



Office of the City Auditor

Audit of the Agricultural Reserve Program

Report Date: February 9, 2018

Office of the City Auditor
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"Promoting Accountability and Integrity in City Operations"



Office of the City Auditor

"Promoting Accountability and Integrity in City Operations"

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February 9, 2018

To: David L. Hansen, City Manager



Subject: Audit of the Agricultural Reserve Program

I am pleased to present the report of our audit of the Agricultural Reserve Program (ARP).

The objectives of our audit were to:

- Verify the significant financial aspects of the program – the debt balance of the Installment Purchase Agreements (IPA), the balances and maturity dates of the U.S. Treasury Securities (T-STRIPS) held to cover maturing IPAs, the interest paid calculations, the dedicated real estate revenue computation, the development rights computations and other related items,
- Verify program compliance with the *“Agricultural Lands Preservation Ordinance of the City of Virginia Beach*, and
- Document in detail the ARP application/approval process and determine if any process efficiencies can be implemented.

Findings considered to be of insignificant risk have been discussed with management. We completed fieldwork on November 20, 2017.

The Office of the City Auditor reports to City Council through the City’s Audit Committee and is organizationally independent of all other City Departments. This report is intended solely for the information and use of the Audit Committee, City Council, the Department of Agriculture, and appropriate management. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We would like to thank the Department of Agriculture, Finance Department Office of the City Attorney and the City Treasurer for their courteous and prompt assistance during our audit. The staff was receptive and excellent to work with.



Office of the City Auditor
Transmittal Letter

If you have any questions about this report, or any audit-related issue, I can be reached at 385-5872 or via email at lremias@vbgov.com.

Respectfully submitted,

Lyndon S. Remias

Lyndon S. Remias, CPA, CIA
City Auditor

lsr/jd

c: City Council Members
Audit Committee Members
David E. Trimmer, Director, Department of Agriculture
Ronald H. Williams, Jr., Deputy City Manager



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Office of the City Auditor Audit of the Agriculture Reserve Program

Purpose

The purpose of our audit was to verify the significant financial aspects of the Agricultural Reserve Program, verify compliance with the *Agricultural Lands Preservation Ordinance of the City of Virginia Beach*, and document and assess the ARP application/development rights acquisition process.

Scope & Objectives

The scope of the audit covered the fiscal year (FY) ending June 30, 2017. We also verified historical balances of the Installment Purchase Agreements (IPA) and related U.S. Treasury Securities (T-STRIPS) investments. The objectives of our review were:

- To verify the significant financial aspects of the program to include the debt balance of the IPA, the balances and maturity dates of the T-STRIPS investments held to cover maturing IPA, the interest paid calculations, the dedicated real estate revenue computation, the development rights computations and other related items;
- To verify program compliance with the *Agricultural Lands Preservation Ordinance of the City of Virginia Beach* (Appendix J- Agricultural Reserve Program); and
- To document in detail the ARP application/approval process and determine if any process efficiencies can be identified.

Methodology

To accomplish our objectives, we performed the following procedures:

- Researched the Department of Agriculture's web page for background information about the ARP;
- Obtained and researched Management Services budget files for relevant information concerning the ARP;
- Obtained and reviewed prior year's Department of Agriculture ARP Fiscal Year reports;
- Ran various InSITE reports for fund 161 to gain an understanding of the financial transactions, line items, funding and expenditures involved in the ARP program;
- Obtained and reviewed Finance's fund folder for fund 161;
- Verified the debt balance of the IPA, the T-STRIPS investments issued to cover payoffs in 25 years, the interest calculation, the dedicated revenue real estate computation, development rights computation and other related items;
- Documented the compliance requirements for the program as listed in *Agricultural Lands Preservation Ordinance of the City of Virginia Beach* (Appendix J - Agricultural Reserve Program);
- Grouped all the IPA debt principal to the T-STRIPS investments purchased to pay the debt to assure the debt payouts are covered when due;



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- Selected a sample of the City's ARP purchases of development rights and verified compliance with the requirements of the City Code;
- Interviewed appropriate personnel, obtained written procedures, documented the City ARP application/approval/purchase process and determined if any process efficiencies could be implemented, whether the control design ensured compliance with the City Code and whether they were being complied with;
- Developed an audit report with reported findings and recommendations.

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all City Departments. This report will be distributed to the City's Audit Committee, City Council, the Department of Agriculture, and appropriate management. This report will also be made available to the public.



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Background

The City of Virginia Beach enacted the Agricultural Lands Preservation Ordinance and the resulting Virginia Beach Agricultural Reserve Program (ARP) on May 9, 1995. The Ordinance states that its purpose is to promote and encourage the preservation of farmland in the rural southern portion of the City, where agricultural uses predominate, by means which are



voluntary, rather than regulatory. The preservation of farmland will promote and enhance agriculture as an important industry which contributes to the maintenance of a diverse and healthy economy. In addition, the preservation of farmland will:

- a) Preserve the rural character of the southern portion of the City;
- b) Conserve and protect environmentally sensitive lands, waters and other resources;
- c) Reduce and defer the need for major urban infrastructure improvements in the southern portion of the City and the expenditure of public funds for such improvements;
- d) Preserve open space; and
- e) Assist in shaping the character, direction and timing of community development.

Thus, the ARP allows for landowners to voluntarily sell the development rights of their property to the City, whereby no non-farm development can take place on the land. The purchases must be made in compliance with the *Virginia Beach Code of Ordinances, Appendix J. - Agricultural Reserve Program*.

Financial Overview Summary

Funding

Most of ARP funding is through a dedicated portion of the real estate tax that is collected annually. In FY 2016 the dedicated rate was lowered from .9 to .56 cent of the real estate tax collected. That dedicated amount is computed and booked into account 161-70161-410001. For FY 2017, the real estate tax allocated for ARP was \$2,944,558 of which \$2,316,354 was paid in interest to ARP participants according to the terms of their IPAs. The remaining funds are used for new acquisitions and expenses of the ARP office and personnel costs. There is also a lesser amount of funding from the state through the Virginia Department of Agriculture and Consumer Services (VDACS) through their Office of Farmland Preservation. The amount from this grant was \$505,845 in FY 2017.



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Debt Principal

The debt associated with the ARP program is the accumulated amount of the 25 year Installment Purchase Agreements (IPA) issued to the land owner participants to purchase the development rights. As of June 30, 2017 that amount stood at \$46,102,662 and is classified as long-term debt in the CAFR. Since the first IPA's were not issued until 1997 and the City pays interest only twice a year on them until the 25th year, no principal payments will be due until 2022. Finance has separate debt management software, Mun-Ease, to account for debt. Each IPA has an agreement number and there are currently approximately 100 IPA agreements.

Debt interest

Interest payments are made to enrollees that have IPAs in December and June. The interest expense to the City is booked in account 161-70161-610202. Each agreement can have a different interest rate as stated in their individual IPA. The interest rate for each IPA is the higher of the market rate of the T-STRIPS at the time of the initial offer letter or the actual rate of the T-STRIPS purchased (approximately one week before closing). The total amount of interest paid in fiscal year 2017 was \$2,316,354.

U.S. Treasury Securities (T-STRIPS)

At each enrollee closing, the City purchases (with the dedicated tax revenue) zero-coupon U.S. Treasury securities to fund its obligation to pay the maturing balance of each agreement. The securities mature in 25 years to mirror the IPA maturity to cover that debt principal. Obviously the higher interest rate means a lower initial buy-in. The City has purchased \$14,113,565.49 in T-STRIPS with a 25 year redemption value of \$46,815,000 as of June 30, 2017.

Other financial aspects

Includes such items as the computation and documentation of the value of the development rights and the related appraisal value of the property.

Summary of Development Rights Application/Eligibility/Approval Process

The Virginia Beach Code of Ordinances, Appendix J. – Agricultural Reserve Program contains the Ordinance "*Agricultural Lands Preservation Ordinance of the City of Virginia Beach*". The Ordinance contains twelve sections detailing the eligibility requirements, procedures for acquisition of development rights and other requirements. Section 7 contains the Eligibility requirements which are as follows:

- (a) The property shall be no less than ten (10) acres in area, or be included in a batch in which the combined area of contiguous property is no less than ten (10) acres in area;
- (b) The property shall be wholly located within a residential zoning district, an AG-1 or AG-1 Agricultural District or a P-1 Preservation District, or combination of such zoning districts;



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- (c) The property shall be capable of being subdivided or developed for nonagricultural uses without the approval of the city council;
- (d) The property shall be located within that portion of the city described in Section 6;
- (e) The property shall not contain any land required to be reserved or set aside for open space, recreation or similar purposes pursuant to the provisions of a conditional use permit, conditional zoning agreement, subdivision variance or other action by city council, or any ordinance or regulation;
- (f) No uses or structures, other than those permitted by preservation easements, shall be located upon the property; and
- (g) No portion of the property shall contain any of the following soil types:
 - (1) Back Bay Mucky Peat;
 - (2) Dorovan Mucky Peat;
 - (3) Nawney Silt Loam; or
 - (4) Pamlico Mucky Peat, Ponded.

Section 8 contains application; evaluation requirements. Section 10 contains procedural requirements for the acquisition of the development rights. The Department of Agriculture has specific procedures, documents, and files to ensure and document that the above requirements are being complied with. The City Attorney's Office has its own set of procedures which mirror the Department of Agriculture's but has some additional legal requirements, documentation, closing documents and recording requirements.

Results

Summary of Overall Results

Overall, the ARP has excellent procedures, controls and documentation in place to ensure compliance with the detailed requirements for the program in the Virginia Beach Code of Ordinances, Appendix J. – Agricultural Reserve Program. The record keeping is exceptional and organized in a consistent, easy to follow manner. Similarly, the Department of Agriculture has reviewed the ARP process in depth to identify and make changes to the process to improve efficiencies and timeliness. In addition, the Finance Department maintains accurate detailed accounting records of all transactions of the ARP.

Financial Results

ARP Funding

We obtained, reviewed and recomputed the Finance Department's worksheet to allocate the .56 cent dedicated real estate tax revenue to fund 161. The amount allocated was \$2,944,558 for year end June 30, 2017. We were able to re-compute the allocation and agree it to the backup documentation. It should be noted that approximately \$24 million of real estate tax revenue is not included in the real estate taxes to be allocated as it is already designated for dredging funds,



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the Sandbridge and Town Center SSDs and TIFs as well as penalties and interest. We obtained and reviewed the current year Virginia Department of Agriculture and Consumer Services (VDACS) matching grant agreement whereby the program received \$505,845 for FY 17.

Debt Principal

We traced the \$46,102,622 in long-term debt as of June 30, 2017 for the purchase of ARP development rights to the Finance Department's total listing of individual IPAs that make up the balance and sampled 15 of the IPA principal amounts listed, tracing them to the individual IPA agreement. We also agreed the \$46,102,622 total debt to the CAFR and Mun-Ease debt accounting system.

IPA Debt Interest paid

Interest paid to the landowners in the ARP program in fiscal year 2017 was \$2,316,354.15, paid twice – \$1,144,949.22 on 12/1/2016 and \$1,171,404.93 on 6/1/2017 from account 161.70161.6102. We selected the December 1 disbursement of \$1,144,949.22 total interest paid out and verified that the interest was only paid to eligible landowner participants at that time. We then selected 15 participants and verified the principal amount of the debt and the agreed upon interest rate used to calculate their interest payment by verifying that information to their individual IPA agreement. We then re-computed the interest calculation for each one without exception.

U.S. Treasury Securities (T-STRIPS)

We performed the following as of June 20, 2017:

- We agreed the historical cost of the investments of \$14,113,565.48 with the BB&T Trustee statement as of June 30, 2017 to ensure that they are all accounted for;
- We grouped all of the individual IPA amounts to the T-STRIPS that were purchased to cover their principal payout in 25 years to ensure all of principal was covered at the time due and to verify the investment amounts left over after the payout (see Exhibit I); and
- We verified the total 25 year redemption value of the T-STRIPS of \$46,815,000 with the BB&T trustee statement as of June 30, 2017.

Summary of ARP Investment/Debt Analysis as of 6/30/17

Investment T-STRIPS Cost	Total IPA Debt Principal Due	25 Year Redemption Value of T-STRIPS	Excess of Full T-STRIPS Redemption Over IPA Cost
\$14,113,565	\$46,102,662	\$46,815,000	\$712,338

Note: The above chart is a financial snapshot of the ARP as of June 30, 2017 showing the entire debt due, the future redemption value of the fully matured investments and the excess of the full redemption value over the principal due. For the detailed maturities of the T-STRIPS investments and the principal IPA debt they were purchased to pay off, **see Exhibit I.**



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Findings and Recommendations

Finding 1: Identified Available Investments of \$668K

Although the purchase and use of T-STRIPS as a funding mechanism for each IPA is not required by the ARP City Code section it has been part of the ARP program from its inception and is included in both the Department of Agriculture and the City Attorney's written procedures. As evident in Exhibit I, normally T-STRIPS are purchased at about the same time the IPA (debt instrument) is executed resulting in the investment and the debt instrument maturing at the same time – in 25 years. The T-STRIPS are purchased in available even denomination amounts slightly over the maturing debt. The T-STRIPS, as evidenced in the written procedures are purchased about 1 week *before* the closing date, locking in the final interest rate which is the higher of the actual T-STRIPS purchased or the marker rate at the time the initial offer letter was tendered. This one week allows for the final IPA and all other closing documents to be printed, reviewed and prepared for the actual closing. Thus, even though communication is constant throughout the process, the landowner can still back out and not sign at closing even though the T-STRIPS are purchased approximately a week prior. In February of 2009 this did occur. The City purchased T-STRIPS for \$267,079.76. The T-STRIPS, as of June 30, 2017, had a market value of \$425,756.48 and a full redemption value of \$668,000 on February 15th of 2034. The City has not lost money, owns the investment and properly followed its procedures. This is the only time this has occurred.

Recommendation

1.1 We recommend that Management Services (and any future Department of Agriculture management personnel) be made aware of the T-STRIPS (Cusip# 9128334X5) purchased, with City Council approval, in February of 2009 for \$267,079.76 and worth \$425,756.48 as of June 30, 2017, and a full redemption value of \$668,000 in 2034. The investment does not have any debt associated with it to pay off. Should economic times warrant, the T-STRIPS could be sold and utilized for the current year budget/funding. Finance has been aware of the investment, tracked it and the investment will stay in the ARP program. Nonetheless, Management Services and other decision makers should be aware of the investment.

Finding 2: Update Estimated Agricultural Value

When computing the estimated value of a participant property's development rights the City utilizes an independent real estate appraiser. The appraiser, in order to estimate the value of the *development rights* on a property must first deduct the estimated agricultural value of the property from the total fair market value. A market study conducted by an independent



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appraiser was performed in November of 2008 and determined the estimated agricultural value to be \$1,800 an acre in Virginia Beach. That value has been used for determining the value of development rights for a property since July of 2009. Prior to that a value of \$900 per acre had been used from the program's inception in 1995 until 2009. At the time of the change in value in 2009, the City Manager wrote City Council a memo on March 6, 2009 stating *"In the future, it is recommended that the agricultural value should be re-evaluated every three to five years to ensure that the most accurate market value is being used in the valuation of property and its development rights."* It has now been nine years since the last valuation with the great recession and real estate crisis occurring in that time frame.

Recommendation

- 2.1 We recommend that a new market study be performed of the estimated value of a typical agricultural parcel located in the City of Virginia Beach.
- 2.2 We recommend that the prior recommendation by the City Manager that the agricultural value be re-evaluated every three to five years be complied with and adopted as formal policy going forward.

Results of Compliance with the City Code Requirements

The ARP is governed by The Virginia Beach Code of Ordinances, Appendix J. – Agricultural Reserve Program. This Ordinance shall be known as the *"Agricultural Lands Preservation Ordinance of the City Virginia Beach."* The Ordinance contains twelve sections. Section 7 contains the Eligibility requirements, section 8 contains application evaluation requirements and Section 10 contains procedural requirements for the acquisition of development rights. The ARP's processes and procedures (see Exhibit II) and required documents are the controls whereby they assure compliance with the City Code. The ARP files for each purchase are set up with the following document sections and supporting documents and communications:

- Application For Sale of Development Rights
Completed by the landowner(s), initiates the process and must be signed by all landowner(s) of a property and asks a series of eligibility questions
- Planning Memo
Completed by the Planning Department; researches zoning, subdivision, development potential issues/questions
- Soil Suitability Worksheet
Documents the soil makeup/suitability of the property and the computation of the maximum number of development units
- Independent Real Estate Appraisal
Formal independent real estate appraisal of fair market value of the property and the value of the development rights of the property



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- Offer Letter

Formal letter sent to the applicant and signed by the City Manager offering to buy the development rights with the key provisions of the potential transaction

- Installment Purchase Agreement

The formal debt instrument signed by the City and the landowner(s)

- Council Action/Ordinances

All related City Council Documents- Council Agendas/ Ordinances/Resolutions

- Maps

Maps documenting soil/zoning eligibility

We reviewed the file documents and the procedures (Exhibit II) and determined that the process/controls the Department of Agriculture has in place adequately ensure compliance with the Virginia Beach Code of Ordinances, Appendix J. – Agricultural Reserve Program. We then



selected 15 Development Rights Purchases from the Finance Department's listing of purchases by agreement number totaling \$46,102,622 as of June 30, 2017 and comprised of approximately 100 IPAs. For those purchases, we reviewed the ARP file and verified each purchase's compliance with the eligibility requirements in Section 7, the application evaluation requirements in

Section 8, and the procedural acquisition requirements in Section 10. From our sample we found no compliance exceptions – both compliance and the required documentation were excellent.

Finding 3: Automate ARP Recordkeeping Process

The ARP files were very well organized, complete, thorough and meticulous notes taken of all communication with the landowner(s), City departments and outside entities. All of the files are manual files, extremely well maintained and compliance very well documented. The files can be voluminous depending on the complexities of the transactions and the volume of purchases/files steadily increases and must be maintained for long periods. (Perpetual easements)



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Recommendation

- 3.1 We recommend due to the continuing volume increase in the ARP records and documentation along with the extended time frame of the transactions, and the fact that the new ARP coordinator has expressed interest, researching and exploring the possibility of utilizing an electronic means to store the records.

ARP Process Review Results

We reviewed the ARP process in detail. The ARP coordinator has documented the process steps (see Exhibit II) along with an estimated time for each step. It can be difficult to set hard time parameters/requirements for many of the steps for the following reasons:

- The amount of required time involved with the ARP process steps can vary tremendously as each transaction can have totally unique and unpredictable legal complexities involved.
- Significant parts of the process are carried out by entities outside the City – banks for the Certificates of Partial Satisfaction, the independent real estate appraisal, the title company, the land owner and the bond counsel.
- It is a unique process in that the landowner may actually desire to *delay* the process as long as possible should he sense interest rates will rise; or, conversely if he anticipates rates falling he will desire to *accelerate* the process as much as possible.

Despite the above factors, the Department of Agriculture and the Office of the City Attorney have recently reviewed the ARP processes and made the following changes where they could to enhance timeliness and efficiencies:

- Placed a limit of 90 days to respond to the original offer letter – 30 day response with two 30 day extensions that must be applied for in writing as explained in the offer letter.
- Required that closing must occur a maximum of 45 days after receipt of the landowners closing package and this requirement is stated in the closing letter accompanying the package.
- Contracting with one Title Company for all title services for the ARP.
- Utilizing a single real estate appraiser (sole source) to perform all appraisal services saving time and achieving uniformity in the evaluations.
- As interest rates have fallen, a change was made to increase the floor rate to actual market from one point below market.

Finding 4: Update Sole Source Justification

An April 9, 2009 memo from the Department of Agriculture to Purchasing notifies them that the Department of Agriculture has designated (throughout the history of the program) an independent real estate appraiser as a sole source to evaluate applications from willing landowners that wish to sell their development rights to the City. The memo notes that “*Representatives from Agriculture, the City Attorney’s office and Public Works Real Estate office*



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have discussed this matter” and consider the appraiser a sole source. The memo cites the appraiser’s history and knowledge of the program, the need to promote uniform evaluations for all property appraisals and the importance in completing appraisals in a timely manner. There have been changes in personnel in the Office of the City Attorney, Finance Department Purchasing Division and Public Works Real Estate Office since 2009.

Recommendation

- 4.1 We recommend with the changes in personnel and the lengthy passage of time, revisiting and reconfirming the sole source designation with the City Attorney’s Office, Finance Department Purchasing Division and the Public Works Real Estate Office to obtain a current purchase order/contract.

Conclusion

Based on our audit procedures, we verified the significant financial aspects of the ARP program without exception. Our testing indicated that compliance with the *Agricultural Lands Preservation Ordinance of the City of Virginia Beach* (Section 14, Appendix J. - Agricultural Reserve Program) is strong. The process and controls in place to ensure compliance are well designed to reduce risk and are operating as designed. The Finance Department maintains accurate financial records of all ARP transactions, balances and accounts.

Acknowledgements

We would like to thank the Department of Agriculture, Finance Department, Office of the City Attorney and the City Treasurer for their assistance during our audit. They were open to our suggestions, very accommodating and worked promptly and professionally with us throughout the audit.



City of Virginia Beach

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February 7, 2018

Mr. Lyndon Remias, CPA, CIA
City Auditor
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Re: Audit of the Agricultural Reserve Program – February 6, 2018 Draft Audit Report

Dear Lyndon,

I would like to thank you and Chris for your professionalism and guidance during our recent audit. We value your audit recommendations included in our February 6, 2018 Draft Audit Report.

The Agriculture Reserve Program is a very important component in the growth and sustainability of the Agriculture industry. The audit and feedback assures our team that we are doing all that is right in the program process. It also provides us with sound recommendations for moving forward. We will work toward implementing your recommendations and continue to make a difference in our City and industry.

Thank you again for helping us evaluate our process and program.

Respectfully,

David E. Trimmer, Director

DET/jkw

IPA Principal Debt Due/T-STRIPS Investment Maturity Analysis as of 6/30/2017

Cusip #	Investment STRIP Cost	*IPA Debt Principal	25 year redemption value of STRIP	Excess of full redemption over IPA cost	STRIP Maturity Date	
912803AY9	696,244.81	3,738,847.00	3,744,000.00	5,153.00	11/15/2021	
912803AZ6	819,160.16	4,248,088.00	4,251,000.00	2,912.00	8/15/2022	
912803BAO	77,032.06	328,464.00	329,000.00	536.00	11/15/2022	
912803BB8	186,299.92	845,386.00	846,000.00	614.00	2/15/2023	
912803BC6	370,300.33	1,478,174.00	1,481,000.00	2,826.00	8/15/2023	
912803BE2	447,200.00	1,999,046.00	2,000,000.00	954.00	2/15/2025	
912803BF9	456,930.71	1,892,109.00	1,894,000.00	1,891.00	8/15/2025	
912803BG7	359,206.76	1,480,083.00	1,481,000.00	917.00	2/15/2026	
912803BJ1	284,870.86	1,234,741.00	1,236,000.00	1,259.00	11/15/2026	
912803BK8	279,056.54	1,204,214.00	1,206,000.00	1,786.00	2/15/2027	
912803BL6	308,872.15	1,206,981.00	1,209,000.00	2,019.00	8/15/2027	
912833RY8	141,906.05	512,667.00	514,000.00	1,333.00	2/15/2028	
912833WQ9	225,017.65	836,307.00	838,000.00	1,693.00	5/15/2028	
912833WR7	119,698.08	434,688.00	435,000.00	312.00	11/15/2028	
912833XN5	27,810.00	102,657.00	103,000.00	343.00	2/15/2029	
912833XPO	113,786.77	382,365.00	383,000.00	635.00	8/15/2029	
912833XU9	199,675.78	584,321.00	586,000.00	1,679.00	5/15/2030	
912803CH9	38,991.11	134,288.00	135,000.00	712.00	5/15/2030	
912803CK7	239,675.28	821,511.00	823,000.00	1,489.00	2/15/2031	
9128334S6	388,903.12	1,265,995.00	1,267,000.00	1,005.00	8/15/2031	
9128334V9	371,478.10	1,201,743.00	1,202,000.00	257.00	2/15/2033	
9128337I1	266,175.00	874,415.00	875,000.00	585.00	5/15/2033	
9128334W7	1,009,421.75	2,938,304.00	2,940,000.00	1,696.00	8/15/2033	
9128334X5	267,079.76	0	668,000.00	668,000.00	2/15/2034	Sale Cancelled – see Finding 1
9128337V6	307,705.00	948,719.00	950,000.00	1,281.00	5/15/2034	
9128334Y3	349,272.00	1,077,994.00	1,078,000.00	6.00	8/15/2034	
9128334Z0	98,847.56	321,328.00	322,000.00	672.00	2/15/2035	
9128335A4	101,093.95	288,344.00	289,000.00	656.00	8/15/2035	
912833X96	1,536,344.35	4,901,441.00	4,904,000.00	2,559.00	11/15/2035	
9128335B2	315,647.85	1,082,292.00	1,083,000.00	708.00	2/15/2036	
9128337E4	178,353.05	434,332.00	435,000.00	668.00	8/15/2036	
912833Z52	88,455.90	184,652.00	185,000.00	348.00	8/15/2037	
912833Z60	1,003,924.88	2,209,092.00	2,210,000.00	908.00	2/15/2038	
912834AE8	107,001.64	270,504.00	271,000.00	496.00	5/15/2038	
912834FB9	181,238.85	344,842.00	345,000.00	158.00	2/15/2040	
912834JH2	255,832.00	565,264.00	566,000.00	736.00	11/15/2040	
912834KH0	576,536.41	1,011,690.00	1,012,000.00	310.00	5/15/2041	
91283KP2	382,994.40	680,787.00	681,000.00	213.00	8/15/2041	
912834KV9	271,967.99	604,055.00	605,000.00	945.00	11/15/2041	
912834LB2	663,556.90	1,431,932.00	1,433,000.00	1,068.00	2/15/2042	
Totals	14,113,565.48	46,102,662.00	46,815,000.00	712,338.00	Total T-STRIPS redemption value exceeding debt	

*Can cover multiple IPAs

Processing Steps ARP Program		
Step	Step Description	Expected Timeframe
1	Preliminary Applications Review -Application is received in the Ag Dept and reviewed. Preliminary eligibility is determined through soils evaluation, deed search, etc. Soil suitability sheet is completed, map slides are made and packages are prepared for the Planning Dept and the appraiser.	30 days or longer
2	Planning Report/RE Appraisal -Application packages are sent to the Planning Dept's Development Services Center (DSC) for review as well as the appraiser. -DSC will check on prior subdivisions which could affect development potential, Conditional Use Permits, soils, etc. -The appraiser will complete a fair market appraisal of the property based on comparable sales and analysis. -Packages will be sent simultaneously unless there is a great concern about prior subdivisions.	30 days
3	City Attorney Package Prepared -Planning reports and the appraisal are returned to the Ag Dept for review. A package is then prepared for the City Attorney's office to draft an offer letter.	1-2 weeks
4	Offer Letter Prepared -Attorney's office starts a file for each application. The application package is reviewed and an offer letter is prepared for the City Manager's signature. If the offer letter is signed by the Manager, then the package is sent to the landowner or hand delivered. The offer letter contains the floor interest rate as well as the established easement value and the value per development right in case the landowner wants to reserve a development right for future use.	30 days
5	Landowner Reviews Offer Letter -The offer letter is valid for 30 days. If the landowner requests more time to review and consider the offer letter, extensions are granted in 30 day increments.	up to the landowner
6	Offer Accepted or Rejected -Landowner can accept or refuse the offer letter. If the offer is accepted, a closed session presentation is scheduled on the next available meeting date of Council. If the offer is not accepted and expires, the file is closed.	1-3 weeks based on Council dates
7	Closed Council Review Session -Closed session presentation is prepared and presented to City Council. The terms of the ARP transaction are given and permission is requested to move forward with a title search of the property.	Included above

Step	Step Description	Expected Timeframe
8	Title Search -Title search is completed by title company. We no longer bid this process which has saved some time.	30-60 days
9	Title Report Review -Title report is sent in to the attorney's office for review. If the title is clean, and there are no lenders, then an agenda package will be prepared for final approval of Council.	30 days
10	Certificate of Partial Release -If there are lenders, then a Certificate of Partial Release must be signed by the lender before Council approval. This step can be lengthy based on the lender. Attorney's office prepares the documents for the lenders to sign.	30 days - until signed
11	Public Hearing Ad& Council Package - Agenda package is prepared with an anticipated Council date and routed for signatures. Advertising for the public hearing is required in two consecutive Sunday papers with the last notice publicized 9 days prior to the meeting. So, 3 Sundays before the meeting is the first advertisement for Public Hearing Notice. Advertising deadlines must be met with The Virginian-Pilot prior to the Sunday run dates.	30 days based on advertising deadlines
12	Closing Package Prepared -If the application is approved by Council, a closing package is prepared following the meeting. Applicants have the opportunity to review the documents and contact Ag or the Attorney's office to request a closing date.	2 weeks to 30 days
13	Closing -Closings are held on Wednesdays. T-STRIPS are purchased on the Thursday/Friday prior to the closing. This purchase locks in the interest rate. Multiple signatories must be available on the closing day selected (as well as prior to the closing) for signature. Notice to schedule a closing is needed normally 3 weeks in advance to align with the signatories' schedules as well as to send the proper notification through Finance and the Treasurer's Office to place the order for bidding of the T-STRIPS.	3 weeks to 30 days for scheduling
14	Recording -Bond counsel reviews the executed documents after the closing and releases the documents for recording on Friday after the closing. The deed of easement is then recorded and the process is complete.	Post closing - The next Friday

Note - These process steps are from the perspective of the Department of Agriculture but mirror the Office of the City Attorney's procedures as well. Agriculture has more work up front to start the process while the City Attorney handles much of the closing process, final documents and recordation.