

Work Session Meeting of the Sandy Springs City Council was held on Tuesday, September 20, 2011, at 7:29 p.m., Mayor Eva Galambos presiding.

STAFF DISCUSSION ITEMS

City Management

1. Consideration of Economic Development Incentives for GT Software

Assistant City Manager Eden Freeman stated since the July 12, 2011, City Council meeting there have been a number of businesses approach the City about the potential of offering economic incentives for locating their business within Sandy Springs. The City has a draft policy that has not been vetted by the Planning Commission or formally adopted. Staff has been considering these items on a case-by-case basis and bringing them to City Council for review and approval. Two of the representatives from GT Software are here tonight. Ward Green is functioning as the broker and Eric Nelson is the President of the company and they will address any questions or concerns regarding their move and the consolidation of their offices from Atlanta and Alpharetta to Sandy Springs.

Mayor Eva Galambos stated one part of the economic incentive policy that concerns her is the provision that requires new construction or tenant improvements.

Assistant City Manager Freeman stated the company is planning to purchase an office building on Barfield Road that is vacant at the present time. The company would renovate the facility and also serve as a landlord for additional businesses that move into the office space. This is a 55,000 square foot facility and their company would occupy 27,000 square feet. The company is looking at upwards of a \$4 million capital investment over the next two years.

Eric Nelson, President of GT Software, stated GT Software has been in business since 1982 with locations in Atlanta and Alpharetta. The company has been looking for one location to house its fifty employees. The building in Sandy Springs is great, but needs a lot of work. The building needs more than tenant improvements. It needs a new roof and the parking lot paved. He is wondering if there are incentives the City would offer if the company were to relocate to Sandy Springs.

Mayor Galambos asked if this is the proposal located at River's Edge.

Assistant City Manager Freeman responded no.

Councilmember Tibby DeJulio asked if the building is located next to JAS.

Mr. Nelson responded yes.

Mayor Galambos asked if GT Software plans on tearing the building down to the foundation and rebuilding.

Mr. Nelson responded no. The plan is to replace the roof, repair the parking lot, and redo the landscaping. The majority of the work will be done on the inside of the building.

Mayor Galambos stated we are happy Mr. Nelson is considering relocating to Sandy Springs. This item needs to be looked at as a long range policy.

Mr. Nelson responded he understands. The second floor of the building, which is the one his company will locate to, has been empty for over three years. The property looks fairly run down at this time.

Mayor Galambos stated she saw the building when the City was looking for office space.

Councilmember Karen Meinzen McEnery stated the Council is delighted Mr. Nelson is interested in relocating to Sandy Springs. The north diamond off Hammond Drive just opened. This is something his employees would be able to take advantage of. Tenant improvements are specific to each tenant and are not like a roof or capital improvements. Currently, someone owns the building and is paying real estate taxes on it. If the space was fully leased, the owner would be paying more taxes. She supports the policy the City is considering except for tenant improvements. She does not think tenant improvements are a defining factor for an incentive. She would support the addition of existing real estate and capital improvements.

Councilmember John Paulson stated the policy states tenant finishes.

Mayor Galambos stated in addition to an existing facility or tenant improvements.

Councilmember Meinzen McEnery stated tenant improvements are for the interior of the building.

Mayor Galambos asked if staff could bring new language to Council that specifically states capital improvements.

Assistant City Attorney Cecil McLendon stated staff will put that language together.

Mayor Galambos stated renovating the inside of the building is not what Council is referring to, unless it is something major like the roof.

Councilmember Meinzen McEnery stated a new parking lot, façade, a new parking deck, or landscaping is a capital improvement.

Councilmember Gabriel Sterling stated he is in favor of the policy being similar to what the policy is now. He would prefer a broad interpretation of tenant improvements, especially in terms of technology which would add physical value that cannot be moved when the tenant vacates the building. The City's competitors in other cities and counties are doing this. He is not happy with the fact that the City does not have a policy yet. He has had three calls from the Georgia Department of Economic Development in the last week asking about the City's policy. The City is losing out while the economy is beginning to turn around.

Mayor Galambos stated she thinks staff can have a policy ready by the next City Council meeting. The City has fared poorly in terms of technological improvements to a building. A company installed data processing equipment into a building and then the company moved out of Sandy Springs. The City experienced a loss on that incentive.

Councilmember Sterling stated the City can place a clawback provision in the policy.

Councilmember Tibby DeJulio stated we are talking about a building on Barfield Road that is in horrible shape. Whatever the City can do to help facilitate renovation of that area and turn it into a viable business community should be done. The City would be shortsighted if it did not help GT Software or whatever companies want to renovate the area.

Councilmember Sterling stated the incentives are soft money. The City would not be giving away any money. This is money the City would not have otherwise. Sandy Springs should have a broader interpretation of tenant up fit, because the competing cities, counties, and states are giving the widest possible interpretation to that, especially in the current economic environment.

Mayor Galambos stated Council has a difference of opinion on whether the incentives should be for tenant improvements or just for capital improvements.

Councilmember Chip Collins stated the question is how those terms are defined. He would like to incentivize redeveloping the older buildings as opposed to requiring new construction. It is a question of where the line should be drawn.

Councilmember Meinzen McEnery stated according to the IRS a tenant improvement is amortized over the life of the lease. When a roof is replaced on a building, it is defined as extending the life of the entire asset. The City can get the terminology on what a capital improvement is and what a tenant improvement is.

City Attorney Wendell Willard joined the meeting at this time.

Councilmember Sterling stated he is referring to soft money mainly because there are other cities and counties that are physically giving companies money to relocate there. Sandy Springs is not doing that. The City should be as broad as it can with the soft incentives.

Councilmember Collins asked what the difference really is. The City is trying to attract people to come to Sandy Springs. Does it matter if it is a tenant or a capital improvement?

Councilmember Meinzen McEnery stated a capital improvement will stay with the property, in the community, and can be used again.

Councilmember Collins stated that is true, but the City is trying to attract businesses and revenue will follow the businesses. He is more in favor of what Councilmember Sterling stated.

Councilmember Paulson stated he does not want a company coming to Sandy Springs and asking for a waiver of business license fees for two to three years because they are repainting the offices or putting in cubicles. The question is does the City give tax incentives because someone is repainting.

Councilmember Sterling stated the capital improvements requirements are from \$1 million to \$5 million or \$5 million plus. If a new tenant does \$1 million of tenant improvements, that is a lot of painting.

Councilmember Meinzen McEnery stated some landlords pay for portions of tenant improvements. The City will need to verify if the company or landlord will receive the incentive.

Mr. Nelson stated his situation is different because the property will be owner occupied.

Councilmember Sterling asked what software his company works with.

Mr. Nelson stated the software deals with the integration of computer mainframes.

Councilmember Fries stated regarding the policy she is more in favor of what Councilmember Sterling stated. She would like to investigate if the City could allow a percentage of the amount of money spent on improvements to be eligible for the incentive.

Mayor Galambos stated she would like an incentive that would stay in the tax digest, so the City would be able to benefit. Tenant improvements come and go and are not included in the tax digest.

Councilmember Fries stated to a point the Mayor is right, but the tenant improvements do allow a property to maintain its value.

Mayor Galambos stated tenant improvements do not change the assessment of the property.

Councilmember Sterling stated what changes the assessment is that the companies are here with their jobs occupying the buildings. He does not think it is too much to ask to use soft incentives to help bring businesses to Sandy Springs.

Mayor Galambos stated the policy will have to be enlarged in order to be fair. There are existing businesses that may decide to move across the street for more space in order to take advantage of the incentive.

Councilmember Sterling stated the Council should have a policy by the next City Council meeting.

Mayor Galambos stated there is still the question of tenant improvements.

Assistant City Attorney McLendon stated staff can work on the language.

Mr. Nelson stated his company has approximately forty-five employees and over the next few years they are looking to hire thirty more employees. He asked if the City would have an incentive for adding employees to a company that operates in Sandy Springs.

Mayor Galambos stated the addition of employees would receive an incentive in the Opportunity Zone.

Councilmember Sterling asked the average wage of an employee at Mr. Nelson's company.

Mr. Nelson stated the average wage of an employee is \$100,000 annually.

Mayor Galambos stated the City looks forward to working with GT Software.

Assistant City Manager Freeman asked if at the next City Council meeting the Mayor and Council would prefer this item to be brought back on the regular agenda or on the consent agenda.

Mayor Galambos responded the regular agenda with language devised by the City Attorney.

City Attorney Wendell Willard stated staff will provide a guideline on what the City will be giving consideration to as a potential for allowing economic incentives to businesses.

Councilmember Sterling stated the Georgia Department of Economic Development told him the City's lack of a policy is hurting the City's ability to attract new businesses, which are relocating to areas where a policy is in place.

There was a consensus of Council to move forward with creating an economic development incentive policy for the City.

Councilmember Fries asked if there is a consensus to have GT Software placed on the consent agenda for the next City Council meeting.

Mayor Galambos stated the City cannot pass a different policy for one company. A City policy needs to be passed that will apply to every company.

Councilmember Fries stated Council previously approved a case similar to this. Council has been passing these items on a case-by-case basis. The economic development incentive policy that will be voted on at the next City Council meeting will apply to GT Software.

City Attorney Willard stated staff will start working on a policy and get feedback from Council.

Councilmember Meinzen McEnerny asked that a matrix be created to show what the surrounding jurisdictions have done regarding an economic development incentive policy.

2. Consideration of Revised Non-Profit Policy

Assistant City Manager Eden Freeman stated this item is a proposed draft revision to the City's non-profit policy. During the FY2012 budget, based on Council's guidance, funds previously directly allocated to specific nonprofits throughout the City were not allocated to those nonprofits. The amount of \$120,000 is currently available to be allocated to nonprofits. The draft policy is largely based on what was previously in effect and is meant to be a starting point for discussion. The structure of the policy is based on Council's input from the budget process requiring a competitive application. Any nonprofit interested in applying for the funds will apply during a set period and will be scored against the criteria included at the bottom of page two in the draft policy.

Councilmember Karen Meinzen McEnerny stated she appreciates the consideration of a revision to the policy. There were certain nonprofit organizations that were routinely receiving funds from the City. If the City did not advertise that there was money left after the allocations, the same nonprofits would receive the remainder of the money. Certain nonprofits were receiving more than their fair share. The other nonprofits were not competing for the money. The new policy is an attempt to allow competition and create awareness for the other nonprofits. She is supportive of everything except for one section in the policy. On the bottom of page two it states the applications will be evaluated based on criteria. She knows it is difficult to determine how many Sandy Springs residents will be served by a nonprofit. Another criteria, which weighs 25%, is if the nonprofit is accessing all available resources. She assumes that means is the nonprofit receiving other funding. The third criteria which applies to the population being served underserved, homeless, or indigent, would be 25%. That criterion appears to suggest that underserved, homeless, or indigent people receive a 25% score. There are nonprofits such as the arts, nonprofits that promote healthy lifestyles, and nonprofits that promote environmental areas that are not for a specific population. This criteria is giving the nonprofits such as the Community Action Center an extra 25% advantage. That language needs to be revised, so it does not skew the underserved, homeless, and indigent criteria. The criteria could state that the population and purpose being served is suitable for the needs in the community.

Assistant City Manager Freeman stated the term underserved was not meant to say the criteria applies only to the homeless or lower income. Underserved could be, for example, Art Sandy Springs. It would be the responsibility of the applicant to explain how the groups they want to serve, the populations, are underserved by the lack of that public art project. Population refers to a particular group.

Councilmember Meinzen McEnerny stated population, purpose, or some other language should be used.

Councilmember Gabriel Sterling stated nonprofits are all serving people.

Councilmember Meinzen McEnerny stated a park or an arts project serves the community.

Councilmember Sterling stated it is individual people the nonprofit is serving. The population could be the entire City of Sandy Springs, based on the language.

Mayor Eva Galambos stated the Community Action Center would probably score low on whether they are accessing all available resources, like fees for services. Obviously, the Community Action Center will not have fees for service.

Councilmember Dianne Fries stated the Community Action Center may score 50% on the criteria when it comes to education.

Councilmember Meinzen McEnery stated they will score high on the criteria regarding fees, because all of the churches contribute to the Center. She does not want indigent and homeless people to get a 25% criteria bonus.

Mayor Galambos stated the fees for service or admission and other local funding should be two separate items. A nonprofit like Art Sandy Springs or Act 3 should not be coming to the City for donations if they cannot raise money through fees. They should be able to show that people are willing to pay fees for admission.

Councilmember Meinzen McEnery stated she did not want the Community Action Center and the Mary Hall Freedom house to get a 25% criteria advantage from the start.

Councilmember Fries stated when the policy was first created, the Mayor and Council discussed what type of nonprofits the City wanted to support. The discussion was about organizations the City would want to enhance. There is nothing wrong with the Council saying we want more money for the arts, homeless, or afterschool programs, and where exactly we want to spend the money. She likes the idea of supporting organizations in the City that help with the health and human resources aspects that we do not do as a City. These are things the City relies on, but that the county manages. She thinks that 25% is a low criteria. If the City has \$125,000, she would like to see 75% of that money go towards health and human resources to help people. Arts and Act 3 are wonderful and there are needs for these organizations. Council should decide as a group where we want the funding to be spent.

Councilmember Meinzen McEnery stated she does not disagree with anything Councilmember Fries just said. These percentages are giving ranking orders for the competing projects. How Council wants to allocate the money to the organizations should be done during the budget process.

Councilmember Fries stated at one time the Council agreed to give \$75,000 to the Community Action Center and the rest of the money was allocated to other organizations. She still would rather see the bulk of the money be given to the Community Action Center or organizations that provide a service the City does not provide. She agrees with the percentage based criteria. Maybe the Council would decide they want \$100,000 to be allocated to the underserved or \$20,000 to be allocated to arts programs. These types of groups would be able to apply to the City and be ranked on the criteria for the allocation.

Councilmember Chip Collins stated the criteria scoring seems to be driving the result. The Council should decide how the money should be allocated. For example, 50% could be spent on homeless, 25% on arts, and 25% on something else. The scoring could be ranked under each of those categories. This seems to be what Council wants.

Councilmember Fries asked if Council could decide at a Work Session on how the money is allocated or if there should be a budget amendment.

Assistant City Manager Freeman stated Council can do either.

Mayor Galambos stated the City Manager is going to update Council on the budget in October and the nonprofit allocations could be discussed during that time. Council could rank how the money should be allocated.

Councilmember John Paulson stated the ranking is a means of grading or describing the organizations. This policy does not talk about how the money is allocated.

Councilmember Sterling stated it would be a Council decision at that point.

Mayor Galambos stated out of any given total amount that Council wants to allocate towards nonprofits, the Council would come to a consensus of what percentage would go to the homeless, environmental, and arts. Once the percentages have been decided, the applications that fall under the various categories are judged.

Councilmember Meinzen McEnery stated nonprofit decisions could be brought to Council at a Work Session or placed on the consent agenda.

Councilmember Fries asked about the nonprofit application deadline.

Councilmember Paulson stated the deadline is November 14, 2011.

Assistant City Manager Freeman stated one of the criteria on the application is the amount of funding requested and if the amount is reasonable and realistic. The organizations know the City has \$140,000 to be allocated. It would not be reasonable and realistic for a nonprofit to request \$100,000 of that amount. The nonprofit would lose points if they were to request such an amount. In terms of criteria and a grading structure, she has designed these types of applications for many years and it is impossible to design an application that will fit everyone across the board. You want there to be a competitive open process for organizations to apply and be graded against the standard.

Councilmember Meinzen McEnery stated staff currently has pending applications from nonprofits.

Assistant City Manager Freeman stated there are three pending applications.

Councilmember Sterling asked if the 501(c)3 applicants are required to be incorporated in Sandy Springs.

Assistant City Manager Freeman stated the nonprofits have to submit the 501(c)3 with their application and they have to serve citizens in Sandy Springs.

Councilmember Paulson asked if the nonprofit has to be located in Sandy Springs.

Assistant City Manager Freeman stated she does not think that is spelled out in the policy. Staff can include that in the policy as a requirement.

Councilmember Sterling stated a nonprofit that applies and is located in Sandy Springs should receive a huge preference over one that is not. He would prefer the nonprofits be based in Sandy Springs.

Mayor Galambos asked if all the nonprofits have audits.

Assistant City Manager Freeman stated under the IRS rules, the nonprofits are required to conduct an annual audit once they reach a certain amount of federal funding. This amount was increased a couple of years ago to \$500,000. However, if a nonprofit applies for foundation funding, ninety percent of the foundations require the nonprofit to have completed an audit before requesting funding.

Mayor Galambos stated she is wondering if a nonprofit like Art Sandy Springs does an audit.

Assistant City Manager Freeman stated one of the pending applications which would apply under this new policy has not completed an audit, yet, because they are relatively new. There is a large expense for conducting an audit.

Mayor Galambos stated she thinks the nonprofits should be required to have an audit. The nonprofits are required to submit the form that goes to the IRS with their application.

Councilmember Fries stated an audit could be required instead.

There was a consensus of Council to move forward with this item.

Councilmember Gabriel Sterling stated by the next City Council meeting, the new contractors will have worked for the City for a quarter of a year. He would like to see a report on how the transition is going, including costs; and updates on each department, including employees.

Councilmember Dianne Fries stated the Martin Luther King Humanitarian Award application is on the City website. There has been a change to the application. The applicant must now live and/or work in Sandy Springs.

There being no further discussion, the meeting adjourned at 8:30 p.m.

Date Approved: October 4, 2011



Eva Galambos, Mayor



Michael Casey, City Clerk