

FISCAL IMPACT NOTE

Legislation No: R-32-14

First Reader Date: 9-22-14

Note Date: 10-24-14

Legislation Title: A Committee to Explore the Possibility of Acquiring 110 Compromise Street

Description: For the purpose of expressing the sense of the Annapolis City Council's consideration of acquiring the land and improvements located at 110 Compromise Street for a purchase price of \$4,500,000.

Analysis of Fiscal Impact: This legislation includes acquiring the property at \$4,500,000, to be funded by a federal Department of the Interior grant of not less than \$1,000,000 and a 5-year, \$3,500,000 promissory note at a 5% interest rate. If the property is acquired, the City's assets will increase by the book value of the property which will produce a positive fiscal impact of \$4,500,000. Obtaining a 5-year \$3,500,000 promissory note will also increase the annual debt service over the next five years by \$175,000. If after the five years, if the City has not sold the property, then a balloon payment will be made financed through a bond. This will result in an average annual debt service payment in the amount of \$264,688 (see attached 20 Year Amortization schedule).

If the property is acquired, it is the intention of the City to subdivide the property and demolish the current structure. A 55-foot stretch along the water will remain Waterfront Maritime zone, which the federal Department of the Interior grant will be applied to, and the remaining property will be rezoned for commercial property. Once the City demolishes the current structure at costs estimated to run between \$150,000 and \$200,000, the City will then sell the remainder as commercial property. A purchaser of the property would be able to construct a 10,000 square foot single story or a 20,000 square foot two-story building. The sale of the commercial property will be put towards the \$3,500,000 debt service.

Other factors to be considered would be that the FY 2015 assessed value of 110 Compromise Street is \$3,209,100. Based on the City's current tax rate of \$0.649, the real property tax revenues are in the amount of \$20,827.06 annually. If the City acquires the property and is successful in rezoning, there is potential of doubling the current real property tax revenues, as well as, receiving personal property tax revenue from the inhabitants of the commercial property.

Additionally, by acquiring 110 Compromise Street the City would be increasing Harbor revenues by adding more recreational space for the annual boat shows, and eliminating the annual \$42,000 lease payment at Chandler Dock therefore decreasing Harbor Office expenditures.

Debt Service Schedule

Year	20 Year Amortization			Principal Balance
	Principal Payments	Interest Payments	Total Payments	
Level Principal Payment				
Beginning Loan Balance				3,500,000.00
Payment 1	87,500.00	87,500.00	175,000.00	3,412,500.00
Payment 2	87,500.00	85,312.50	172,812.50	3,325,000.00
ST Yr 1	175,000.00	172,812.50	347,812.50	
Payment 3	87,500.00	83,125.00	170,625.00	3,237,500.00
Payment 4	87,500.00	80,937.50	168,437.50	3,150,000.00
ST Yr 2	175,000.00	164,062.50	339,062.50	
Payment 5	87,500.00	78,750.00	166,250.00	3,062,500.00
Payment 6	87,500.00	76,562.50	164,062.50	2,975,000.00
ST Yr 3	175,000.00	155,312.50	330,312.50	
Payment 7	87,500.00	74,375.00	161,875.00	2,887,500.00
Payment 8	87,500.00	72,187.50	159,687.50	2,800,000.00
ST Yr 4	175,000.00	146,562.50	321,562.50	
Payment 9	87,500.00	70,000.00	157,500.00	2,712,500.00
Payment 10	87,500.00	67,812.50	155,312.50	2,625,000.00
ST Yr 5	175,000.00	137,812.50	312,812.50	
Payment 11	87,500.00	65,625.00	153,125.00	2,537,500.00
Payment 12	87,500.00	63,437.50	150,937.50	2,450,000.00
ST Yr 6	175,000.00	129,062.50	304,062.50	
Payment 13	87,500.00	61,250.00	148,750.00	2,362,500.00
Payment 14	87,500.00	59,062.50	146,562.50	2,275,000.00
ST Yr 7	175,000.00	120,312.50	295,312.50	
Payment 15	87,500.00	56,875.00	144,375.00	2,187,500.00
Payment 16	87,500.00	54,687.50	142,187.50	2,100,000.00
ST Yr 8	175,000.00	111,562.50	286,562.50	
Payment 17	87,500.00	52,500.00	140,000.00	2,012,500.00
Payment 18	87,500.00	50,312.50	137,812.50	1,925,000.00
ST Yr 9	175,000.00	102,812.50	277,812.50	
Payment 19	87,500.00	48,125.00	135,625.00	1,837,500.00
Payment 20	87,500.00	45,937.50	133,437.50	1,750,000.00
ST Yr 10	175,000.00	94,062.50	269,062.50	
Payment 21	87,500.00	43,750.00	131,250.00	1,662,500.00
Payment 22	87,500.00	41,562.50	129,062.50	1,575,000.00
ST Yr 11	175,000.00	85,312.50	260,312.50	
Payment 23	87,500.00	39,375.00	126,875.00	1,487,500.00
Payment 24	87,500.00	37,187.50	124,687.50	1,400,000.00
ST Yr 12	175,000.00	76,562.50	251,562.50	
Payment 25	87,500.00	35,000.00	122,500.00	1,312,500.00
Payment 26	87,500.00	32,812.50	120,312.50	1,225,000.00
ST Yr 13	175,000.00	67,812.50	242,812.50	
Payment 27	87,500.00	30,625.00	118,125.00	1,137,500.00
Payment 28	87,500.00	28,437.50	115,937.50	1,050,000.00
ST Yr 14	175,000.00	59,062.50	234,062.50	
Payment 29	87,500.00	26,250.00	113,750.00	962,500.00
Payment 30	87,500.00	24,062.50	111,562.50	875,000.00
ST Yr 15	175,000.00	50,312.50	225,312.50	
Payment 31	87,500.00	21,875.00	109,375.00	787,500.00
Payment 32	87,500.00	19,687.50	107,187.50	700,000.00
ST Yr 16	175,000.00	41,562.50	216,562.50	
Payment 33	87,500.00	17,500.00	105,000.00	612,500.00
Payment 34	87,500.00	15,312.50	102,812.50	525,000.00
ST Yr 17	175,000.00	32,812.50	207,812.50	
Payment 35	87,500.00	13,125.00	100,625.00	437,500.00
Payment 36	87,500.00	10,937.50	98,437.50	350,000.00
ST Yr 18	175,000.00	24,062.50	199,062.50	
Payment 37	87,500.00	8,750.00	96,250.00	262,500.00
Payment 38	87,500.00	6,562.50	94,062.50	175,000.00
ST Yr 19	175,000.00	15,312.50	190,312.50	
Payment 39	87,500.00	4,375.00	91,875.00	87,500.00
Payment 40	87,500.00	2,187.50	89,687.50	-
ST Yr 20	175,000.00	6,562.50	181,562.50	