



Nancy Harris, Mayor
Jamin Harkness, Post 1
Marline Thomas, Post 2

Lamar Doss, Post 3
Manfred Graeder, Post 4
Greg Whitlock, Post 5

**AGENDA
SPECIAL CALLED MEETING
MAYOR AND COUNCIL
CITY OF DULUTH, GA
3167 Main Street
Duluth, GA 30096**

JULY 24, 2023

CITY HALL – COUNCIL CHAMBERS

10:00am

10:00am - CALL TO ORDER Mayor Harris or Pro tem Thomas

I. PUBLIC HEARING

1. PROPOSED TAX MILLAGE RATE - 2023

Each year, the Gwinnett County Tax Assessor reviews the assessed value of taxable property in the County. When the total digest of taxable property is prepared, Georgia Law requires calculation of a "rollback" millage rate (RMR) that produces the same total revenue on the current year's new digest that last year's millage rate would have produced, had no reassessments occurred. The City of Duluth is considering maintaining the same millage rate as last year, which is 6.551 mills. For the 2023 digest, the current millage rate exceeded the rollback millage rate by 0.509 mills, or stated another way, as a percentage of the rollback millage rate, the current millage rate represents an 8.42% "increase". The reassessment revenue added is approximately \$1,220,489.

Georgia law requires that the City publish a "Notice of Property Tax Increase" in the legal organ when the tentative adopted millage rate exceeds the rollback millage rate. In addition, three public hearings must be scheduled to allow the public an opportunity to express their opinion on the proposed tax millage.

This is the first public hearing; the second is scheduled to be held this evening, July 24, 2023 at 5:30pm in the Community Room.

II. ADJOURNMENT

Duluth



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CITY HALL – COMMUNITY ROOM

5:30pm

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Mayor Harris or Pro tem Thomas

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Georgia law requires that the City publish a "Notice of Property Tax Increase" in the legal organ when the tentative adopted millage rate exceeds the rollback millage rate. In addition, three public hearings must be scheduled to allow the public an opportunity to express their opinion on the proposed tax millage.

This is the second public hearing; the third is scheduled to be held August 14, 2023 at 6:00pm in the City Hall Council Chambers, after which an ordinance will be presented for adoption.

II. ADJOURNMENT

**WORK SESSION AGENDA
MAYOR AND COUNCIL
CITY OF DULUTH, GA
JULY 24, 2023**

I. PUBLIC COMMENTS

Five minutes per person, maximum 6 speakers. Sign-up sheet available.

II. DISCUSSION ITEMS/PRESENTATIONS/UPDATES

1. PAVING PROJECTS UPDATE

SUMMARY:

Staff will present an update on the status of recently approved paving projects and a future budget amendment.

IMPACT TO BUDGET: *Budget amendment required*

2. AMEND PATIO LEASE AGREEMENT - 6s BREWING

SUMMARY:

Owner of 6S Brewing Robb Watson currently leases a 534 sq. ft. brick paver patio from the City of Duluth. He is requesting an additional 21 x 17 or 357 sq. ft. of adjoining space located inside the existing gazebo. Staff recommends approving the lease request by amending the existing lease.

IMPACT TO BUDGET: *N/A*

3. FUTURE BUDGET REQUEST – CAPITAL PROJECT

SUMMARY:

Staff anticipates the need to replace the HVAC system at the Public Safety building in 2024. It will be necessary to contract with a consultant to prepare the Request for Proposal (RFP).

IMPACT TO BUDGET: *TBD*

4. INSTALLATION - ELECTRIC CHARGING STATIONS

SUMMARY:

Several years ago, the City refurbished the parking area behind the Red Clay Theatre. During the refurbishment, conduit was installed to accommodate the installation of electric charging stations. Subsequently, Council did not want to move forward with this project. Staff would like to determine if Council has any renewed interest in moving forward with installation of the charging stations.

IMPACT TO BUDGET: *TBD*

5. AMEND DEVELOPMENT AGREEMENT – EVERLEIGH

SUMMARY:

Under the current Greystar TAD Development Agreement for the Everleigh project, the City still owes the owner \$500,193. Greystar is willing to accept a one-time lump sum payment of \$ \$437,000. This payment would be due by August 31, 2023. Upon receipt of the payment, the Development Agreement is considered extinguished. The proposed amendment will result in a savings of \$63,193. Gary Mongeon from KB Advisory reviewed the lump sum payment and recommends approval.

IMPACT TO BUDGET: NA

6. STORMWATER UTILITY UPDATE

SUMMARY:

Staff will provide a presentation showing recent stormwater projects and pipe inspections. Following the presentation, staff will discuss a possible reserve fund transfer.

IMPACT TO BUDGET: Requires line-item transfer.

7. POLICE CAMERA ROOM UPGRADE

SUMMARY:

Sgt. William Alexander has been working to develop a proposal to upgrade the police camera room to a real time crime center which will allow the police department to be more proactive in apprehending suspects and investigating incidents. The overall cost for the upgrade is approximately \$380,000. Part of which would be paid with previous council approved 2017 SPLOST funds of \$180,000 earmarked to be used towards cameras and camera room upgrades. Staff is requesting an additional \$200,000 in unallocated 2017 SPLOST Funds be allocated to complete the upgrade.

Capt. Robert Montgomery and Sgt. William Alexander will provide an explanation of the upgrade and answer any questions council may have.

IMPACT TO BUDGET: \$200,000

III. MATTERS FROM COUNCIL

IV. ADJOURNMENT

The 5th Monday work session on July 31, 2023 at 5:30pm has been cancelled. The next council meeting is scheduled for Monday, August 14, 2023 at 6:00pm.



KB Advisory Group
1447 Peachtree Street NE
Suite 610
Atlanta GA 30309
404.845.3550

June 20, 2023

To: James Riker, City Manager
Ken Sakmar, Assistant City Manager / Finance Director

From: Gary Mongeon, KB Advisory Group, Inc.

Subj: Calculation of a reasonable “payoff” amount for the requested early termination of the City’s the Development Agreement with Greystar GP II, LLC

Understanding of the Assignment

Greystar GP II, LLC, (“Greystar”) owners of the Everleigh Duluth 55+ active adult apartment community located in Duluth TAD #2, have requested that the City consider an early payoff of the parties’ 2019 Development Agreement (the “Agreement”). In that Agreement the City identified certain “Redevelopment Project Costs” that were in the public interest to help defray and authorized the use of tax increment financing from the TAD #2 Special Fund to reimburse Greystar up to \$900,000, payable over a maximum of 15 single annual installments from tax allocation increments generated by the Project. Annual TAD reimbursement payments due to Greystar are calculated using a formula specified in the Agreement. That formula is based on (a) the (then) current year taxable digest value of all properties located within the TAD, (b) the corresponding assessed (40%) value of the Project in that same year and (c) applicable City and County “TAD millage rates” used to calculate total revenues to the City’s TAD fund in that year. Payments to Greystar are due by January 30 of the calendar year following Greystar’s payment of all property taxes billed, which are typically due by December 15 of the previous year.

KB understands that to date the City has reimbursed Greystar a total of \$399,807 from the TAD fund, leaving a balance due of \$500,193. The last installment payment to Greystar, based on the inputs to the reimbursement formula as calculated in 2022, was approximately \$335,000. After the next installment payment is made next January, the balance of the Agreement should be fully paid off in January of 2025. Anticipating the probable marketing and sale of the property later in 2023 or in early 2024, Greystar has requested an early payoff of the City’s remaining reimbursements owed under the Agreement. The value of the early payoff to Greystar is twofold; (a) Greystar receives the balance of TAD reimbursements that would otherwise be assigned to the Project’s new owners after the sale, and (b) terminating the Agreement prior to a sale removes Section 4.6, which requires Greystar (or the future owner) to waive its rights and agree not to appeal future real property valuations of the Project for as long as the Agreement remains in effect.

Finally, there is no language in the Agreement which either (a) obligates the City to accommodate an early payoff or (b) specifies how such a payment would be calculated if the City voluntarily agrees. Given that an early payoff provides significant financial benefits to Greystar and the City has no obligation to agree, the early payoff amount should be significantly “discounted” from the approximate current balance of \$500,200 in order to justify the City’s accommodation of Greystar’s request. The purpose of this memo is to offer a methodology to calculate a discounted payment to end the Agreement and to suggest a reasonable payoff amount (or range).



Inputs and Methodology

Because the 2023 TAD digest has not yet been reported by the County Board of Assessors and applicable TAD millage rates have not been set, Greystar’s remaining annual reimbursements due from the City’s TAD fund can only be estimated at this time. Therefore, KB used the following inputs and assumptions to estimate those payments if made according to the schedule specified in the Agreement.

- a. Applicable 2023 City and County millage rates are assumed to remain unchanged from 2022, resulting in a combined TAD millage rate of 17.001, comprised of 6.551 City and 10.45 County (net after the Recreation PILOT payment) millage, respectively.
- b. The Tax Allocation Increment Ratio used to determine that portion of Greystar’s 2023 property tax payment which is to be reimbursed from the TAD Fund is based on a previous forecast prepared by KB Advisory Group. The estimated 2023 ratio applied here is 91.8%.
- c. The property’s total 2023 tax assessment (digest value) is assumed to be \$21,390,480, as currently reported on the Gwinnett County Tax assessor’s web site.
- d. If agreed by the City, the early payoff would be received by Greystar no later than July 30, 2023, 7 months ahead of the next scheduled January 2024 payment and 19 months prior to the final payment due by January 30, 2025.

Incorporating the above assumptions, the applicable “TAD portion” of Greystar’s total 2023 property tax bill is estimated at \$363,660 of which, \$334,010 (91.8%) would be classified as tax allocation increment to be reimbursed from the TAD fund next January. The final TAD reimbursement to Greystar under the terms of the Agreement would be \$166,190 paid in January of 2025.

From Greystar’s perspective, a lump sum payment received in July should be roughly equivalent to the discounted net present value of payments that it would have otherwise received in two installments over the following 19 months. Applying an appropriate discount rate is subjective, but assuming (a) CPI is trending toward 4% year over year, (b) Greystar can likely generate a higher than 4% annualized return by having the cash on hand, and (c) Greystar risks “losing” all or part of the of the final \$166,190 TAD payment if the property is sold before January of 2025, KB estimates that an appropriate discount rate should be at least 6% (annualized or 0.5% per month) applied over the balance of the Agreement. Discounting the projected remaining TAD payments by 0.5% per month results in a net present value of \$473,700 (rounded), meaning that a payment of \$473,700 received by July 30 would have equal value to Greystar compared to \$500,200 received in two installments in January of 2024 and 2025. The calculation of this amount is shown in the attached table at the end of this memo.

From the City’s perspective, making a lump sum payoff to Greystar by July 30 removes that amount from the City’s TAD fund, which is later offset/recovered by TAD increment generated from the property, but no longer owed to Greystar in the future. From the City’s perspective, there should be some minimum financial return (an IRR) earned on the amount advanced. Because the City is restricted in terms of how it is able to invest uncommitted revenues in the TAD Fund, achieving a modest IRR of between 1.0% and 1.5% over 19 months is a reasonable expectation. As also shown on the last page, a July 30 payoff of \$455,000 generates a 1.0% IRR, while \$432,000 produces a 1.5% IRR for the TAD fund over the following 19 months.



Conclusion

In summary, a reasonable early payoff amount to Greystar should fall somewhere between \$432,000, which generates a 1.5% IRR for the TAD fund over the next 19 months compared to the terms of original Agreement, and \$473,700, which represents a “breakeven” net present value payment to Greystar. Negotiating a payoff amount of no more than \$455,000 saves the TAD fund a minimum of \$45,000 (not discounted) compared to the current payment schedule and generates a minimum 1.0% IRR by January of 2025. In my opinion, any negotiated payoff at or below that amount would generate an equitable and justifiable financial return to the City in exchange for its voluntary accommodation of Greystar’s request.

Please feel free to call if you have any questions or need additional analysis.



TABLE 1: Early TAD Payoff Alternatives

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
Month/Year	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	
Scheduled Greystar TAD Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$334,010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$166,190
Sum of Remaining Payments	\$500,200																			
Payment Amount to Achieve an Equivalent NPV to Greystar																				
Applied Discount Rate	6.00%																			
Monthly Discount Rate	0.50%																			
Discounted NPV (Rounded)	\$473,700																			
Savings to City (Not Discounted)	\$26,500																			
Percent Savings	5.3%																			
Payoff Amount to Achieve a 1% City IRR																				
Estimated July 30 Payoff	\$455,000																			
Revised City Revenue Stream	-\$455,000	\$0	\$0	\$0	\$0	\$0	\$334,010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$166,190
Resulting IRR	1.0%																			
Savings to City (Not Discounted)	\$45,200																			
Percent Savings	9.0%																			
Payoff Amount to Achieve a 1.5% City IRR																				
Estimated July 30 Payoff	\$432,000																			
Revised City Revenue Stream	-\$432,000	\$0	\$0	\$0	\$0	\$0	\$334,010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$166,190
Resulting IRR	1.5%																			
Savings to City (Not Discounted)	\$68,200																			
Percent Savings	13.6%																			

Source: KB Advisory Group, Inc.