

CITY OF ANNAPOLIS FINANCIAL ADVISORY COMMISSION

Minority Report

*Recommendations Regarding Proposals for Disposition of
Old Rec Center at 9 St. Mary's Street*

Commissioners Bob Burdon & Ross Dierdorff

July 23, 2015

BY E-MAIL AND HAND DELIVERY

Mayor and City Council of the City of Annapolis
160 Duke of Gloucester Street
Annapolis, Maryland 21401

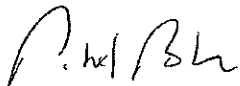
Dear Mayor Pantelides and Members of the City Council:

Commissioner Bob Burdon and Commissioner Ross Dierdorff respectfully clarify why the information provided to the FAC before the Commission's vote did not provide a sufficient basis for us to exercise our duty to prudently evaluate all of the strategic and financial risks involved in the comparison of both proposals. Our two major concerns are:

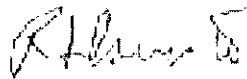
1. The addition of a prestigious institution with an eponymous name, "The Annapolis Institute for Environmental Solutions" merits evaluation from an economic development perspective. None was provided for the Commissioners to reasonably assess the economic impact of this option for the City of Annapolis.
2. Subsequent to the FAC vote on Monday morning, city staff confirmed the minority's concern that the estimate of the reversion value in the analysis of the University of Maryland Center for Environmental Science (UMCES) proposal was a judgment contingent solely upon the arbiter's discretion. It is normally within a real estate appraiser's purview to estimate reversion values for income producing properties. A standard appraisal approach is to estimate net operating income for the year after reversion and divide by a terminal capitalization rate. Depreciation is accounted for by the recapture component of the terminal capitalization rate in this method.

The minority opinion advocates that the Mayor and City Council step back and engage independent appraisers to evaluate the financial comparability of the two proposals, and we consider such an engagement as exercising a prudent standard of reasonable care required for the critical decision the Mayor and City Council are called upon to make.

Respectfully submitted,



Bob Burdon, Commissioner



Ross Dierdorff, Commissioner

cc: Commission Members (By e-mail)
Bruce T. Miller, Finance Director (By e-mail)
Thomas C. Andrews, City Manager, (By e-mail)
Jackie Bierman, Boards and Commissions Coordinator (By e-Mail)