
CITY COUNCIL AGENDA ITEM

TO: Mayor & City Council

DATE: July 25, 2013

FROM: John McDonough, City Manager

AGENDA ITEM: EDAC Incentives Policy Recommendations

MEETING DATE: For Submission onto the August 6, 2013, City Council Work Session Meeting Agenda

BACKGROUND INFORMATION: (Attach additional pages if necessary)

See attached:

Memorandum
Memorandum on Policy

APPROVAL BY CITY MANAGER:  APPROVED

PLACED ON AGENDA FOR: 8/6/2013

CITY ATTORNEY APPROVAL REQUIRED: () YES () NO

CITY ATTORNEY APPROVAL: 

REMARKS:



TO: John McDonough, City Manager

FROM: Andrea Hall, Director Economic Development

DATE: July 24, 2013 for Submission onto the Work Session Agenda of the August 6, 2013 City Council Meeting

ITEM: EDAC Incentives Policy Recommendations

Background:

At the request of the City Manager, the Committee reviewed the existing Incentive Policy related to the definition of capital investments.

Attachments:

- I. Memorandum on Incentive Policy



To: John McDonough, City Manager

From: Jim Comerford, Chairman, Economic Development Advisory Committee

Cc: Graham McDonald, Vice-Chair, Economic Development Advisory Committee
Pat Chesser, Chair, Commercial Retention Subcommittee, Economic Development Advisory Committee
Andrea Hall, Economic Development Director

Date: July 24, 2013 for Submission onto the August 6, 2013 City Council Work Session Agenda

Subject: Incentive Policy

Background:

At the request of the City Manager, the Committee reviewed the existing Incentive Policy related to the definition of capital investments.

Discussion:

As adopted by City Council, the City's Economic Development Plan outlines a number of goals, including the recruitment and retention of existing businesses. The City's existing Incentive Policy considers both quality job creation and capital investment, with the following qualifying thresholds:

- Create fifteen (15) or more full-time positions which meet or exceed the average wage level within the City (approximately \$66,000); and
- Provide new capital investment equal to or in excess of \$1.0 million. The policy currently defines capital investment as "new construction, an addition to an existing facility or capital investments... that either will enhance the property value or will increase the useful life of the property".

A good barometer on capital improvement is a company's actual line-item estimate from their general contractor to build out the space. These are the items you can consider real capital investments because of their permanence. Other items such as Furniture, Fixtures and Equipment ("FF&E"), cubicles, audio-visual and telecommunications equipment and phones are not generally considered part of the build-out cost.

This definition of capital investment, which considers build-out costs but excludes FF&E, is similar to definitions used in other jurisdictions, including the City of Roswell and Cobb County. The Georgia Department of Economic Development also uses a similar definition when determining capital investment impact of economic development projects.

To determine overall property value, the Tax Assessor's office is required to consider a sales approach, an income approach, and a replacement cost approach. While tenant investments should, in theory, add to the value of a building, other factors at the same parcel address may affect value, either positively or negatively. Because of this, investments in a building may not always result in a dollar-for-dollar relationship to increases in appraised value. However, at the time the City considers and awards an incentive (prior to project build-out), a general contractor's line-item estimate is the best estimate available.

Furniture, fixtures, and equipment for commercial properties, including office operations are also reflected in the tax digest. However, this is more a self-reported process, with the Company, by law, required file a statement to Fulton County by April 1st each year.

Recommendation:

The Committee recommends that the City work with the City Attorney to clarify its policy to define capital investments as permanent, lien-free investments built into tenant's premises which cannot be removed from the space to remain after tenant's expiration.

Attachments:

Economic Incentive Policy (as adopted October 2011)