIS (LONG-TERM DIRECT EXPENSES V. DIRECT REVENUES)**

The impact of the subject's annexation and development should be relatively modest when compared to total costs; since most of the departments operating in the City would not require additional personnel and/or equipment to handle the increased work load of the additional of 47,840 square foot commercial development. However, all of the services have a bearing on the quality of life in Annapolis and each commercial enterprise should, therefore, pay a proportionate share of expenses to ensure the continuance of the current level of services.

The total amount of expenditures (excluding the self-supporting enterprise funds) attributable to the subject property if annexed and developed as envisioned with 47,840 square feet of commercial space is estimated at \$30,577.78 per annum (year 2014 constant dollars). This is derived from the subject's pro rata share of total expenses per square foot estimated at \$0.6392 (excluding self-supporting enterprise funds), based on 6,750,000 square feet of assumed commercial space in the City of Annapolis as of the effective date of this analysis.

The total amount of revenues that will be generated by the Annapolis Neck, LLC and Samaras Property after annexation and development as envisioned is reasonably projected at \$118,658.59 per annum (year 2014 constant dollars). Therefore, when considering the long-term costs versus long-term revenues, annexation of the subject property, with subsequent development of 47,840 square feet of commercial space, the net revenues to the City of Annapolis are estimated as follows:

<b>As Developed Total Expense to City</b>	<b>\$30,577.78</b>
<b>As Developed Revenue to City</b>	<b>\$118,658.59</b>
<b>Profit (net positive) to the City of Annapolis</b>	<b>\$88,080.80</b>

In total, the revenue (net of expenses) generated by the Annapolis Neck, LLC and Samaras Property upon annexation and development with 47,840 square feet of commercial space is reasonably estimated/projected to be **net positive** in the amount of \$88,080.80 per annum, rounded to **\$88,000.00** per annum (in constant 2014 dollars).

**AS IS,**  
**DIRECT LONG-TERM**  
**FISCAL IMPACT ANALYSIS**

As the composite subject property currently exists it is comprised of several commercially zoned parcels located along Bay Ridge Road. Following is the long-term fiscal impact analysis scrutinizing the composite subject property/total proposed annexation assuming it were annexed into the City of Annapolis "As Is," with no development changes.

**LONG-TERM REVENUES ("AS IS" SCENARIO**

The following analysis considers this scenario and is based upon the fact that this land is annexed "As-Is." Per this analysis, since no subsequent development will occur on this acreage if annexed into the City, there shall be long-term revenues that occur to the City as result of property taxes, income taxes, and miscellaneous fees/taxes. As previously noted, after discussions with the City of Annapolis Finance Department, prior to commencing most recent past fiscal impact analyses, it was agreed to not include within the fiscal impact analysis Long-Term "Indirect" (revenue and expense) analyses (with the exception of indirect revenue from income taxes), since in all previous annexation cases "indirect" revenues and expenses had not been considered of significance by the City of Annapolis in their review of the fiscal impact(s) caused by these individual annexations being considered/analyzed.

**Income Taxes**

In the "As Is" state, there is a small commercial structure on the subject property. Based upon SDAT data we have estimated the commercial improvement to be approximately 4,674 square feet. Based upon the size of the improvement, using the same formula as used in the "long term" revenue projection it is estimated that there shall be five employees who are current residents. Therefore, based upon the following chart the estimated revenues for this line item are \$939.49 per annum, first year.

<b>Total As Is Resident Salaries</b>			
<b>5 Current Resident Employees</b>			
	<b><u>Scenario 1</u></b>		<b><u>Scenario 2</u></b>
Total Salaries	\$250,000.00	Total Salaries	\$250,000.00
85%	\$212,500.00	85%	\$212,500.00
2.56% County Tax	\$5,440.00	0.37% of Taxable Income	\$786.25
17.27% of County Tax	\$939.49		

On a conservative basis we have not projected income tax revenues for the existing dwellings/households. In the "As Is" analysis, due to the lack of information relative to the condition of the existing dwellings, Westholm & Associates has not

analyzed the income tax revenue(s) which would be generated by assuming that each dwelling was occupied. While the fiscal analysis herein indicates that there would be a "net positive" cash flow to the City of Annapolis if annexed in the "as is" physical state, it is fully recognized that the "net positive" cash flow would be significantly higher if the income tax revenues per household were considered. Illustratively, based upon the income taxes generated per employee of the commercial component assumed to be residents of the City of Annapolis (see supporting data as contained within this fiscal impact analysis as related to the "as is" subject property), up to an additional \$1,315.00, more or less, in revenues would be generated by the existence of occupied residences.

**Comment:**

In the "As Is" analysis, due to the lack of information relative to the condition of the existing dwellings, Westholm & Associates has not analyzed the income tax revenue(s) which would be generated by assuming that each dwelling was occupied. While the fiscal analysis herein indicates that there would be a "net positive" cash flow to the City of Annapolis if annexed in the "as is" physical state, it is fully recognized that the "net positive" cash flow would be significantly higher if the income tax revenues per household were considered. Illustratively, based upon the income taxes generated per employee of the commercial component assumed to be residents of the City of Annapolis (see supporting data as contained within this fiscal impact analysis as related to the "as is" subject property), up to an additional \$1,315.00, more or less, in revenues would be generated by the existence of occupied residences. Conversely, if it was determined that not all dwellings were habitable, then the expenses assigned to the "as is" analysis would decrease; thus also resulting in a higher "net positive" cash flow to the City of Annapolis. For the aforesaid reasons Westholm & Associates has analyzed the revenues and expenses in the "as is" physical state in the most conservative manner possible; which still has resulted in a "net positive" cash flow to the City of Annapolis were the composite subject property annexed into the City.

### **Real Property Taxes**

Property taxes as previously analyzed indicate that, in the "As Is" scenario, revenue from property taxes to the City of Annapolis would be \$21,213.40 per annum, first year.

### **Other Long-Term Revenues**

Upon annexation of this "As-Is" subject property, revenue for the City of Annapolis will further be generated by miscellaneous fees/taxes for various services (as in the As Developed Scenario). These fees/taxes are considered recurring revenue that will accrue to the City of Annapolis once the "As-Is" Annapolis Neck, LLC and Samaras Property is annexed into the City.

Using the same formulas as were used in the long term revenue projection for the "as developed" subject property, adjusted when necessary to take into consideration the existing dwellings/households, the following additional revenues to the City are projected for the "as is" subject property.

<b>Long-Term Revenues –Annapolis Neck, LLC and Samaras Property Annexed "As Is"</b>	
	<b>Total 7 Residences and 4,674 Sq. Ft. Commercial</b>
<b>Cable TV Franchise Fees</b>	\$389.55
<b>Highway Taxes</b>	\$478.03
<b>Electricity, Gas, Telephone and Fuel Oil Tax</b>	\$241.85
<b>Use of Money and Property</b>	\$447.53
<b>Traders Licenses</b>	\$48.47
<b>Other Revenue: Taxes</b>	\$736.53
<b>Other Revenue: Licenses &amp; Permits</b>	\$219.39
<b>Other Revenue: Fines &amp; Forfeitures</b>	\$202.53
<b>Other Revenue: Charges for Services</b>	\$743.69
<b>Other Revenue: Transfers In/Interfund Sources</b>	\$3,992.86
<b>Total Revenue from Miscellaneous Fees and Taxes</b>	\$7,500.43

It is importantly noted that the supporting spreadsheets for the above revenue calculations are found in the addenda of this fiscal impact analysis.

As illustrated, the total revenue to the City from miscellaneous fees and taxes derived from the subject property (per household and per commercial square foot basis) were it annexed "As Is" would be \$7,500.43 per annum, per the 2014 budget.

### **Summary of All Long-Term Revenues (As Is Scenario)**

Based on the above analysis of reasonable expectations for revenue generation, assuming the composite subject property, including 7 residences and 4,674 commercial square feet, were annexed into the City of Annapolis "As Is", the projected revenues, on an annual basis, would reasonably be as follows:

<b>"As Is"</b>	
<b>7 residences &amp; 4,674 sq. ft. commercial</b>	
<b>As Is Revenues</b>	\$7,500.43
<b>As Is Income Taxes (projected)</b>	\$939.49

<b>As Is Property Taxes</b>	<b>\$21,213.40</b>
<b>Annual Projected Total Revenue to the City</b>	<b>\$29,653.32</b>

The total projected annual revenue (in 2014 constant dollars) generated by the subject property were it to be annexed in its "As Is" state is \$29653.32.

#### **LONG-TERM EXPENSES ("As Is" Scenario):**

Included in the addenda of this fiscal impact analysis is/are spreadsheets showing the indicated expenses to the City of Annapolis for the subject property "as is", if annexed.

The following is a discussion of the long-term expenses that would be attributable to the subject property assuming it were annexed into the City in its "As Is" state. The discussion and estimation of expenses is broken down on a departmental basis and reasonable attempts have been made to separate the expenses attributable to the City's commercial enterprises from those associated with residential base within the City.

As in the previous examination of "As Is" revenues the subject property is evaluated on a per square foot basis. Once again, the total the estimated total amount of improved commercial square feet within the City is 6,720,328. In brief, the expenses are as follows:

<b>Long-Term Expenses – Annapolis Neck, LLC and Samaras Property Annexed "As Is"</b>	
<b><u>DEPARTMENTS</u></b>	<b>As Is Expense</b>
<b>Police Department</b>	\$6,348.01
<b>Fire Department</b>	\$6,089.68
<b>Recreation and Parks Department</b>	\$886.71
<b>Public Works Department</b>	\$5,325.20
<b>Neighborhood and Environmental Programs</b>	\$688.16
<b>Department of the Mayor and City Council</b>	\$1,171.09
<b>Finance Department</b>	\$1,815.17
<b>Human Resources</b>	\$385.90
<b>Planning and Zoning</b>	\$646.99
<b><u>NON-ALLOCATED EXPENDITURES</u></b>	
<b>Debt Service</b>	\$1,592.35
<b>Other Expenses to the General Fund</b>	\$3,996.34
<b>Total Long-Term "As Is" Expenses to the City</b>	<b>\$28,945.61</b>



To conclude, upon annexation of the Annapolis Neck, LLC and Samaras Property "As Is" with both commercial and residential improvements, as is, the proportionate share of City expenditures associated with this development will be \$28,945.61 (in constant 2014 dollars) per annum.

The actual impact of the proposed annexation of the subject "As Is" would be nominal, as there would be no need for additional equipment or personnel in many departments as a result of the annexation. Nonetheless, the proposed annexation benefits from the many services offered by the City, whether directly or indirectly and, therefore, should bear a proportionate (pro rata) share of the total cost(s).

#### **CONCLUSION: LONG-TERM "AS IS" FISCAL IMPACT ANALYSIS (LONG-TERM DIRECT EXPENSES V. DIRECT REVENUES)**

The total amount of expenditures attributable to the aggregate "As Is" composite subject property, excluding the self-supporting enterprise funds, has been estimated at \$157.44 on a per annum basis (year 2012 constant dollars). The total amount of revenues that will be generated by the composite subject property in this "As-Is" scenario upon annexation is \$5,562.74 per annum.

Therefore, when considering the long-term costs versus long-term revenues upon annexation of the "As-Is" composite subject property, the aggregate net revenues are determined as follows:

<b>As Is Total Expense to City</b>	<b>\$28,945.61</b>
<b>As Is Revenue to City</b>	<b>\$29,653.32</b>
<b>Profit to the City of Annapolis</b>	<b>\$707.71</b>

In total, the revenue (net of expenses) generated in the "As Is" scenario is reasonably estimated/projected to be **net positive** in the amount of \$707.71 per annum, rounded to **\$700.00**, first year (in constant 2014 dollars).

## **FISCAL IMPACT ANALYSIS** **FINAL SUMMARY AND CONCLUSIONS**

The purpose(s) of this analysis is to quantify the fiscal impact on the City of Annapolis as a result of annexing into the City of Annapolis the total proposed annexation parcels herein identified as the Annapolis Neck LLC/Samaras Property.

In completing this fiscal impact analysis it is necessary to make a number of specific assumptions relative to costs, revenues, and existing development. These specific assumptions are enumerated below:

- All cost estimates and revenue estimates are in constant 2014 dollars and have not been adjusted for inflation.
- Property tax rates incorporated in this analysis are based on 2013-2014 fiscal tax year rates, which were in effect as of the effective date of this analysis.
- Projected real property assessments are based upon the assumed annexation (into the City of Annapolis) and resultant value considerations by the State Department of Assessments and Taxation.
- Income tax rates are based upon 2014 tax rates, which are the latest available according to the office of the Comptroller of Maryland.
- All revenue (excluding property tax) and expense projections have been extracted from the City of Annapolis Fiscal Year 2014 Adopted Operating Budget.
- It is a specific assumption of this analysis that in the "as developed" analysis the subject property shall be commercially developed with 4 buildings, totaling approximately 47,840 gross square feet of commercial space.
- It is a specific assumption of this analysis that, if annexed into the City of Annapolis, the composite subject property shall be zoned "B-2" (Community Shopping District), which is the same zoning as the property/properties immediately adjoining the subject property to the northeast and which are within the City of Annapolis.
- The City currently provides public services to the composite subject property. These include fire and ambulance service. It is an assumption that these services will not require upgrading as a result of the annexation.
- It is an assumption of this analysis that the current level of services provided by the City of Annapolis to properties within the City, both in terms of quality and extent of services, will be provided to the subject property, which is proposed for annexation.

- It is an assumption of this analysis that the current amount of improved non-residential (i.e., commercial, office and industrial) space within the City is approximately 6,750,000 square feet (per the City of Annapolis Department of Economic Affairs, *Commercial Tax Base Update, September 2009, then adjusted upward*).

The fiscal impact has been analyzed based upon a per annum basis, analyzing the subject from a long-term perspective assuming that (a) all development has been completed and/or (b) no subsequent development shall occur.

### **Long-Term Impact:**

In analyzing the long-term fiscal impact, Westholm & Associates has analyzed the impact to the City of Annapolis of the composite subject property under two different physical/legal states; resulting in two different evaluation scenarios. With agreement from the City Finance Department, only the long-term "direct" impact was analyzed. Thus, the analyses took into consideration the "direct" impact, analyzing only those revenues and expenses that are directly attributable to the City's commercial base, and not considering either the "indirect" impacts (from both the revenue side and expense side) on other segments of the local economy or the short-term impacts.

### **Fiscal Impact Conclusion:**

The analyses presented herein are considered conservative due to the fact that inherent in all expense projections attributable to the total proposed annexation parcel (as annexed and developed) is the assumption that expenses shall increase proportionately with increases in the City's residential and/or commercial base(s). Over the long term, considering other growth, this is a reasonable assumption. However, given the magnitude of the subject's "theoretical" development and looking solely at the impact of the total proposed annexation parcel, many of the expenses would increase nominally; as this annexation and development will not require additional personnel and/or equipment for many departments.

The projection of the "direct" impact is a conservative estimate for the long-term impact projections, as this does not totally consider the positive impact of commercial development on other segments of the economy. If an "indirect" impact analysis had been made, the positive fiscal impact of development of the subject property would have been demonstrated.

### **As Developed:**

To conclude, it is the opinion of Westholm & Associates that annexation of the total proposed annexation parcel into the City of Annapolis, with subsequent commercial development shall result in net positive cash flows (net of all expenses) to the City of \$88,080.80, rounded to **\$88,000.00** per annum, first year.

### **As Is:**

To conclude, it is the opinion of Westholm & Associates that annexation of the total proposed annexation parcel into the City of Annapolis, As Is, shall result in net positive cash flows (net of all expenses) to the City of **\$700.00** (rounded), first year.

### **Note:**

In the "As Is" analysis, due to the lack of information relative to the condition of the existing dwellings, Westholm & Associates has not analyzed the income tax revenue(s) which would be generated by assuming that each dwelling was occupied. While the fiscal analysis herein indicates that there would be a "net positive" cash flow to the City of Annapolis if annexed in the "as is" physical state, it is fully recognized that the "net positive" cash flow would be significantly higher if the income tax revenues per household were considered. Illustratively, based upon the income taxes generated per employee of the commercial component assumed to be residents of the City of Annapolis (see supporting data as contained within this fiscal impact analysis as related to the "as is" subject property), up to an additional \$1,315.00, more or less, in revenues would be generated by the existence of occupied residences. Conversely, if it was determined that not all dwellings were habitable, then the expenses assigned to the "as is" analysis would decrease; thus also resulting in a higher "net positive" cash flow to the City of Annapolis. For the aforesaid reasons Westholm & Associates has analyzed the revenues and expenses in the "as is" physical state in the most conservative manner possible; which still has resulted in a "net positive" cash flow to the City of Annapolis were the composite subject property annexed into the City.

## **QUALIFICATIONS OF GARY T. WESTHOLM, MAI**

### **EDUCATION**

B. A. Degree, University of Baltimore, 1970

Continuing education through Appraisal Institute sponsored seminars and courses since 1971, including:

Condemnation Appraising: Basic Principles & Applications, 2003

Condemnation Appraising: Advanced Principles & Applications, 2003

Uniform Appraisal Standards for Federal Land Acquisitions, 2004

Uniform Standards of Professional Appraisal Practice (USPAP), having taken both The 15 hour course and the 7 hour update several times each over many years

General Appraiser Market Analysis and Highest and Best Use

Valuation of Conservation Easements, 2011

### **PROFESSIONAL AFFILIATIONS**

Member, Appraisal Institute (MAI designation, Member # 6578)

State of Maryland, Certified General Real Estate Appraiser, Registration # 04-498

State of Virginia, Certified General Real Estate Appraiser, No. 4001-006812

State of Delaware, Certified General Real Property Appraiser, No. X1-0000380

Maryland Licensed Real Estate Salesperson

States temporarily licensed as a Certified General Appraiser since 2005: Texas, Louisiana, Mississippi, Alabama, Georgia, Tennessee, Kentucky, West Virginia, Pennsylvania and Montana

### **EXPERIENCE**

Forty (+) years experience in appraisal of real estate

Thirty years (+) experience as a licensed Real Estate Salesperson

### **QUALIFIED EXPERT WITNESS AS AN APPRAISER**

**(\*) And As a Planner on zoning/land use issues**

U.S. Federal District Court for Maryland (\*)

U.S. Federal Bankruptcy Court (\*)

Property Review Boards: Anne Arundel, Charles, and St. Mary's Counties

Circuit Court: Anne Arundel (\*), Charles, Howard, and St. Mary's Counties

Administrative Hearing Officer, Anne Arundel County (\*)

Board of Appeals, Anne Arundel (\*), Charles (\*), Dorchester (\*), Kent and Queen Anne's Counties (\*)

Zoning Board of Appeals, City of Annapolis (\*)

Planning and Zoning Commission, City of Annapolis (\*) and Kent County

City Council, City of Annapolis (\*)

Zoning Hearing Examiner, Prince George's County

District Court, Anne Arundel County

Liquor Boards for both the City of Annapolis and Anne Arundel County

## **UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS**

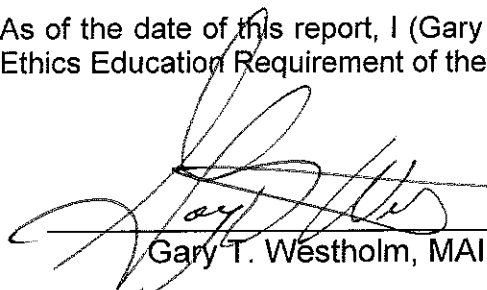
- There are no hidden or undisclosed sub-soil conditions. No consideration has been given to oil or mineral rights, if outstanding.
- All general codes, ordinances, regulations or statutes affecting the property have been and will be enforced and the property is not subject to flood plain or utility restrictions or moratoriums, except as reported to your consultants and contained in this report.
- The party for whom this report is prepared has reported to the consultants no original existing conditions or development plans that would subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
- No responsibility is assumed by the consultants for legal matters, nor is any opinion on the title rendered herewith.
- The consultants herein, by reason of this report, are not to be required to give testimony in court with reference to this analysis, unless arrangements have been previously made therefore.
- The consultants have made no survey of the property and assume no responsibility in connection with such matters.
- All cost estimates and revenue estimates are in constant 2014 dollars and have not been adjusted for inflation.
- Property tax rates incorporated in this analysis are based on 2013-2014 fiscal tax year rates, which were in effect as of the effective date of this analysis.
- Projected real property assessments are based upon the assumed annexation (into the City of Annapolis) and resultant value considerations by the State Department of Assessments and Taxation.
- Income tax rates are based upon 2014 tax rates, which are the latest available according to the office of the Comptroller of Maryland.
- All revenue (excluding property tax) and expense projections have been extracted from the City of Annapolis Fiscal Year 2014 Adopted Operating Budget.
- It is a specific assumption of this analysis that in the "as developed" analysis the subject property shall be commercially developed with 4 buildings, totaling approximately 47,840 gross square feet of commercial space.

- It is a specific assumption of this analysis that, if annexed into the City of Annapolis, the composite subject property shall be zoned "B-2" (Community Shopping District), which is the same zoning as the property/properties immediately adjoining the subject property to the northeast and which are within the City of Annapolis.
- The City currently provides public services to the composite subject property. These include fire and ambulance service. It is an assumption that these services will not require upgrading as a result of the annexation.
- It is an assumption of this analysis that the current level of services provided by the City of Annapolis to properties within the City, both in terms of quality and extent of services, will be provided to the subject property, which is proposed for annexation.
- It is an assumption of this analysis that the current amount of improved non-residential (i.e., commercial, office and industrial) space within the City is approximately 6,750,000 square feet (per the City of Annapolis Department of Economic Affairs, *Commercial Tax Base Update, September 2009, then adjusted upward*).

## CERTIFICATION OF CONSULTANT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal consulting assignment.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- Ana Nardini provided significant real property consulting assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives
- As of the date of this report, I (Gary T. Westholm, MAI) have completed the continuing education program of the Appraisal Institute.
- As of the date of this report, I (Gary T. Westholm, MAI) have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



Gary T. Westholm, MAI

Date: May 13<sup>th</sup>, 2014

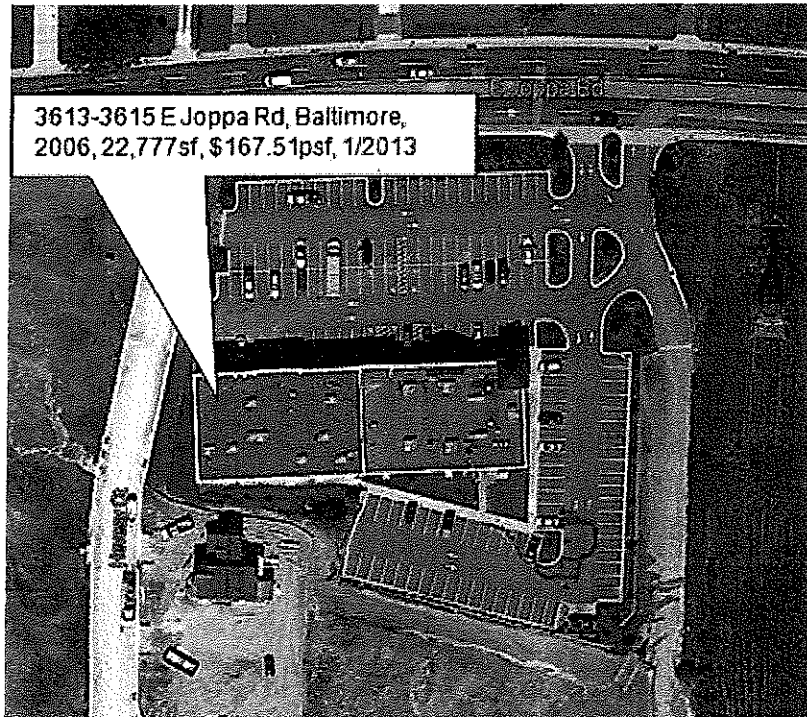


### **RESTRICTION UPON DISCLOSURE AND USE**

Disclosure of the contents of this consultant report is governed by the By-Laws and Regulations of the Appraisal Institute.

One (or more) of the signatories of this consultant report is a Member (or Associate Member) of the Appraisal Institute. The By-Laws and Regulations of the Institute require each Member and Associate Member to control the use and distribution of each consultant report signed by such Member or Associate Member. Therefore, except as hereinafter provided, the party for whom this consultant report was prepared may distribute copies of this consultant report, in its entirety, to such third parties as may be selected by the party for whom this consultant report was prepared; however, selected portions of this consultant report shall not be given to third parties without prior written consent of the signatories of this consultant report. Further, neither all nor any part of this consultant report shall be disseminated to the general public by use of advertising media, public relations media, news media, sales media, or other media for public communication without prior written consent of the signatories of this consultant report.

# **ADDENDA**



3613-3615 E Joppa Rd, Baltimore,  
2006, 22,777sf, \$167.51psf, 1/2013

Account Identifier: District - 11 Account Number - 1600004413

#### Owner Information

<b>Owner Name:</b>	DERONDA MAIN STREET JOPPA LLC	<b>Use:</b>	COMMERCIAL
		<b>Principal Residence:</b>	NO
<b>Mailing Address:</b>	STE 5 330 REISTERSTOWN RD BALTIMORE MD 21208-	<b>Deed Reference:</b>	1) /34299/ 00282 2)

#### Location & Structure Information

<b>Premises Address:</b>	3613 E JOPPA RD 0-0000	<b>Legal Description:</b>	1.935 AC SS E JOPPA 3613 E JOPPA RD 500 W SIMMS AVE
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<b>Map:</b>	<b>Grid:</b>	<b>Parcel:</b>	<b>Sub District:</b>	<b>Subdivision:</b>	<b>Section:</b>	<b>Block:</b>	<b>Lot:</b>	<b>Assessment Year:</b>	<b>Plat No:</b>
0071	0018	0059		0000				2013	Plat Ref:

#### Special Tax Areas:

**Town:** NONE

**Ad Valorem:**

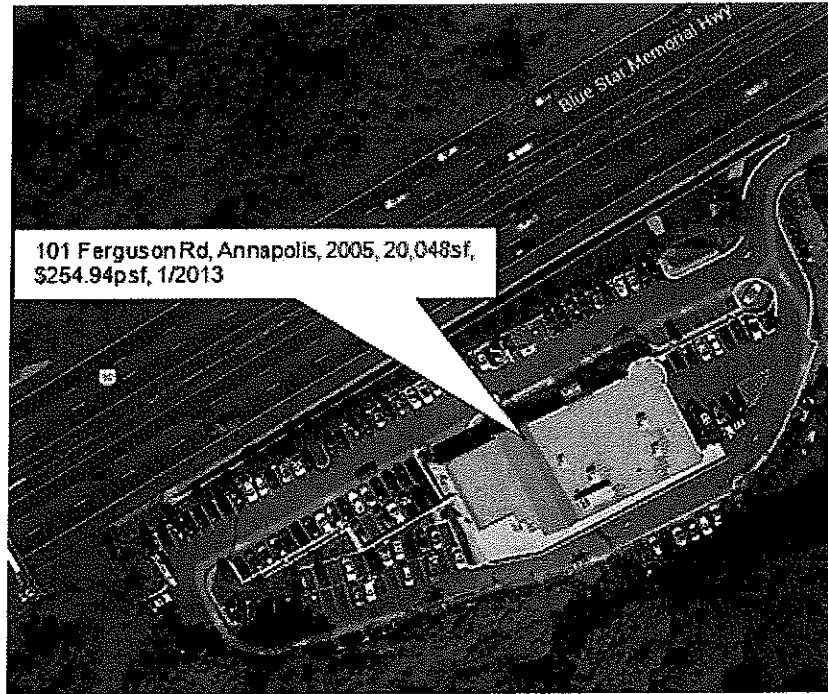
**Tax Class:**

<b>Primary Structure Built</b>	<b>Above Grade Enclosed Area</b>	<b>Finished Basement Area</b>	<b>Property Land Area</b>	<b>County Use</b>
2006	22777		1.9300 AC	06

<b>Stories</b>	<b>Basement</b>	<b>Type</b>	<b>Exterior</b>	<b>Full/Half Bath</b>	<b>Garage</b>	<b>Last Major Renovation</b>
		RESTAURANT				

#### Value Information

	Base Value	Value	Phase-in Assessments	
		As of	As of	As of
		01/01/2013	07/01/2013	07/01/2014
<b>Land:</b>	965,000	965,000		
<b>Improvements</b>	2,701,100	2,850,400		
<b>Total:</b>	3,666,100	3,815,400	3,715,867	3,765,633
<b>Preferential Land:</b>	0			0



Account Identifier: District - 03 Subdivision - 000 Account Number - 00473900

#### Owner Information

Owner Name:	PAG ANNAPOLIS JL1 LLC	Use:	COMMERCIAL
		Principal Residence:	NO
Mailing Address:	2555 TELEGRAPH RD BLOOMFIELD HILLS MI 48302-	Deed Reference:	1) /26794/ 00231 2)

#### Location & Structure Information

Premises Address:	101 FERGUSON RD ANNAPOLIS 21409-0000	Legal Description:	1.989 ACRES 101 105 FERGUSON RD ANNAPOLIS
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Map:	Grid:	Parcel:	Sub District:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:
0046	0001	0007		000				2013	Plat Ref:

Town: NONE

#### Special Tax Areas:

Ad Valorem:

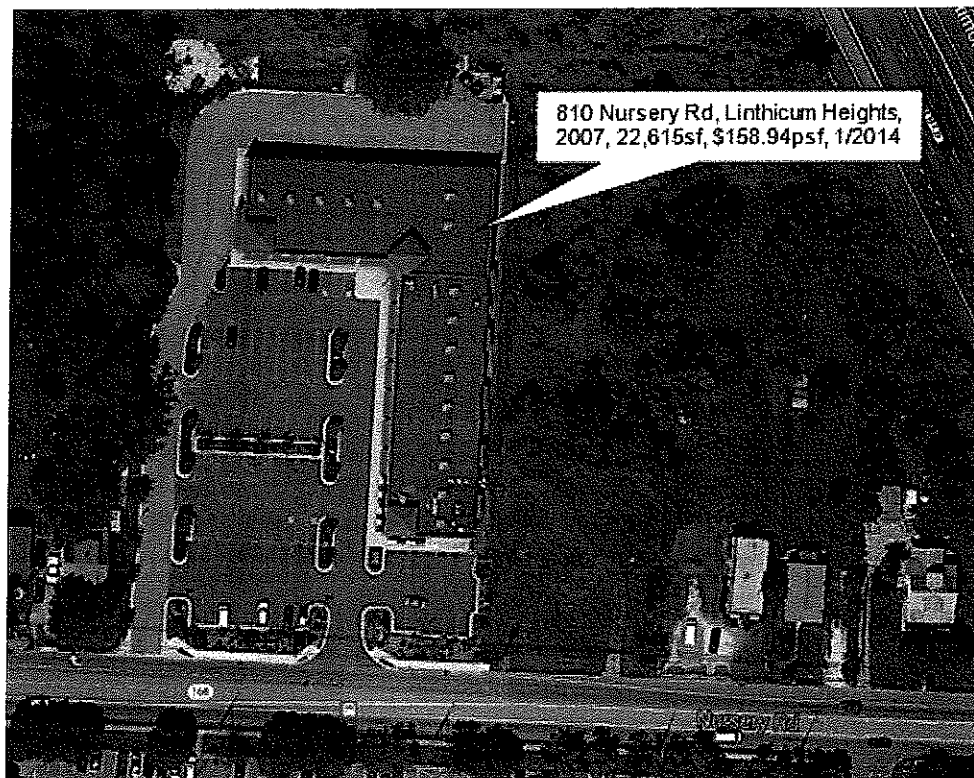
Tax Class:

Primary Structure Built	Above Grade Enclosed Area	Finished Basement Area	Property Land Area	County Use
2005	20048		1.9800 AC	

Stories	Basement	Type	Exterior	Full/Half Bath	Garage	Last Major Renovation
		COMPLETE AUTOMOBILE DEALERSHIP				

#### Value Information

	Base Value	Value	Phase-in Assessments	
		As of 01/01/2013	As of 07/01/2013	As of 07/01/2014
Land:	1,683,000	1,485,000		
Improvements	4,113,900	3,626,100		
Total:	5,796,900	5,111,100	5,111,100	5,111,100
Preferential Land:	0			0



Account Identifier: District - 05 Subdivision - 000 Account Number - 09468500

#### Owner Information

Owner Name:	NURSERY PLAZA LLC	Use:	COMMERCIAL
		Principal Residence:	NO
Mailing Address:	1007 CHURCH RD NEWARK DE 19702-	Deed Reference:	1) /25742/ 00166 2)

#### Location & Structure Information

Premises Address:	810 NURSERY RD LINTHICUM 21090-0000	Legal Description:	2.507 ACRES 810 NURSERY RD NR RAYNOR HEIGHTS						
Map:	Grid:	Parcel:	Sub District:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:
0001	0020	0019		000				2014	Plat Ref: 0270/ 0007
Town:								NONE	
Special Tax Areas:								Ad Valorem:	
								Tax Class:	
Primary Structure Built	Above Grade Enclosed Area		Finished Basement Area		Property Land Area		County Use		
2007	22615				2.5000 AC				
Stories	Basement	Type	Exterior	Full/Half Bath	Garage	Last Major Renovation			
		RETAIL STORE							

#### Value Information

	Base Value	Value	Phase-In Assessments	
		As of	As of	As of
		01/01/2014	07/01/2013	07/01/2014
Land:	1,004,600	927,000		
Improvements	1,568,400	2,667,400		
Total:	2,573,000	3,594,400	2,573,000	2,913,467
Preferential Land:	0			0



Account Identifier: District - 05 Account Number - 03436956

#### Owner Information

Owner Name:	LEISNER FAMILY LTD PTNSHP	Use:	COMMERCIAL
		Principal Residence:	NO
Mailing Address:	C/O PROPERTY TAX DEPT P O BOX 790830 SAN ANTONIO TX 78279-0830	Deed Reference:	1) 2)

#### Location & Structure Information

Premises Address:	COLESVILLE RD SILVER SPRING 20904-0000	Legal Description:	BURNT MILLS SHOPPING CENTER							
Map:	Grid:	Parcel:	Sub District:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:	22814
JP53	0000	N122		0001		1	5	2014	Plat Ref:	

Town: NONE

#### Special Tax Areas:

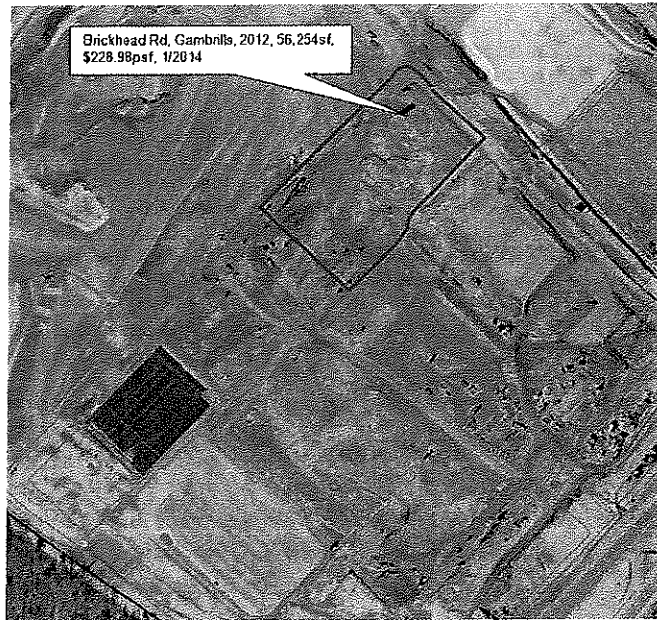
Ad Valorem:  
Tax Class: 42

Primary Structure Built	Above Grade Enclosed Area	Finished Basement Area	Property Land Area	County Use
2005	24750		152,718 SF	502

Stories	Basement	Type	Exterior	Full/Half Bath	Garage	Last Major Renovation
		SHOPPING CENTER / COMMUNITY				

#### Value Information

	Base Value	Value	Phase-in Assessments	
		As of 01/01/2014	As of 07/01/2013	As of 07/01/2014
Land:	3,512,500	4,215,000		
Improvements	5,254,600	5,561,100		
Total:	8,767,100	9,776,100	8,767,100	9,103,433
Preferential Land:	0			0



Account Identifier: District - 04 Subdivision - 883 Account Number - 90232636

#### Owner Information

Owner Name:	WCS PROPERTIES BUSINESS TRUST	Use:	COMMERCIAL CONDOMINIUM
		Principal Residence:	NO
Mailing Address:	C/O GREENBERG GIBBONS COMMERCIAL CORP 10096 RED RUN BLVD, STE 100 OWINGS MILLS MD 21117-	Deed Reference:	1) /22401/ 00416 2)

#### Location & Structure Information

Premises Address:	BRICKHEAD RD GAMBRILLS 21054-0000	Legal Description:	PARCEL 9 BRICKHEAD RD VILLS AT WAUGH CHAPEL
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Map:	Grid:	Parcel:	Sub District:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:
0036	0012	0061		883				2014	Plat Ref: 0123/ 0049

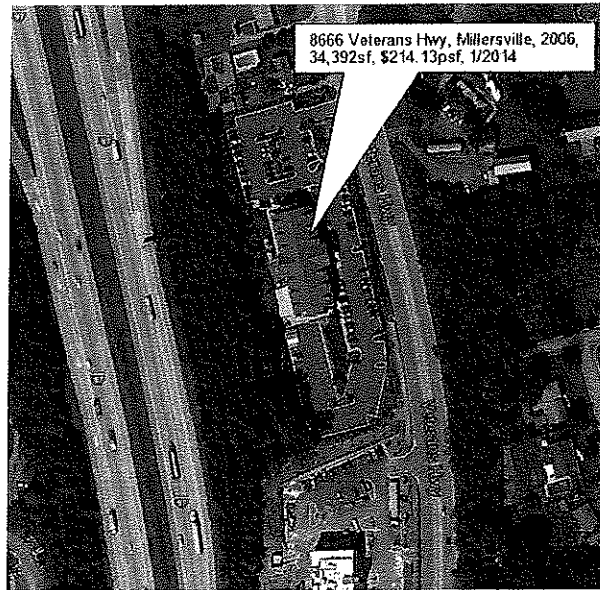
Special Tax Areas:	Town:	NONE
	Ad Valorem:	
	Tax Class:	

Primary Structure Built	Above Grade Enclosed Area	Finished Basement Area	Property Land Area	County Use
2012	56,254 SF		5.0600 AC	000000

Stories	Basement	Type	Exterior	Full/Half Bath	Garage	Last Major Renovation
1.000000		SHOPPING CENTER / COMMUNITY	STUCCO			2013

#### Value Information

	Base Value	Value	Phase-in Assessments	
		As of	As of	As of
		01/01/2014	07/01/2013	07/01/2014
Land:	2,527,500	3,538,500		
Improvements	4,706,400	9,342,500		
Total:	7,233,900	12,881,000	7,233,900	9,116,267
Preferential Land:	0			0



Account Identifier: District - 04 Subdivision - 000 Account Number - 90049224

#### Owner Information

<b>Owner Name:</b>	SEVERN COMMONS LLC	<b>Use:</b>	COMMERCIAL
		<b>Principal Residence:</b>	NO
<b>Mailing Address:</b>	PO BOX 1637 MILLERSVILLE MD 21108-1404	<b>Deed Reference:</b>	1) /15907/ 00162 2)

#### Location & Structure Information

<b>Premises Address:</b>	8666 VETERANS HWY MILLERSVILLE 21108-0000	<b>Legal Description:</b>	2.914 ACRES 8666 VETERANS HWY MILLERSVILLE
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<b>Map:</b>	<b>Grid:</b>	<b>Parcel:</b>	<b>Sub District:</b>	<b>Subdivision:</b>	<b>Section:</b>	<b>Block:</b>	<b>Lot:</b>	<b>Assessment Year:</b>	<b>Plat No:</b>
0022	0024	0187		000				2014	
									<b>Plat Ref:</b>

**Town:** NONE

#### Special Tax Areas:

**Ad Valorem:**

**Tax Class:**

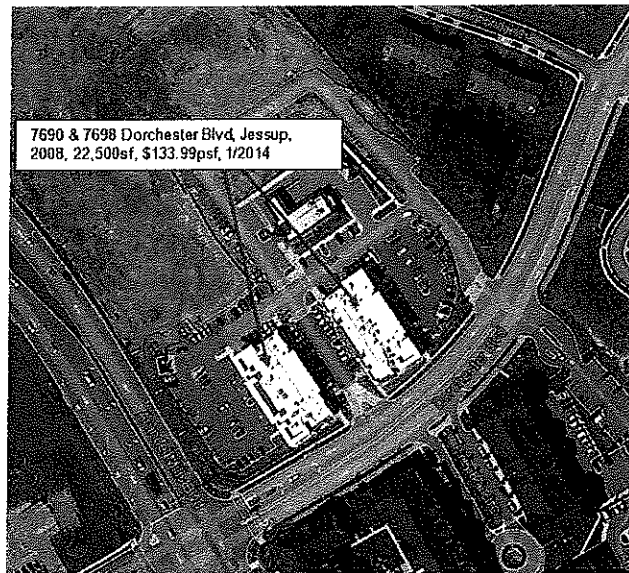
<b>Primary Structure Built</b>	<b>Above Grade Enclosed Area</b>	<b>Finished Basement Area</b>	<b>Property Land Area</b>	<b>County Use</b>
2006	34392		2.9100 AC	

<b>Stories</b>	<b>Basement</b>	<b>Type</b>	<b>Exterior</b>	<b>Full/Half Bath</b>	<b>Garage</b>	<b>Last Major Renovation</b>
		OFFICE BUILDING				

#### Value Information

	<b>Base Value</b>	<b>Value</b>	<b>Phase-in Assessments</b>	
		As of 01/01/2014	As of 07/01/2013	As of 07/01/2014
<b>Land:</b>	1,238,500	1,034,800		
<b>Improvements</b>	5,825,000	6,329,600		
<b>Total:</b>	7,063,500	7,364,400	7,063,500	7,163,800
<b>Preferential Land:</b>	0			0





Account Identifier:District - 04 Subdivision - 065 Account Number - 90235316

Owner Information

Owner Name:KPLP/CRG LOT 1 AT AP LLC

Use:Principal Residence:COMMERCIAL NO

Mailing Address:C/O CHESAPEAKE REAL ESTATE GROUP LLC  
1010 FLEET ST STE 300  
BALTIMORE MD 21202

Deed Reference:1) /19570/ 00001  
2)

Location & Structure Information

Premises Address:7690 DORCHESTER BLVD  
JESSUP 20734-0000

Legal Description:LT 1  
7690 DORCHESTER BLVD  
SHOPS AT ARNDL PRSVE

Map:0013Grid:6Parcel:0155Sub District:Subdivision:065Section:Block:Lot:Assessment Year:2014Plat No:Plat Ref:275/ 17

Special Tax Areas:Town:Ad Valorem:Tax Class:NONE

Primary Structure Built2008Above Grade Enclosed Area11,250 SFFinished Basement AreaProperty Land Area1.2600 ACCounty Use

Stories1.000000BasementTypeSHOPPING CENTER / NEIGHBORHOODExteriorFull/Half BathGarageLast Major Renovation

Value Information

Base ValueValueAs of 01/01/2014Phase-in AssessmentsAs of 07/01/2013As of 07/01/2014

Land:943,000755,200

Improvements1,707,2002,259,600

Total:2,650,2003,014,8002,650,2002,771,733

Preferential Land:00

Account Identifier:District - 04 Subdivision - 065 Account Number - 90235337

Owner Information

Owner Name:KPLP/CRG LOT 2 AT AP LLC

Use:Principal Residence:COMMERCIAL NO

Mailing Address:508 S EKERER ST  
STE 310  
BALTIMORE MD 21202

Deed Reference:1) /19570/ 00001  
2)

Location & Structure Information

Premises Address:7698 DORCHESTER BLVD  
JESSUP 20734-0000

Legal Description:LT 2  
7698 DORCHESTER BLVD  
SHOPS AT ARNDL PRSVE

Map:0013Grid:6Parcel:0155Sub District:Subdivision:065Section:Block:Lot:Assessment Year:2014Plat No:Plat Ref:275/ 17

Special Tax Areas:Town:Ad Valorem:Tax Class:NONE

Primary Structure Built2008Above Grade Enclosed Area11,250 SFFinished Basement AreaProperty Land Area1.1900 ACCounty Use

Stories1.000000BasementTypeSHOPPING CENTER / NEIGHBORHOODExteriorFull/Half BathGarageLast Major Renovation

Value Information

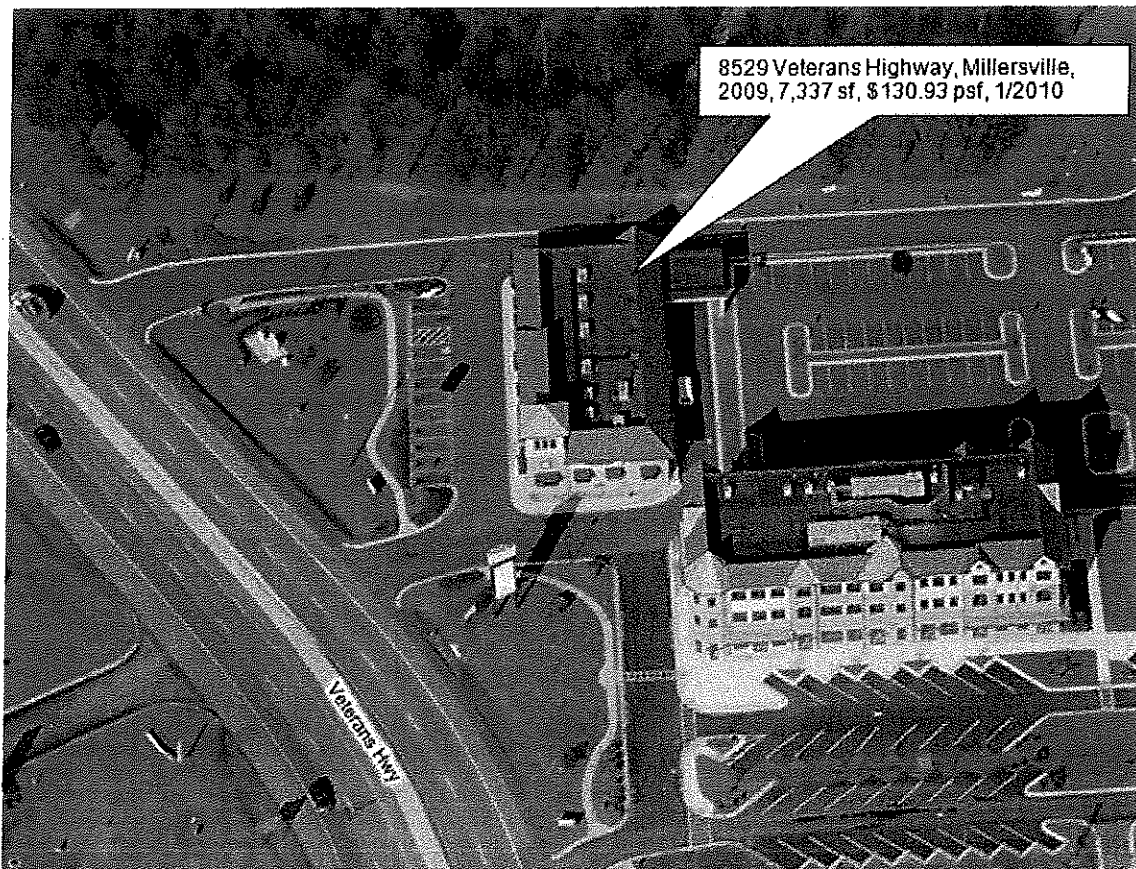
Base ValueValueAs of 01/01/2014Phase-in AssessmentsAs of 07/01/2013As of 07/01/2014

Land:904,500718,800

Improvements1,745,7002,296,000

Total:2,650,2003,014,8002,650,2002,771,733

Preferential Land:00



Account Identifier: District - 03 Subdivision - 820 Account Number - 90229556

**Owner Information**

<b>Owner Name:</b>	SP RETAIL LLC	<b>Use:</b>	COMMERCIAL CONDOMINIUM
<b>Mailing Address:</b>	116 SEVERN RIVER RD SEVERNA PARK MD 21146-	<b>Principal Residence:</b>	NO
		<b>Deed Reference:</b>	1) /23682/ 00237 2)

**Location & Structure Information**

<b>Premises Address</b>	<b>Legal Description</b>
8529 VETERANS HWY	LAND UNIT A
MILLERSVILLE 21108-0000	8529 VETERANS HWY
	SEVERNA PARK GATEWAY VIL

<b>Map</b>	<b>Grid</b>	<b>Parcel</b>	<b>Sub District</b>	<b>Subdivision</b>	<b>Section</b>	<b>Block</b>	<b>Lot</b>	<b>Assessment Area</b>	<b>Plat No:</b>
0022	0018	0306		820				1	Plat Ref: 0118/ 0001

**Town** NONE

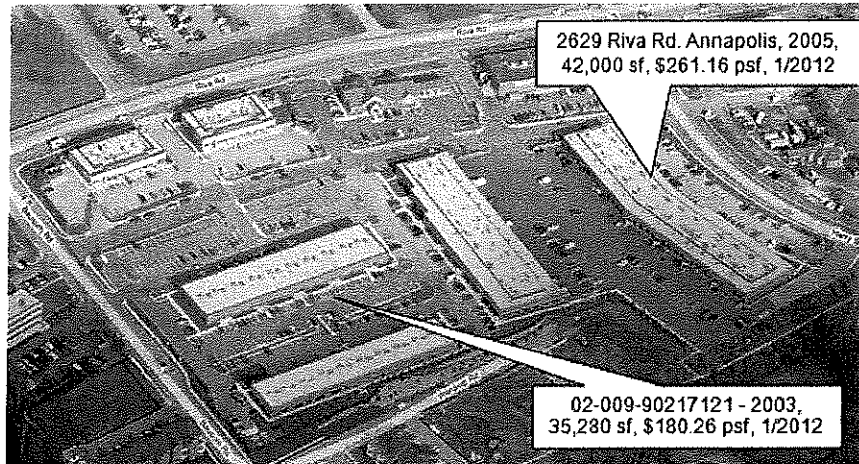
**Special Tax Areas**  
**Ad Valorem**  
**Tax Class**

<b>Primary Structure Built</b>	<b>Enclosed Area</b>	<b>Property Land Area</b>	<b>County Use</b>
2009	7337	9,134 SF	000000

<b>Stories</b>	<b>Basement</b>	<b>Type</b>	<b>Exterior</b>
		RETAIL STORE	

**Value Information**

	<b>Base Value</b>	<b>Value</b>	<b>Phase-in Assessments</b>	
		<b>As Of</b>	<b>As Of</b>	<b>As Of</b>
		01/01/2010	07/01/2011	07/01/2012
<b>Land</b>	442,900	404,800		
<b>Improvements:</b>	574,700	555,800		
<b>Total:</b>	1,017,600	960,600	960,600	960,600
<b>Preferential Land:</b>	0			0



Account Identifier:District - 02 Subdivision - 009 Account Number - 90217121

Owner Information

Owner Name:RIVA BUSINESS PARK III LLCUse:COMMERCIAL

Mailing Address:C/O ST JOHN PROPERTIES2560 LORD BALTIMORE DRBALTIMORE MD 21244Principal Residence:NODeed Reference:1)/14666/ 005882)

Location & Structure Information

Premises Address2629 RIVARDANNAPOLIS 21401-0000Legal DescriptionPT LT 6RR2629-2635 RIVA RDANNAPOLIS TECHNOLOGY PK

MapGridParcelSub DistrictSubdivisionSectionBlockLotAssessment AreaPlat No:Plat Ref:

0050001200340096RR30260/ 0041

Special Tax Areas

TownAd ValoremTax Class

NONE

Primary Structure Built2003Enclosed Area35280Property Land Area0.9000 ACCounty Use000000

StoriesBasementTypeExterior

SHELL INDUSTRIAL

Value Information

Base ValueValuePhase-In Assessments

As OfAs OfAs Of

01/01/201207/01/201107/01/2012

Land900,000810,000

Improvements:5,300,4005,549,700

Total:6,200,4006,359,7006,200,4006,253,500

Preferential Land:00

Account Identifier:District - 02 Subdivision - 009 Account Number - 90217122

Owner Information

Owner Name:RIVA BUSINESS PARK III LLCUse:COMMERCIAL

Mailing Address:C/O ST JOHN PROPERTIES2560 LORD BALTIMORE DRBALTIMORE MD 21244Principal Residence:NODeed Reference:1)/14666/ 005882)

Location & Structure Information

Premises Address2629 RIVARDANNAPOLIS 21401-0000Legal DescriptionPT LT 6RR2629-2635 RIVA RDANNAPOLIS TECHNOLOGY PK

MapGridParcelSub DistrictSubdivisionSectionBlockLotAssessment AreaPlat No:Plat Ref:

0050001200340096RR30260/ 0041

Special Tax Areas

TownAd ValoremTax Class

NONE

Primary Structure Built2005Enclosed Area42000Property Land Area5.6100 ACCounty Use000000

StoriesBasementTypeExterior

MEDICAL OFFICE BUILDING

Value Information

Base ValueValuePhase-In Assessments

As OfAs OfAs Of

01/01/201207/01/201107/01/2012

Land6,049,0005,388,000

Improvements:4,553,0005,580,800

Total:10,602,00010,968,80010,602,00010,724,267

Preferential Land:00

**As Is  
Revenue and Expense  
Spreadsheets**

**As Is – Revenues**

**Cable TV Franchise Fees**

Per Household	\$42.05
w/o Commercial	\$21.03
Existing Residential	\$147.19
Existing Commercial	\$242.36

Subject's Share

As Is  
\$389.55

**Highway Taxes**

Per Household	\$51.61
w/o Commercial	\$25.80
Existing Residential	\$180.62
Existing Commercial	\$297.40

Subject's Share

As Is  
\$478.03

**Electricity, Gas,**

**Telephone and Fuel Oil Tax**

Per Household	\$26.11
w/o Commercial	\$13.05
Existing Residential	\$91.38
Existing Commercial	\$150.47

Subject's Share

As Is  
\$241.85

**Use of Money and Property**

Per Household	\$55.04
w/o Commercial	\$41.28
Existing Residential	\$288.95
Existing Commercial	\$158.59

Subject's Share

As Is  
\$447.53

**Traders Licenses**

Existing Commercial	\$48.47
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Subject's Share

Sq. Ft. Basis  
\$48.47

**Taxes**

Per Household	\$98.83
w/o Commercial	\$88.95
Existing Residential	\$622.62
Existing Commercial	\$113.91

Subject's Share

As Is  
\$736.53

**Licenses and Permits**

Per Household	\$29.44
w/o Commercial	\$26.49
Existing Residential	\$185.46
Existing Commercial	\$33.93

Subject's Share

As Is  
\$219.39

**Fines and Forfeitures**

Per Household	\$28.03
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Subject's Share

As Is

w/o Commercial	\$26.63	\$202.53
Existing Residential	\$186.38	
Existing Commercial	\$16.15	

<b>Charges for Service</b>		<b>Subject's Share</b>
Per Household	\$99.79	As Is
w/o Commercial	\$89.81	\$743.69
Existing Residential	\$628.68	
Existing Commercial	\$115.02	

<b>Transfers In/Interfund Sources</b>		<b>Subject's Share</b>
Per Household	\$431.06	As Is
w/o Commercial	\$215.53	\$3,992.86
Existing Residential	\$1,508.71	
Existing Commercial	\$2,484.14	

**As Is – Expenses**

<b>Police Department</b>		<b>Subject's Share</b>
Per Household	\$878.46	As Is
w/o Commercial	\$834.54	\$6,348.01
Existing Residential	\$5,841.77	
Existing Commercial	\$506.25	

<b>Fire Department</b>		<b>Subject's Share</b>
Per Household	\$842.71	As Is
w/o Commercial	\$800.58	\$6,089.68
Existing Residential	\$5,604.04	
Existing Commercial	\$485.64	

<b>Recreation and Parks Department</b>		<b>Subject's Share</b>
Per Household	\$122.71	As Is
w/o Commercial	\$116.57	\$886.71
Existing Residential	\$816.00	
Existing Commercial	\$70.71	

<b>Public Works Department</b>		<b>Subject's Share</b>
Per Household	\$451.40	As Is
w/o Commercial	\$406.26	\$3,364.12
Existing Residential	\$2,843.84	
Existing Commercial	\$520.28	

<b>Dept. of Neighborhood &amp; Environ. Progrms.</b>		Subject's Share
Per Household	\$95.23	As Is
w/o Commercial	\$90.47	\$688.16
Existing Residential	\$633.28	
Existing Commercial	\$54.88	

<b>Dept. of the Mayor and Alderpersons</b>		Subject's Share
Per Household	\$162.06	As Is
w/o Commercial	\$153.96	\$1,171.09
Existing Residential	\$1,077.70	
Existing Commercial	\$93.39	

<b>Finance Department</b>		Subject's Share
Per Household	\$243.56	As Is
w/o Commercial	\$219.21	\$1,815.17
Existing Residential	\$1,534.45	
Existing Commercial	\$280.72	

<b>Human Resources</b>		Subject's Share
Per Household	\$51.78	As Is
w/o Commercial	\$46.60	\$385.90
Existing Residential	\$326.22	
Existing Commercial	\$59.68	

<b>Planning and Zoning</b>		Subject's Share
Per Household	\$89.53	As Is
w/o Commercial	\$85.06	\$646.99
Existing Residential	\$595.40	
Existing Commercial	\$51.60	

<b>Debt Service</b>		Subject's Share
Per Household	\$213.66	As Is
w/o Commercial	\$192.30	\$1,592.35
Existing Residential	\$1,346.09	
Existing Commercial	\$246.26	

<b>Other Expenses to General Fund</b>		Subject's Share
Per Household	\$536.24	As Is
w/o Commercial	\$482.61	\$3,996.34
Existing Residential	\$3,378.29	
Existing Commercial	\$618.05	