

**Work Session Meeting of the Sandy Springs City Council was held on Tuesday, August 6, 2013, at 8:13 p.m., Mayor Eva Galambos presiding.**

**Councilmembers present:** Councilmember John Paulson, Councilmember Dianne Fries, Councilmember Chip Collins, Councilmember Gabriel Sterling, Councilmember Tibby DeJulio, and Councilmember Karen Meinzen McEnerny

**STAFF DISCUSSION ITEMS**

**Economic Development**

1. Economic Development Advisory Committee Redevelopment Recommendations

**Jim Comerford, Chairman of the Sandy Springs Economic Development Advisory Committee,** stated the subcommittee has started the process of crafting housing redevelopment policy recommendations for the City. Before Council this evening is a report of the Committee's activities. Committee members are representatives from neighborhood associations, individuals with financial backgrounds, commercial and apartment redevelopers, and lawyers. The Committee wants to create various policies attentive to the type of housing and aspirations of the City. The goal is to develop a redevelopment strategy by conducting financial analysis of targeted multi-family properties to determine zoning modifications and/or incentives necessary to encourage redevelopment.

**Pat Chesser, Sandy Springs Economic Development Advisory Committee member,** stated the presentation lists the challenges of housing that includes: maintaining a balance between owner occupied versus renter occupied housing stock; displacing some renters; enforcing a new construction and renovation quality; political viability of new multi-family densities in certain locations; encouraging investment with complimentary product types – hotels, office & retail; and bridging the financial gap between current multi-family land values and others uses. The economics of the current multi-family stock take into consideration that most of the properties in Sandy Springs are over ten years old. The typical apartments are garden style. The apartment tenants usually pay \$.85 to \$1.00 a square foot in monthly rent. Today, if building a new project, the lender will require at least \$1.40 per square foot in rent. Concrete and steel structure apartments may require a rental rate of \$2.00 per square foot a month. This is due to the land and construction costs being so high. The result is a better project. Most apartments that are pre-1980 have some degree of functional obsolescence that includes lack of unit amenities, obsolete floor plans, and lack of community amenities. Today an apartment unit typically has fewer bedrooms, since this is the demand of the renter. The Committee recommends increased density for selected sites to encourage new or re-development of multi-family apartments. The City would need to address the disconnect between the Comprehensive Plan and desire for redevelopment and amend the economic development incentive policy. Another option would be to buy functionally obsolete properties and hold, sell or joint venture with a higher-density single family residential developer or mixed use developer; or assemble contiguous parcels for future sale or joint venture with a mixed use developer.

**Councilmember Gabriel Sterling** asked if the Committee is recommending the City spend tax dollars in order to do these things.

Mr. Chesser responded potentially. These would be on a case-by-case and site-by-site basis.

**Councilmember Karen Meinzen McEnerny** asked if these are formal recommendations.

Mr. Chesser responded no. This is an update to the Mayor and Council on what the Committee is doing.

**Councilmember John Paulson** stated Council has recently discussed the current percentage of rental versus owner occupied properties.

Councilmember Sterling stated the figure of 43% was from the census.

**Mayor Eva Galambos** stated the census shows 50%.

**Director of Community Development Angela Parker** stated the American Communities Survey for the total number of housing units in Sandy Springs is roughly 46,553. The total number of apartment units compared to the total number of units is about 43% percent. This means 43% percent of the total units in the City are apartment units.

Mayor Galambos asked what the number was in the census.

Director of Community Development Parker stated the census counts rental units and includes single family homes, such as townhomes. In the CDBG report those numbers are slightly different in terms of the total number of units because that is an older ACS study. HUD populates those numbers and was using the most recent data when the information was populated.

Councilmember Meinzen McEnery stated on January 31, 2013, Council held a retreat and Director of Community Development Parker gave Council the 2010 census numbers. She asked what those census numbers are.

Director of Community Development Parker stated she does not recall at this moment.

Councilmember Meinzen McEnery stated that number was higher.

Mayor Galambos stated single family homes can be considered rentals.

Councilmember Meinzen McEnery stated this number is hard to pin down. The American Communities number could be 43% and based on the 2010 census the number is around 49- 50%.

Director of Community Development Parker stated the census does not capture apartments and or any rental units in the numbers.

Councilmember Meinzen McEnery stated she understands that, but Council was given two different numbers at the retreat. She is sure that all of Council would like the number and current listings.

Councilmember Sterling stated this discussion is regarding apartments only. These are multi-family units versus single family townhomes. How someone chooses to use the inventory is their choice, especially when homeowners are renting out their homes due to the market.

Mayor Galambos asked where townhomes fit in the numbers.

Councilmember Sterling stated townhomes are not multi-family.

Councilmember Meinzen McEnery asked how many units have been zoned for multi-family rental and not yet built at this point. There is the Pacific Mutual Life development at GA400, MetLife, and two Ackerman deals.

Councilmember Sterling stated The Cliffs apartment complex was demolished, which removed 320 units off of the inventory list.

**Councilmember Tibby DeJulio** asked if there is a way that Council can dictate a percentage of rental units to be allowed in the City.

**City Attorney Wendell Willard** responded no. The market drives rentals and everyone has a right to use their property based on its best use.

Mayor Galambos stated Councilmember Meinzen McEnery wants the background information, but not necessarily for Council to legislate the percentage of rentals.

Councilmember Meinzen McEnery stated the reason she wants this number is because it matters to the people in the community if there is an imbalance. A moratorium was placed by Fulton County when the rental ratio was 30/70 and this resulted in the numbers changing to 60/40.

**Councilmember Chip Collins** asked if there are any realistic options for redevelopment of Class C apartments other than new apartments.

Mr. Chesser stated the Committee has a map of the locations of every apartment complex in the City, the unit count, and crime incident per complex. Some of the property along Roswell Road does have single family viability. Retail is a viable option as well. A true mixed use project on the northern stretch of Roswell Road may be difficult.

Councilmember Sterling stated some of the apartments have been raising their rents 4 to 6% for the last two to three years. Their income viability and value is increasing.

Mr. Chesser stated the market will eventually change in the future.

Mr. Comerford stated the Committee is in the process of identifying the candidates and criteria for analysis. The objective of the Committee is to provide Council with a menu with analysis of the leading candidates in situations for redevelopment.

Mayor Galambos stated it was previously discussed to change density from units per acre to the number of bedrooms per acre. That is not included in the recommendations before Council this evening.

Mr. Comerford stated this report is an update on the process as opposed to specific recommendations. The reports purpose is to give Council a sense of how the Committee is approaching the work. The Committee will bring forth recommendations to Council at a later date.

Mayor Galambos asked if the Committee is recommending the City purchase some of the worst Class C apartments and find a private developer. That would be a huge policy issue. The City of Smyrna and Marietta come to mind and the issues they are having.

Mr. Comerford responded yes. The Committee wants to work through the potential policy recommendations.

Mr. Chesser stated the Committee would only suggest a viable site option to the City.

Councilmember Meinzen McEnery stated the market demands are for multi-family mixed use. Inside the Perimeter is where the Committee has identified good opportunities for redevelopment for multi-

family. It was mentioned that some of the properties could be purchased for stormwater. It would be great to buy some of the apartment complexes along the Chattahoochee River in order to build a park. There is only a ½ acre City park in Districts 5 and 6. If all of the development occurs inside the Perimeter, she would prefer a park be placed at one of the locations discussed.

Mr. Chesser stated there are three locations for possible redevelopment that include the City Center, Perimeter urban densities, and strategic locations around the Medical Centers.

Councilmember Meinzen McEnery thanked the Economic Development Advisory Committee and City staff for the hard work on the presentation.

**Graham McDonald, Vice Chairman of the Sandy Springs Economic Development Advisory Committee**, stated there are opportunities around the I-285/Roswell Road corridor for the private sector to transition the aging Class C multi-family inventory. Twenty-six percent of the existing Class C apartments are in the areas Mr. Chesser was referring to. Due to the apartments proximity to Perimeter Mall, the future site of the City Center and other locations, these are good for private sector redevelopment. When the Class C apartments are redeveloped they will have to be at a higher density. The aging inventory that was built with three bedroom concepts that included more children in the school system could be replaced with more modern units having 1-2 bedrooms.

Councilmember Sterling asked if the apartments would cater to “empty nesters” and singles.

Mr. McDonald responded yes. When redeveloping a property, the factors to consider include establishing design requirements that encourage long-term investment and a sense of permanence in the property. A key element of the building façade is to have a minimum amount of permanent materials such as stone, brick, or masonry. Also, there should be rules in place that limit the number of 3 bedroom units to 5% or less and set a minimum for number of 1 bedroom units. There should be the requirement of full amenity packages that include swimming pool, fitness center and club rooms. The site plan should incorporate design elements which encourage walkability, such as bringing the buildings up towards the street and requiring ground floor units to have the appearance of retail, if retail is not used. There is a current disconnect between the City’s Comprehensive Land Use Plan and the potential redevelopment goals. The existing Class C apartment average density is 14 units/acre vs. redevelopment with the need of 40+ units/acre. The economics of redeveloping is going to require an increase in density.

Mayor Galambos stated in some instances the Comprehensive Land Use Plan has fewer units than exist today. If a developer is looking at the City’s Comprehensive Land Use Plan, they could easily be discouraged.

Mr. Graham stated the area of focus for the committee may include trying to develop more consistency between those two objectives.

Councilmember Meinzen McEnery stated Council can review the City’s Comprehensive Land Use Plan and get the public involved.

Mayor Galambos stated the City’s Comprehensive Land Use Plan should reflect reality.

Director of Community Development Parker stated staff created a map that shows the areas where the City’s Comprehensive Land Use Plan is different. The Plan book in many areas has specific guidelines for trying to achieve higher density. That gave staff guidance regarding the JLB project. There were different guidelines for the Courtland project. Courtland did not meet all of the guidelines and that is why staff recommended a lower density for that project.

Councilmember DeJulio asked if the map should be changed to reflect existing conditions.

Director of Community Development Parker stated the Plan book states that higher densities can be achieved if a mixed use project is developed. This can be done by reducing curb cuts and combining parcels. It is not sufficient to just look at the map, it is necessary to review the plan book, too.

Mr. Comerford thanked the Mayor and Council for allowing the Committee to be involved in this process.

Mayor Galambos stated the Council needs to be informed if there is a foreclosure possibility on the Northwoods property.

**Economic Development Director Andrea Hall** stated there were questions from Councilmembers about a foreclosure opportunity. Several of the committee members did research on that property and it is no longer in a foreclosure situation.

Councilmember Collins left the meeting at this time.

## 2. Economic Development Advisory Committee Incentives Policy Recommendations

**Economic Development Director Andrea Hall** stated the Economic Development Advisory Committee was asked to review the City's existing incentive policy. A presentation was given to Council this evening. The first page lists the City's approved incentive applications. The categories include real property investment, existing jobs, new jobs added to the City, square footage, and the amount of fees waived for each application. The largest item waived is impact fees and those are related only new construction. Impact fees are not generated for tenant build out. How large the company is and the number of employees determines the revenue taxes being waived. Including the CH2MHill incentive application, Council has approved \$1.8 million in incentive values since the policy was adopted.

**Councilmember Gabriel Sterling** stated \$1.4 million of that total is Cox Enterprises.

Economic Development Director Hall responded yes, and that number is related to the impact fees. She referenced a slide that outlined the City's current incentive policy. There are three different Tiers depending on the impact on capital investment and the number of jobs created in the City. Tier I, Tier II, and Tier III all receive expedited permitting, if approved. All tiers receive impact fee waivers, and all tiers receive a building permit fee waiver. The waiver of occupational tax depends on what tier the business is on and how many years it is waived. The only incentive Council approved that is a Tier III was the Cox Enterprise project. The other incentive applications have been Tier II. She referenced a slide that shows the City's incentive policy compared to other local jurisdictions. The Cities of Roswell, Alpharetta, and Cobb County were compared to Sandy Springs. The City of Dunwoody does not have a formal incentive program. To qualify for the incentive in Sandy Springs, there has to be a minimum of 15 new jobs. The City's current policy requires that the new jobs created have an average wage equal to Fulton County's, which is \$66,000 a year. The companies that usually qualify for the incentives are headquarter companies, engineering, and technology firms. The City of Roswell considers tenant improvements as capital investments. The City of Alpharetta does not have a capital investment qualifier, but instead requires long term leases with a minimum square footage.

Councilmember Sterling asked if that includes a claw back provision if the lease term is ended before five years.

Economic Development Director Hall responded yes.

Councilmember Sterling stated the City of Dunwoody has used the Development Authority to abate directly. They have an advantage over Sandy Springs and all of Fulton County. Being in DeKalb County, Dunwoody can use the State quality job tax credit. The average wage in DeKalb is much lower at \$54,000, compared to Fulton County.

**Councilmember Karen Meinzen McEnerny** stated the City of Roswell allows tenant improvements to be included. The definitions of the statements in that column do not seem to suggest they allow tenant improvements.

Councilmember Sterling stated there are disagreements between Councilmembers on what tenant improvements are.

**Councilmember Dianne Fries** stated Sandy Springs has a minimum qualifying number of \$1 million and Roswell starts at \$15 million.

Councilmember Meinzen McEnerny stated under the column that discusses capital for Roswell it states improvements “will enhance property values or will increase the useful life of the property”. Tenant improvements do not increase the useful life of the property. The language “will enhance property values” suggests that Roswell does not allow tenant improvements to be a factor.

Councilmember Sterling stated “enhancing property values” is how one interprets the language. If a company builds out an entire section that will include air conditioning, technical improvements, and wiring for fiber, it will increase the property value.

Councilmember Meinzen McEnerny stated only if the next tenant wants to use the fiber that is installed. The improvement is only valuable for that particular tenant.

**Mayor Eva Galambos** stated there was an occasion where fiber optics was installed in a building. The company then moved out and the next company that moved in did not need the fiber.

Councilmember Meinzen McEnerny stated tenant improvements are lease specific. Maybe some of the Economic Development Advisory Committee can speak to whether or not tenant improvements should be included as a capital threshold.

Economic Development Director Hall stated that is what the Committee is here to discuss. The City of Roswell does consider tenant improvements as capital investments. The tenant improvement stays with the building and the tenant that moves cannot take it with them.

Mayor Galambos asked if Roswell has a minimum lease requirement.

Economic Development Director Hall responded no. However, Roswell has a \$15 million threshold. A whole building would have to be filled with tenant improvements in order to reach the \$15 million requirement.

Councilmember Sterling stated Council is talking about two separate ways of looking at the requirements. He asked if the City is trying to promote incentives for the construction of new office type buildings to house potential jobs, existing buildings that need to be upgraded or changed to allow new businesses to move to Sandy Springs, or a mix thereof. The City has empty office buildings where the City is competing with other jurisdictions. The tenant improvements give the City the widest range of flexibility when competing with other jurisdictions and other states.

**Councilmember John Paulson** asked if a tenant improvement is a coat of paint and new light switch plates.

Economic Development Director Hall stated the Committee has recommendations for which they took the view that capital investments are to attract tenants to the building and not just for new construction.

**Jim Comerford, Chairman of the Sandy Springs Economic Development Advisory Committee**, stated the Committee recommends that the City work with the City Attorney to define capital investments as permanent. There has been discussion on further narrowing down the definition of "permanent". These are lien-free investments built into a tenant's premises which cannot be removed from the space after the tenant's lease expiration.

Mayor Galambos stated those are not typical build outs. She asked if Mr. Comerford and the Committee attended the First Data luncheon.

Mr. Comerford responded yes.

Mayor Galambos stated the whole first floor of First Data used to be a club.

Councilmember Karen Meinzen McEnerny stated the company removed the club and rebuilt the whole floor.

Mr. Comerford stated the structure of the policy already dictates jobs paying \$66,000 and higher to attract that type of employment to Sandy Springs. This is a worthy economic development goal, because of the broader economic benefits that it provides to the community as a whole.

Councilmember Sterling stated that is above and beyond property tax digest enhancement.

Mayor Galambos stated it was mentioned that the length of the lease could be a consideration for the City. The length of the lease may have some value in determining the build out as to whether or not it is a capital investment.

Mr. Chesser stated a tenant who is sophisticated enough to seek an incentive like this is usually a tenant the City would want. He does not think the smaller companies will want to sign a five year lease. A ten year lease duration is a criteria that the City should use.

Mayor Galambos stated then a tenant improvement would have some longevity. She asked the Committee if they would be willing to reword the economic incentive policy.

Mr. Chesser responded yes.

Councilmember Sterling stated a ten year lease seems long when the City of Alpharetta has a five year lease minimum requirement.

Councilmember Meinzen McEnerny asked how it will be determined if CH2MHill is paying for the tenant improvement, or if it will be the landlord paying, and does the City care.

Mr. Chesser stated who pays for the tenant improvement should not be a major concern. This is a dollar amount that can be vetted through an estimate. If the company takes the space "as is" and receives the tenant improvement allowance as a free rent exchange, that is a different scenario. A construction

estimate will have a line item number and if staff approves that number, it is an investment. It should not matter if the landlord or tenant pays for the investment.

Councilmember Meinzen McEnery stated while we are going for this particular tenant for retention of a ten year term, Council does not care if the company takes it in free rent by bringing ten years of 25 employees at \$66,000, if they stay for a long term. The incentive policy was approved to bring new money into the community along with new jobs tied to a dollar amount of capital. Tenant retention brings jobs and maybe that is what Council is trying to accomplish.

Mayor Galambos asked if the companies should be given incentives for a building that has a large vacancy rate.

Councilmember Sterling stated when the incentive policy was passed in October 2011, the intent was to give City staff the most flexibility when dealing with the incentive applications. He wants staff to have options when trying to encourage businesses to move to Sandy Springs.

Mayor Galambos stated if the policy is too broad it could be misinterpreted.

Mr. Comerford stated something that can help is narrowing down the definition of permanent. This should be a practical and policy combination. The Committee is at a point to come back to staff and address the terms the Mayor would like to see more clearly defined. There are some controversies with the tenant improvement issue. At this point, the Committee will come back to Council with language that addresses concerns and policy objectives.

Councilmember Meinzen McEnery stated when this policy was created the capital concept was used to make sure a company had "skin in the game". One particular company was approved for an incentive, did the improvements to the building, and then went bankrupt. The Council wants to have the new jobs in the City.

**City Manager John McDonough** stated the Mayor and Council adopted goals for economic development. Staff then asked the Committee to come up with a plan. The history of the policy is that it came from the Mayor's guidance. The purpose of the policy was to fill up vacant office space. The City wants to be competitive. The Committee came up with a recommendation of the tiered incentive policy. The policy has been successful to date and has helped accomplish City goals. The result is 2,100 jobs have been created in the City within the last two years.

Mayor Galambos stated the City will never know if it would have received the 2,100 jobs with or without the incentive program.

Councilmember Fries stated there is a difference of opinion which makes it difficult for the Committee and staff on what direction to go with this policy.

Councilmember DeJulio stated the policy should improve the City's workforce and bring higher paying jobs. Money has to be invested in order to make money. The City invests money into incentives looking for returns to the City. He is in favor of incentives.

Councilmember Paulson stated he is concerned about a company taking advantage of the City with the policy. For a company to receive than incentive they would have to bring 15-26 new jobs and spend \$1 million. As long as the money being spent is verified, he agrees with the incentive policy.

Mr. Comerford stated the Committee will make sure the language that comes back to Council more closely defines "permanent" and provides the type of flexibility needed, but also safeguards the City's economics.

Councilmember DeJulio stated the City has been successful due to the public/private partnership. He has a problem with the City buying apartment complexes. The City was formed around the public/private partnership concept.

Councilmember Sterling stated the City may partner with a developer regarding building road infrastructure for a single family and multi-family use.

There was a consensus of Council to move this item forward to a future Regular City Council meeting.

**Councilmember Dianne Fries** stated on Roswell Road from North Springs High School to Dunwoody Place there are eight gas stations, three car washes, nine auto repair facilities, three automotive part stores, one limousine company, three auto rentals, ten of them advertising "Automotive Sales", two automotive emission stations, and two body shops. That is a total of forty-one automotive facilities, not including the old Tom Jumper parking lot. All of this is in a three mile stretch.

#### **Community Development**

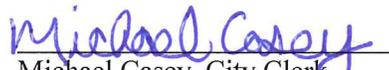
The following items were deferred to the August 20, 2013, Work Session due to the length of each presentation.

1. Design Review Board Recommendations on Suburban Overlay District
2. Sandy Springs Beautification Projects

There being no further discussion, the meeting adjourned at 9:18 p.m.

Date Approved: August 20, 2013

  
Eva Galambos, Mayor

  
Michael Casey, City Clerk