

Westholm & Associates, LLC

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October 11th, 2014

Ms. Eileen E. Powers, 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 Ms. Powers:

In accordance with your request Westholm & Associates recently prepared a fiscal impact analysis of the above-captioned proposed annexation. The purpose of this analysis was to determine if the annexation would reasonably generate revenue(s) at least equal to, or greater than, the anticipated cost of providing municipal services to the property when, and if, the defined subject property was annexed into the City of Annapolis.

On October 4th, 2014 you sent an email to me concerning comments made by David L. Stokes, Sr. (Fire Chief, City of Annapolis) and shown in a memorandum dated September 11th, 2014 from Chief Stokes to Regina C. Watkins-Eldridge (City Clerk, City of Annapolis), asking that I comment upon Chief Stokes' comment and whether or not the fiscal impact analysis prepared by Westholm & Associates required any revisions.

My response to your request follows.

Briefly, in the memorandum from Chief Stokes to Ms. Watkins-Eldridge the Chief states the following:

"I have reviewed the above referenced documents and would like to clarify one item. The Fiscal Impact Analysis, Exhibit "M" page 22 indicates that *"the City of Annapolis receives payments from Anne Arundel County in lieu of taxes for these services"*. This is no longer the case, the payments for fire protection from the County ceased when the county opened the Annapolis Neck Fire Station. But we do have a mutual aid agreement with Anne Arundel County and share resources and respond to emergency calls in the County"

Ms. Powers, Chief Stokes is obviously correct and, thus I have reviewed the appropriate portion of the text. For clarification the relevant section (commencing on Page 22) of the text within the Fiscal Impact Analysis states the following (importantly, it is noted that the "quote" contained in Chief Stokes' comments is in **BOLD** below. Furthermore, another relevant "quote" within the same subsection of the Fiscal Impact Analysis is also shown in **BOLD** below):

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

My Comments/Conclusions:

Ms. Powers, I must apologize for the mistake made by Westholm & Associates for indicating that the County makes payments to the City; it does not.

As to your question as to whether, or not, this miss-statement makes it necessary to amend the Fiscal Impact Analysis, fortunately it does not. If you read the second area printed in **BOLD** you shall see that Westholm & Associates assigned all Fire Department expenses in the budget to the City while assigning no revenues/payments from Anne Arundel County.

Therefore, there is no need to amend the Fiscal Impact Analysis submitted to the City.

Closing Remarks:

The error cited should never have occurred. Westholm & Associates was aware of the change (payment to non-payment by the County) before we even commenced the Fiscal Impact Analysis. Again, my apologies to all.

Very truly yours,

WESTHOLM & ASSOCIATES, LLC

A handwritten signature in blue ink, appearing to read 'Gary T. Westholm', with a long horizontal flourish extending to the right.

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