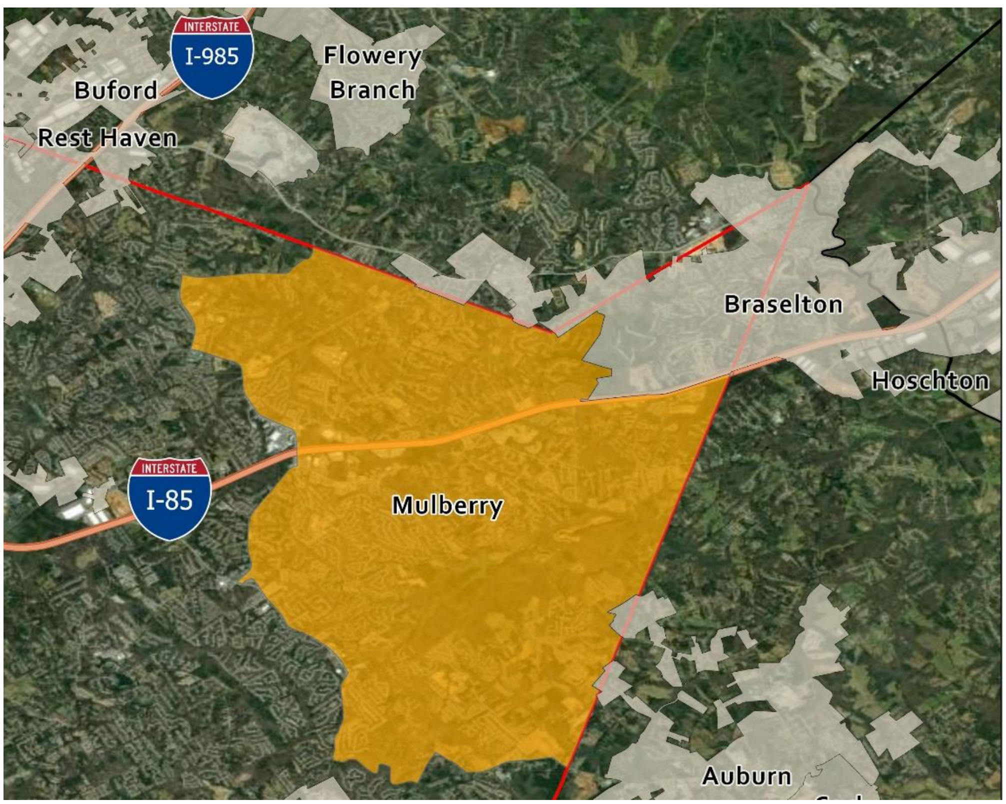
# Feasibility Study:

## Proposed City of Mulberry
## Gwinnett County, Georgia





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# I. Executive Summary

KB Advisory Group, Inc. (KB) was retained to analyze the fiscal feasibility of establishing a new city that is proposed for a portion of unincorporated Gwinnett County that extends along a section of Interstate 85 near the boundaries of Hall and Barrow Counties. The proposed city encompasses approximately 25.9 square miles and includes an area that generally extends eastward from Hamilton Mill Road, north of the City of Dacula and west of Braselton and Auburn. The proposed new city has been named Mulberry, in recognition of Gwinnett County's 890-acre Little Mulberry Park that is located within the city limits. Mulberry's proposed boundaries are outlined on Map 1, presented later in this report.

Significant characteristics of the proposed new City of Mulberry include the following:

- The city would have a more than 13,000 privately owned acres and population of about 41,000, making it the largest in Gwinnett County in terms of land area and the second largest based on population,[1]

- With an estimated median household income of nearly $121,200 it would become Gwinnett's most affluent city, exceeding the county's median household income by more than 44%,

- It would be populated primarily by homeowners occupying single-family detached housing, where more than half of all households have children under 18 living at home,

- With 680 acres and a combined tax digest of $137.3 million that is classified as commercial, industrial, or utility property, nonresidential property would make up less than 5% its total tax base, the smallest percentage of any city in Gwinnett County,

- It would have a total of 2,450 acres classified as residential or commercial "vacant land", an area larger that entire City of Dacula, which has the potential to support future development, and

- It would contain roughly 1.5 million SF of commercial building space housing existing businesses that generate an estimated $307 million in annual retail sales. Combined with state and county government employers, these businesses support roughly 6,000 locally based jobs and would generate the bulk of the proposed city's future non-property tax revenues.

The purpose of this study is to determine whether the proposed City of Mulberry would be financially feasible under certain assumptions and limiting conditions placed upon the analysis. In this case, "feasibility" means that the new city would be capable of raising sufficient revenues to provide a minimum of three municipal services needed to obtain legislative approval to incorporate, **<u>without imposing a city ad valorem property tax on real estate and personal property</u>**. Additional limiting conditions placed on the analysis required that other non-property tax revenue sources be "neutral" with respect to cost burdens on homeowners. This requirement eliminated consideration of some

[1] Another 1,980 acres within the city limits are owned by the County, State, School District, and private tax-exempt institutions.

revenue sources that are available to local governments in Georgia but are not currently imposed on residents of unincorporated Gwinnett County.

The analysis provides a realistic estimate of potential municipal revenues and expenditures associated with the proposed city, within the specific limiting conditions summarized above. The analysis employs similar methodologies that have been used in feasibility studies for other recent proposed municipal incorporations in Georgia. For relevant budgetary information on cities in Gwinnett County, as well as for other recently incorporated Metro-Atlanta cities that are comparable to this proposal KB used the Georgia Department of Community Affairs' "Report of Local Government Finances" (RLGF) database, which consistently reports annual fiscal year revenue and expense information for all Georgia cities and counties.

**Executive Summary Table E-1**
**Potential City of Mulberry Financial Feasibility**

| | |
|---|---|
| **Potential Operating Revenues** | |
| Title Ad Valorem Tax (TAVT) | $1,650,000 |
| Cable TV Franchise Fees | $370,000 |
| Insurance Premium Fees | $2,700,000 |
| Financial Institutions Fees | $125,000 |
| Occupation and Business License Fees | $950,000 |
| Other Licenses & User Fees | $75,000 |
| Alcoholic Beverage Excise Taxes & Licenses | $580,000 |
| Regulatory Building Permits / Inspection Fees | $1,475,000 |
| **SUBTOTAL: General Government Operating Revenues** | **$7,925,000** |
| **Potential Enterprise Fund Revenues** | |
| Storm Water Utility Charges [2] | $1,500,000 |
| **Total Potential Operating and Enterprise Fund Revenues** | **$9,425,000** |
| | |
| **General Government and Departmenal Operating Expenses** | |
| General Governmental Administration | $3,700,000 |
| General Governmental Buildings & Overhead | $550,000 |
| Protective Inspections | $835,000 |
| Planning and Zoning | $1,025,000 |
| **SUBTOTAL: Operating Expenses** | **$6,110,000** |
| Allowance for Capital Outlays & Reserves | $500,000 |
| **Total Baseline City Service Costs** | **$6,610,000** |
| **Enterprise Fund Expenses** | |
| Storm Water Management | $1,350,000 |
| **Total Potential Operating and Enterprise Fund Expenditures** | **$7,960,000** |
| **General Operating Fund Surplus/(Deficit)** | **$1,315,000** |
| **Enterprise Fund Surplus/(Deficit)** | **$150,000** |
| | |
| **Other Potential Future Intergovernmental Revenues** | |
| LMIG | $450,000 |
| SPLOST Distribution | $6,100,000 |
| **SUBTOTAL: Other Potential Future Revenues** | **$6,550,000** |

**Note: See full report for definitions of revenue expense line items and methods used to derive each estimate.**

As summarized in this table, our analysis indicates that the proposed City of Mulberry could collect stabilized annual operating revenues of roughly $7.9 million (in FY 2022 $) from all available sources, including revenue sources that may require future actions such adopting local alcohol or business license ordinances and fee structures to replace charges currently imposed by Gwinnett County.[2] In addition, current stormwater fees charges to city residents and businesses could generate an estimated $1.5 million to a restricted enterprise fund to be established for stormwater management purposes only.

Initial "baseline" city operating costs and capital outlays total $6.6 million. This estimate includes a $4.25 million estimate for city administration and governance and assumes that the general fund services of planning and zoning and protective inspection (building permits and code enforcement) will cost an additional $1.86 million. Cost estimates also include an initial $500,000 allowance for associated capital outlays. Costs to provide stormwater management services, including related capital outlays are estimated at $1.35 million, to be funded entirely from associated enterprise fund revenues. These findings result in a stabilized surplus of $1.3 million from operations and $150,000 for the stormwater enterprise fund. The estimated operating fund surplus would provide a future city council with the option to either reduce or possibly forego certain discretionary revenues included in this report, that would require the adoption of local ordinances.

In the future Mulberry could also become eligible to join other cities in receiving a negotiated distribution of SPLOST proceeds with the county and possibly qualify for LMIG funds should the city assume public works functions in the future. We conservatively estimate that potential allocation to be just under $6.1 million based on the current SPLOST and $450,000 in LMIG. Those sources would obviously be limited to capital improvements, do not impact fiscal feasibility, and are provided for information purposes only. As a portion of the County's current SPLOST and LMIG allocations already include capital improvements located inside the area shown on Map 1, it may or may not be in the new city's best interest to advocate for a share of proceeds before the current 6-year SPLOST expires.

Therefore, based on the assumptions, limiting conditions, data sources and methodology relied upon for this analysis, **KB concludes that the proposed City of Mulberry would be financially feasible**. The findings and estimates summarized in Table E-1 are presented in detail in the revenue and expenditure sections of this report.

As will also be shown in the following sections, KB has taken a realistic and conservative approach to estimating city revenues and service costs, within the limited parameters established for the analysis. We have also adjusted our findings to reflect relevant characteristics of the proposed city as accurately as possible, including its demographic composition, housing stock, average home values, economy, and commercial tax base. The analysis represents our best estimate of whether city revenues would exceed service costs if the City of Mulberry existed and had already reached stabilized operations during Fiscal Year 2022. As FY 2022 immediately followed the state's emergence from the COVID Pandemic, it may not necessarily have been a typical year for most of the comparable cities analyzed for this report. As such, the reader should be cautioned that "financial feasibility" as defined in this report does not

[2] Comparative revenue and expenditure data relied upon for this study is reported by well-established municipalities. Latest available information is also reported for fiscal year 2022. Therefore, estimates presented in the table are (a) based on 2022 conditions and (b) assume that Mulberry has already achieved a stabilized level of operations. Depending on several factors, it could take the new city 2 to 3 fiscal years to reach stabilization. Financially modeling strategies to phase in services and maintain cash flow during the start-up period was beyond the scope of this report.

address the potential effects of future growth and development, the city's capacity to respond to a major economic downturn, the specific terms and fee structures contained in ordinances to be adopted by a future city council, or the nature of agreements that will be required with Gwinnett County to implement its incorporation.

Detailed findings are presented in the following sections.

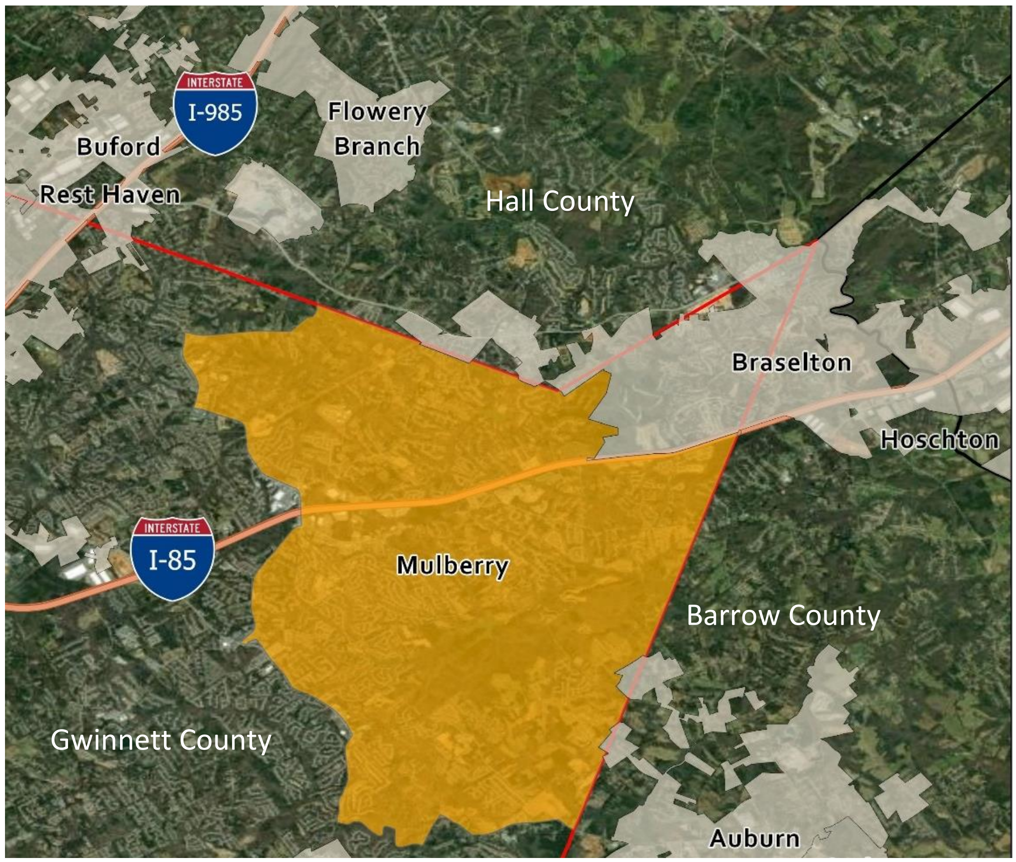
[section break]

# I. Introduction

The office of State Representative and House Majority Leader Chuck Efstration (the Client) retained KB Advisory Group, Inc. (KB) to analyze the fiscal feasibility of establishing a new city that has been proposed for an unincorporated area in northeastern Gwinnett County. The proposed city has been named Mulberry, in recognition of Gwinnett County's Little Mulberry Park that is located within its city limits. The boundaries of the proposed city are shown on Map 1.

## Study Objectives and Limiting Conditions

The purpose of this study is to provide a realistic estimate of potential municipal revenues and expenditures associated with the proposed incorporation, within certain limitations defined by the Client.




Map 1: Boundaries of the Proposed City of Mulberry, Georgia.

The report estimates the ability of the proposed city to raise sufficient revenues to provide a minimum of three municipal services required to obtain legislative approval to incorporate.[3] For purposes of this study, the definition of "feasibility" means a minimum of three services that could (a) be funded <u>without</u> imposing a city ad valorem property tax on real estate and personal property and (b) be "revenue neutral" with respect to future tax burdens on homeowners. These objectives limited the range of potential city revenues to certain non-property tax sources that are already being collected from Mulberry taxpayers by Gwinnett County and could be transferred or assumed directly by the city upon incorporation. Some of these revenue sources, such as certain Franchise Fees, are received directly by Georgia cities. Some revenues are collected at the county level and distributed to cities while others are enacted by city ordinance and levied at the discretion of local

[3] A January 2020 infographic prepared by the Georgia House Budget and Research Office summarizes the process and minimum requirements to obtain legislative approval to incorporate a municipality in Georgia. The list of municipal services is included in that document.

governments. This latter category includes certain taxes and fees that are both optional to impose and allow for a degree of local discretion in terms of adopted fee structures. KB itemized and developed estimates for all typical "non-property tax" revenues that would be available to the proposed City of Mulberry, including optional sources, to provide a range of revenues that could be raised to fund municipal services.

By excluding city property taxes as a potential revenue source, fire protection and law enforcement were effectively eliminated from consideration as potentially feasible city-administered services. KB also assumed that Mulberry would not have the interest or capacity to establish enterprise funds to acquire and operate wastewater treatment, water supply or other utility services that are currently provided by Gwinnett County. Another qualifying city service, parks and recreation, includes the construction and maintenance of public parks, as well as the operation of cultural and recreational programs for youth and adults. KB was able to identify Georgia cities which operate recreation departments without owning city parks. However, KB was advised that in this case, Mulberry could not establish a parks and recreation department without acquiring Little Mulberry Park from Gwinnett County. This requirement effectively eliminated further consideration of "recreational facilities" as a potential city service.

These restrictions left a remaining list of five potential city services that KB analyzed in terms of their potential operating and capital costs, in addition to general government administrative costs and overhead. The list included planning and zoning, code enforcement, stormwater management, public works (road maintenance) and solid waste collection. KB first compared estimated costs against potential revenues for each service individually and then evaluated combinations of three or more services that would be fiscally feasible in the short term when compared against forecasted revenues. After further analysis and discussion with the Client, it was determined that stormwater management would be the third service used for purposes of testing initial fiscal feasibility. The City's elected representatives could in the future consider establishing other municipal services, such as public works, which could open the possibility of accessing SPLOST or other revenue sources. Some optional services and revenue sources are discussed in the report for information purposes but are not relied upon to establish feasibility.

Finally, it is important to note that when a city incorporates, its local governing body assumes responsibility to provide all public services that were previously administered by county government. However, this responsibility does not preclude the governing body from entering into mutually beneficial agreements with the host county or other local governments or third parties to provide certain services that the city government either cannot or chooses not to administer directly. Therefore, this analysis necessarily assumes that for those public services that the City of Mulberry does not assume directly, Gwinnett County and/or possibly other third parties will agree to continue providing those services to city residents under the same or similar costs, terms and conditions as would otherwise be available to residents of unincorporated areas.

## Methodology

The analysis employs similar methodologies that have been used in feasibility studies for other recently proposed municipal incorporations in Georgia, that were prepared by the University of Georgia's Carl Vinson Institute of Government and Georgia State University's Center for State and Local Finance (CSLF). KB reviewed prior reports prepared by both entities and replicated their analysis methods to the extent possible.[4] We analyzed city revenue and expenditure data for cities in Gwinnett County, as well as other recently incorporated cities with comparable characteristics on a per capita, household, housing unit and per million of taxable property basis. The resulting multipliers were then applied to Mulberry to generate a range of reasonable stabilized revenue and expenditure estimates based on the proposed city's demographic and tax base characteristics. To support an estimate of potential storm water management fees that would be revenue neutral to city homeowners, KB pulled a random sample of (2023) tax bills for various residential and commercial properties to record current storm water fees and extrapolate revenue totals for the city as a whole.

For municipal cost and revenue data we relied on the Georgia Department of Community Affairs' "Report of Local Government Finances" (RLGF) web site for consistent reporting of revenue and expense information for existing cities in Gwinnett County, as well as for other Metro-Atlanta cities that are comparable in terms of population and tax base characteristics to the proposed City of Mulberry. We also used the Vinson Institute's searchable "Tax and Expenditure (TED) Data Center for Georgia Local Governments" database for comparative information and trend analysis of specific revenue and expense line items that are most relevant to this particular case. For most cities, most recently available information is reported for Fiscal Year 2022. Therefore, service cost and revenue estimates are based primarily on 2022 data and reported in 2022 dollars.

Selected relevant demographic, economic and tax base characteristics of the proposed City of Mulberry are addressed in the next section.

[section break]

[4] KB collected and reviewed fiscal feasibility studies for the proposed cities of Vinings (October 2021), Lost Mountain (October 2021) and Mableton (March 2020) prepared by the Carl Vinson Institute and East Cobb (November 2021) authored by the CSLF. We also reviewed the November 2017, City of Peachtree Corners Charter Review report issued by the Vinson Institute for additional insights into Peachtree Corners' experience during the five years after incorporation.

# II. Economic and Demographic Characteristics

## Demographics

The boundaries shown on Map 1 cover a total area of 25.91 square miles including public property and rights of way. If incorporated, Mulberry would become by far the largest city in Gwinnett County measured in terms of land area, followed by Peachtree Corners at roughly 16.2 square miles. The remaining cities that are located entirely within Gwinnett County are generally smaller than 10 square miles each, which provides perspective regarding potential municipal service costs for a coverage area that would be more than twice the size of most nearby cities.

Because municipal revenue and expenditure estimates for Mulberry will be derived in part from comparisons with comparable communities, it is first necessary to profile the characteristics of the geography that comprises its proposed city limits. KB obtained detailed demographic information for the population living within Map 1 using Environics Analytics, Claritas Pop-Facts® (Claritas) demographic reports. We then compared that information to latest (2022) US Census American Community Survey (ACS) estimates for the remaining cities in Gwinnett County, as well as the recently incorporated cities of Tucker and Dunwoody in DeKalb and the cities of Milton and Johns Creek in Fulton County, to determine which would be most comparable for budget comparison.[5] We also obtained (2022) tax parcel information for approximately 14,500 tax parcels located within the area shown on Map 1 and compared that information to tax digest summaries for the same list of communities, obtained from the Georgia Department of Revenue web site. Finally, KB gathered additional information regarding Mulberry's economy and commercial tax base using US Census, Environics Analytics and CoStar reports.

The following points highlight several significant demographic characteristics of the proposed City of Mulberry which are most likely to influence potential future municipal revenues and service costs.

- <u>When incorporated Mulberry would have a population of 41,245, making it the second most populated city in Gwinnett County behind Peachtree Corners (42,147)</u>. It would also become one of the County's fastest growing cities, having added more than 11,500 residents (a 39% increase) since 2010. According to Claritas, Mulberry is also forecast to grow at a significantly faster (1.5%) annual rate than the county as a whole (1.0%) over the next five years.

- <u>Mulberry would be primarily a city of homeowners occupying single-family detached housing</u>. Claritas data indicate that Map 1 contains an estimated 12,600 housing units, of which, nearly 84% are owner-occupied. Almost 95% of the proposed city's housing stock consists of single-family detached homes (11,900 units) with the balance consisting of townhomes (512 units) and mobile homes (156 units). According to the sources used for this report, there is no existing multi-family housing within the proposed city limits. The percentage of renter households (16.5% of total

[5] KB collected tax base and budgetary information for 16 cities within Gwinnett County. Of those, four cities (Auburn, Braselton, Buford, and Loganville) extend beyond Gwinnett County into other counties which distribute sales taxes (LOST of HOST) for property tax relief. That factor made budgetary comparisons irrelevant. Four other cities, Berkeley Lake, Dacula, Grayson and Rest Haven are much smaller in terms of population, land area and tax base characteristics and were considered to be less comparable to Mulberry than Gwinnett's 8 largest cities of Peachtree Corners, Duluth, Lawrenceville, Lilburn, Norcross, Snellville, Sugar Hill and Suwanee.

households occupying roughly 2,000 units) is also half that of Gwinnett County (33.6%). This characteristic is much different than most of Gwinnett's existing cities, which have larger inventories of muti-family housing and where renters make up 40% or more of all households.

- There are an estimated 12,162 households living within the proposed boundaries of Mulberry, most of which are families with children. The city's average household size is roughly 3.3 persons, which is significantly larger than the Gwinnett County average of 3.0 persons per household. Roughly 53% of the proposed city's households have a total of more than 10,800 children under 18 living at home (compared to 45.8% county-wide) which would rank it near the top of Georgia's larger cities in terms of the presence of family households with children. Mulberry would also contain a relatively large group quarters population of 1,229 (20% of the County's total), consisting of nursing home residents and inmates at the Phillips State Prison, which is located off West Rock Quarry Road inside the proposed northwest boundary of the city.

- The age distribution of the resident population is very similar to Gwinnett County in total. The city's estimated median age of 36.0 is slightly younger than the county-wide median of 36.6 years. Mulberry's population contains a slightly larger percentage share of both children under 18 and young adults (18-24) than the county, which is offset by a smaller representation among adults between the ages of 25 and 44. (This latter condition is most likely driven by more expensive home values and fewer available rental options for younger households.) The estimated percentage of the city's population aged 45 to 64 and 65 plus is almost identical to county as a whole.

- With an estimated median household income of nearly $121,200, Mulberry would become a comparatively affluent city, exceeding Gwinnett County's median household income of $84,009 by more than 44%. Among comparable recently incorporated cities examined for this report, only Milton had a higher median household income at nearly $142,900. Peachtree Corners, which incorporated a decade ago and has a similar total population to Mulberry with more than 42,000 residents, has an estimated median household income of just above $74,700. At an estimated rate of only 3.0%, the percentage of Mulberry families living below the poverty level is also less than half of Gwinnett County's poverty rate of 7.7%.

- The educational attainment of Mulberry residents also exceeds the county average. Nearly 72% of the proposed city's adult population has at least some college education, including 44% with four-year or advanced degrees. The latter percentage is higher than the 38% of county residents who hold similar four-year degrees or higher.

- Consistent with household income levels, the estimated median (owner) housing value in Mulberry ($379,844) is also higher than the than the county-wide median ($330,369). However, the median owner-occupied home value in Mulberry is also lower than comparably sized cities of Peachtree Corners ($444,000), Dunwoody ($545,000) and Milton ($642,500).

## Property Characteristics

Although limiting conditions placed on this analysis specifically exclude the option of levying a city ad valorem tax on real estate or personal property, the characteristics of the City's tax digest are relevant as an indicator of other city revenues, as well as potential service costs. It is therefore important to understand the characteristics of the City's tax base for its ability to generate non-property tax revenues from business occupational taxes, licenses, fees, and related sources. This analysis is also intended to highlight similarities and differences with other cities to help determine which are most comparable for cost analysis purposes.

According to 2022 Gwinnett County property tax assessment records, there are more than 14,500 tax parcels within the proposed city limits, including 13,077 acres of private property and 1,980 acres owned by the County, State, School District, and tax-exempt religious institutions. To put these totals in context, among the cities with populations of 14,000 or more that are located entirely within Gwinnett County, non-tax-exempt land areas range from roughly 2,700 (Norcross) to 7,960 (Peachtree Corners) acres.

Using GIS and tax parcel information provided by Gwinnett County, KB downloaded tax parcel records located within the geography shown on Map 1. We then sorted the data to profile Mulberry's tax digest by property class. The resulting information is summarized in Table 1. Because KB did not have access to similar information on motor vehicles, heavy equipment and other personal property, Table 1 addresses the proposed city's gross real estate digest only. These values also exclude homestead exemptions.

**Proposed City of Mulberry: Real Property Tax Digest**

| Distribution by Property Class | Parcels | Acres | Tax Digest |
|---|---|---|---|
| Agricultural | 5 | 200.6 | 2,961,280 |
| Brownfield Property | | - | $0 |
| Commercial | 144 | 663.6 | $136,863,960 |
| Historical | | - | $0 |
| Industrial | 5 | 15.7 | $405,160 |
| Forest Land Cons Use | | - | $0 |
| Preferential | | - | $0 |
| Qualified Timberland | | - | $0 |
| Residential | 14,181 | 11,478.4 | $2,623,709,240 |
| Residential Transitional | | - | $0 |
| Utility | 12 | 43.8 | $18,240 |
| Conservation Use | 43 | 591.2 | $12,756,840 |
| Environmentally Sensitive | | - | $0 |
| Motor Vehicle | | - | $0 |
| Mobile Home | 54 | 84.2 | $1,902,360 |
| Timber 100% | | - | $0 |
| Heavy Equipment | | - | $0 |
| **Gross Digest** | **14,444** | **13,077.4** | **$2,778,617,080** |
| Tax Exempt | 66 | 1,980.5 | $0 |
| **ALL PARCELS** | **14,510** | **15,057.9** | **$2,778,617,080** |

**Table 1: Distribution of Mulberry tax parcels by property classification.**

The following points highlight significant tax base characteristics of the proposed City of Mulberry which are most likely to influence future municipal revenues and service costs.

- With a potential gross property tax digest totaling nearly $2.78 billion, Mulberry contains roughly 9.4% of the total tax base within unincorporated Gwinnett County. It would become Gwinnett's second largest city in terms of tax base behind Peachtree Corners ($3.90 billion) and would be significantly larger than Duluth ($2.27 billion), Suwanee ($2.10 billion), Lawrenceville ($1.76 billion) and the portion of Buford that is within Gwinnett County ($1.68 billion). The gross property tax digest of Gwinnett's remaining cites is well below $1.5 billion. Of the 5 cities examined for this report that incorporated after 2000, Tucker is most comparable in terms of its total tax digest ($2.98 billion), while the others were substantially larger than Mulberry.[6]

- Mulberry would be somewhat unique among larger cities in Metro Atlanta based on the concentration of residential property to its total tax base, whether measured in terms of tax parcels, acreage, or gross digest. Of Mulberry's gross real estate tax digest, more than 95% of the total acreage and taxable value consists of residential property and related agricultural and conservation land. Only 149 parcels and 680 acres with a combined digest of $137.3 million are classified as nonresidential property. Of that non-residential tax digest, more than 99% is classified as commercial. Among Gwinnett's existing cities, even those with fewer than 7,000 residents, commercial, industrial, and utility properties together comprise a minimum of 21% of their respective tax digests. In Norcross, Lawrenceville, Peachtree Corners, and the portion of Buford that is in Gwinnett County, non-residentially classified property makes up more than half of the respective cities' tax base, while Duluth, Suwanee and Lilburn are only slightly below 50%.[7] Nearly 28% of the tax digest in unincorporated Gwinnett County (including Mulberry) is also classified as nonresidential. Among other recently incorporated cities, only Milton (88.6%) and Johns Creek (80.4%) are remotely close to Mulberry in terms of the percentage concentration of residential property in their respective tax digests.

- Although its gross tax digest is high, Mulberry is also less densely developed. When measured on a per capita or per acre basis, its tax base is actually smaller than most cities. Based on 2022 digest values, Mulberry's gross tax digest averages slightly below $67,400 per resident and $213,900 per acre, placing it in the bottom third of jurisdictions analyzed for this report. Peachtree Corners and Milton, which are comparable in terms of total population, have a per capita tax base that is 27% and 30% larger than Mulberry, respectively. On a comparative basis, Mulberry is much more comparable to Snellville, a city with fewer than 21,000 residents, whose tax digest averages $63,600 per capita and $250,400 per taxable acre.

- In addition to comprising only a small portion of the proposed city's total tax base, taxable commercial and industrial property is also valued much lower per acre than other larger cities. The more than 723 acres within the proposed city limits that are classified as taxable commercial, industrial, or utility parcels generate an average tax digest of less than $189,900 per acre, which is lower than residential property. By comparison, Peachtree Corners' nonresidential tax digest averages more than $570,000 per acre. Mulberry's commercial tax base is much more comparable to Dacula, with a population of less than 7,000, whose 522 taxable commercial and industrial acres generate an average digest of only $146,800 per acre. These data points suggest that forecasts of non-property tax revenues generated from commercial real estate should be conservatively

[6] As previously noted, KB gathered information for Peachtree Corners, Dunwoody, John's Creek, Milton, and Tucker to gain insights into the characteristics of somewhat comparable nearby cities that incorporated after 2000. These examples incorporated between 2006 and 2015,

[7] A factor that contributes to the higher percentage of commercial tax base in some cities is multi-family apartments that are classified as commercial rather than residential property. Cities that have attracted newer, high-valued apartments to support their downtown redevelopment efforts have experienced a recent sharp increase in their respective commercial tax digests.

estimated. KB compiled additional information on local retail sales and building square footage to address this issue, which is presented later in this section.

- Mulberry appears to have substantially more undeveloped land than most nearby cities. KB's analysis of more than 14,500 individual tax parcels found 585 parcels and 2,015 acres that were classified as either "Residential Vacant" or "Under Construction." These numbers exclude an even larger combined inventory of agricultural, conservation, HOA-owned and "unbuildable" land that is unlikely to be developed in the future. We also identified another 38 parcels and 173 acres that were classified as "Commercial Vacant Land" or "Commercial Residual Land" which can also be assumed to have potential to support future development. To put these numbers in context, the proposed city's apparent developable land inventory of roughly 2,450 acres is roughly the same size of the entire taxable land area of Dacula, and only slightly smaller than the City of Norcross, which covers roughly 2,700 acres and supports a population of more than 17,500. Given the proposed city's historical growth rate and large remaining build out potential, depending on local policy, municipal revenues from development permits and inspection fees should be well above average and sustainable for the next several years.

## Commercial Property Characteristics

Because Mulberry will not levy a city ad valorem tax on real estate or personal property, its future revenues will necessarily rely on non-property tax sources that are generally associated with commercial activity. These sources include business and occupational taxes, licenses, certain franchise fees that can be collected by local governments, excise taxes on alcohol sales, hotel/motel taxes and related sources. For this reason, it is important to gain a better understanding of existing (and potential) commercial activity within the proposed city limits to estimate these necessary future revenues more accurately. For more detail on the proposed city's commercial tax digest, KB obtained information from Environics Analytics, CoStar, and the U.S. Census Bureau's "Census on the Map" tool. Observations from these sources are summarized below.

**Proposed City of Mulberry: Existing Retail/Office Inventory**

| Property Characteristics | Retail[1] | Office | Total |
|---|---|---|---|
| Properties/Buildings | 76 | 33 | 109 |
| Total RBA[3] | 1,157,007 | 378,152 | 1,535,159 |
| Vacancy | 36,440 | 36,633 | 73,073 |
| Vacancy Rate | 3.1% | 9.7% | 4.8% |
| Largest Listing | 106,465 | 35,000 | 141,465 |
| Median Year Built | 2004 | 2006 | 2004 |
| Median Rent/SF | $20.15 | $19.13 | $19.52 |

**Notes:**
[1] Includes free standing retail buildings, neighborhood shopping centers and non-anchored strip retail centers in CoStar's inventory
[2] Gross rentable building area

**Source:** CoStar

**Table 2: Estimated Commercial Space inventory**

- CoStar estimates that 1.5 million SF of leasable retail and office space exists within the proposed city limits. Table 2 summarizes information provided by CoStar, which maintains an inventory of 109 properties located within the area defined on Map 1. While this source may exclude some commercial buildings that are owner-occupied, it is fairly comprehensive. Table 2 indicates that 75% of the proposed city's existing commercial space inventory is classified as retail space in free-standing buildings, several neighborhood shopping centers and retail strip centers. Individual properties/listings range from 850 to 106,500 SF with a relatively low area-wide vacancy rate of only 3.1%. The City's office inventory is smaller at less than 350,000 SF in total, with most buildings being multi-tenanted and occupied by small users. Individual properties/listings range from 1,800 to 35,000 SF, with a 9.7% area-wide vacancy rate. Most properties are of similar age and asking rents cluster around $20 per SF. It is also significant to note that CoStar has not identified any new projects within Mulberry's geography that are either under construction or proposed. Options for the new city to lease existing retail or office space for municipal operations exist but appear to be limited to only a few properties that have sufficient available space to accommodate its potential space needs.

- Existing retailers in Mulberry are expected to generate $303.7 million in annual sales in 2023. KB obtained Environics Analytics' Retail Market Power 2023® report for the same geography, for insights into the supply and resulting annual sales of existing stores within the proposed city limits. We were particularly interested in restaurants, supermarkets, convenience, and package stores that would be sources of alcohol licenses and excise taxes that are currently collected by Gwinnett County and could revert to the city should a future city council choose to impose them. According to this source, it is not surprising that existing resident households generate 2.7 times more annual retail spending demand of all types (nearly $825.4 million) than is captured by local store sales ($307.7 million). This report estimates that residents will spend $166.7 million on new and used car purchases, plus another $184.2 million on food, beverages and dining out. The same source indicated that roughly two-thirds of that annual demand, or roughly $122.7 million is captured locally in food store and restaurants sales. Supermarkets, convenience stores and liquor stores are estimated to generate $77.6 million in total annual sales of which a percentage would be sales of beer, wine, and distilled spirits subject to County taxation. Locally based bars and full-service restaurants generate another $20.8 million in annual gross sales which, depending on the specific characteristics of those establishments, 8 to 15 percent may represent poured alcoholic beverages subject to a 3% excise tax.

- There were an estimated 6,042 jobs across all industry categories located within the proposed City of Mulberry in 2021, which represents the latest jobs data reported by the U.S. Census Bureau's Census on the Map tool. Five industry sectors provided more than 4,500 (75.1%) of those locally based jobs. The five largest employment sectors in descending order are retail trade, health care and social assistance, accommodation and food services, educational services, and professional, scientific, and technical services.

The above information will be considered in two ways in the following sections that estimate non-property tax revenues and municipal service costs. First, this information helps to identify which existing cities are most comparable to Mulberry and where in the spectrum of existing municipal budgets Mulberry is most likely to fall. Secondly, KB used the data directly in some cases to verify the reasonableness of estimates derived from the analysis of comparable communities. Potential city revenues are addressed in the next section. [section break]

# III. Revenue Potential

## Introduction

This section presents revenue estimates for the proposed city and explains how each revenue line item was estimated. As previously noted, KB did not estimate property taxes on real estate or personal property, which also eliminated the City's ability to levy a real estate transfer tax that is calculated from a city millage rate. The "revenue neutral" condition also eliminated consideration of franchise fees on electric, telephone, and natural gas utilities, which are not currently charged to unincorporated county residents. These limiting conditions restricted the list of potential revenue sources to the following that are identified in Table 3: (a) the Title Ad Valorem Tax (TAVT) on automobiles, (b) cable TV franchise fees, (c) insurance premium fees, (d) financial institutions fees, (e) business and occupational fees, (f) other licenses and user fees, (g) storm water utility charges and (h) regulatory inspection and building permits fees. KB also estimated potential revenues from alcohol excise taxes and liquor licenses as an optional source that could be considered by a future city council, as well as a possible direct distribution of Special Purpose Local Option Sales Tax (SPLOST) proceeds from Gwinnett County at some point in the future.

| Common Non-Property Tax Rrevenue Sources Available to Georgia Cities | | |
|---|---|---|
| A | **Revenues common to most cities - Funding formulas are fairly uniform and require agreements with utillities** | **Revenue/Expense Drivers** |
| | Title Ad Valorem Tax (TAVT) | Households |
| | Franchise Fees - Electric | Not Estimated |
| | Franchise Fees - Natural Gas | Not Estimated |
| | Franchise Fees - Sanitation | Not Estimated |
| | Franchise Fees - Cable Television | Households |
| | Franchise Fees - Telephone | Not Estimated |
| | Insurance Premiums Tax | Households |
| | Financial Institutions Fees | Locally Based Banks |
| B | **Revenues require passage of a local ordinance - Funding formulas appear to be similar across most cities** | |
| | Alcoholic Beverage Excise Fees - Beer & Wine | Sales of Local Sellers & Distributors |
| | Alcoholic Beverage Excise Fees - Distilled Spirits | Sales of Local Sellers & Distributors |
| | Alcoholic Beverage License Fees | Sales of Local Sellers & Distributors |
| | Alcoholic Beverage Excise 3% Fees - Mixed Drinks | Sales of Local Restaurants & Clubs |
| C | **Revenues require passage of a local ordinanceand can differ significantly depending on local discretion** | |
| | Business and Occupational Fees | Number of Businesses & Adopted Fee Structure |
| | Other Licenses and Permits | Number of Businesses & Adopted Fee Structure |
| | Regulatory Building Permits / Building Inspection Fees | New Construction/Rehab Activity & Fee Structure |
| D | **Possible Additional Funding Sources to Offset Specific Service Costs** | |
| | Stormwater Management Fees | Housing Units and Nonresidential Sq.Ft. |
| | Solid Waste Collection Fees | Not Estimated |
| | Street Lighting | Not Estimated |
| | LMIG - GDOT Local (Road) Maintenance & Improvement Grants | Not Estimated |
| | Hotel/Motel Tax (partial tourism facility financing & marketing) | Not Estimated |

**Source**: Georgia Department of Community Affairs, Report of Local Government Finanaces (RLGF) Database and KB Advisory Group, Inc.

**Table 3: Potential Sources of City Revenue: Including Sources not Considered**

Some of the above revenues are based on uniform formula and only vary by community due to such factors as total population, households, actual purchases/sales within the jurisdiction or related variables. In such cases, revenues for Mulberry can be approximated by comparison with similar cities using relevant "multipliers" for those line items. In other cases, local governments have a degree of flexibility in terms of setting tax rates or fees by ordinance. Business and Occupational Tax (or Business License) fee structures can vary greatly by municipality, even among cities of similar size or economic characteristics. Because Mulberry will have access to fewer revenue sources than most comparably sized cities, KB assumes that for those few discretionary revenues the new city is able to access, it will adopt fee structures that will cover costs.

Table 4 provides selected comparative data for a list of cities located in Gwinnett County, the unincorporated part of the county that includes Mulberry, plus four other cities in Fulton and DeKalb Counties that have formed since 2006. (Peachtree Corners is also part of that list of newer incorporated cities.) Peachtree Corners is comparable to Mulberry, both in terms of total population and the fact that it also has no city property tax. KB downloaded 2022 RLGF reports for each jurisdiction on this list and compared data for the relevant revenue sources listed in Table 3. Using RLGF data and other sources, KB developed multipliers for applicable revenue line items using one or more variables listed in Table 4. We extrapolated those multipliers to Mulberry based on its current characteristics and then estimated revenue totals for the proposed city by placing it on the spectrum of lowest to highest results, nearest those cities that appear to be most comparable for each revenue source.

**Selected Population and Tax Base Characteristics of Comparable Jurisdictions**

| Jurisdiction [1] | Population | Households | Taxable Acreage | Developed Parcels | 2022 Property Tax Digest (Mil$) Total | Commercial [2] |
|---|---|---|---|---|---|---|
| Berkeley Lake | 2,527 | 902 | 879 | 2,577 | $285.7 | $74.6 |
| Dacula | 6,906 | 2,230 | 2,478 | 5,868 | $343.0 | $76.6 |
| Grayson | 4,572 | 1,209 | 1,288 | 4,082 | $316.0 | $69.3 |
| Duluth | 31,742 | 12,405 | 4,798 | 22,470 | $2,197.1 | $1,061.7 |
| Lawrenceville | 30,465 | 10,762 | 5,700 | 22,285 | $1,760.6 | $994.3 |
| Lilburn | 14,741 | 4,791 | 2,987 | 11,717 | $773.6 | $300.7 |
| Norcross | 17,530 | 6,488 | 2,708 | 13,387 | $1,318.8 | $838.4 |
| Snellville | 20,895 | 6,792 | 5,308 | 19,812 | $1,305.0 | $447.3 |
| Sugar Hill | 24,947 | 8,307 | 4,477 | 18,880 | $1,474.3 | $327.9 |
| Suwanee | 21,238 | 7,847 | 5,070 | 17,373 | $2,001.1 | $1,022.6 |
| Recently Incorporated | | | | | | |
| Peachtree Corners | 42,147 | 17,231 | 7,963 | 28,615 | $3,893.0 | $2,033.4 |
| Milton | 41,029 | 15,192 | 21,549 | 26,900 | $3,150.4 | $450.5 |
| Dunwoody | 51,458 | 21,496 | 6,143 | 28,930 | $4,075.7 | $2,439.6 |
| Tucker | 36,994 | 14,906 | 9,596 | 28,473 | $2,467.7 | $1,526.2 |
| Johns Creek | 82,230 | 28,439 | 15,433 | 54,325 | $5,155.7 | $1,311.8 |
| **Proposed Mulberry** | **41,245** | **12,162** | **12,993** | **14,342** | **$2,778.6** | **$137.3** |
| Gwinnett County [3] | 957,977 | 317,971 | 157,237 | 468,319 | $29,646.5 | $11,007.0 |

Notes:

[1] This list excludes Auburn, Braselton, Buford, Loganville which extend into abutting counties.

[2] "Commercial" tax base includes all parcels classified as retail, office, industrial, utilities or commercial apartments.

[3] Population and household estimates for Gwinnett County are county-wide totals. Parcel count and tax base estimates apply to unincorporated areas only.

**Sources**: Environics Analytics, US Census, Georgia Department of Revenue and KB Advisory Group, Inc.

**Table 4: List of Cities Used for Fiscal Comparison. Communities inside the red area are most comparable to Mulberry for most variables.**

## Revenue Estimates

Individual revenue estimates are presented below.

### *Motor Vehicles Title Ad Valorem Tax (TAVT)*

In 2013 Georgia changed the taxation of motor vehicles to a one-time Title Ad Valorem Tax (TAVT) assessed at the time of purchase. Under the TAVT, when a motor vehicle is purchased, a 7% TAVT is assessed on the vehicle when it is registered at the county tag office. This fee is then distributed by formula to the state, county, school district, respective cities and in some cases, other authorities. The distribution formula has changed over the years as initial efforts to minimize local revenue impacts on vehicles sold prior to 2013, and thus taxed under the old system, burned off. It also appears that distribution formulas can vary slightly by county depending on how many entities in addition to cities receive a share of proceeds. KB understands that the "city share" of the TAVT theoretically correlates to the buyers' place of residence, assuming county tax offices have sufficiently accurate information to pinpoint the correct jurisdiction to allocate TAVT revenue. Based on distribution formula, which may continue to change, KB estimates that roughly 7.5% of total TAVT collections from vehicles purchased by residents of an incorporated area end up as a distribution to the city government. If city TAVT revenues are based on resident vehicle purchases, then it can be reasonably assumed that residents of higher income communities would purchase more and higher priced vehicles and thus generate higher TAVT revenues per household and per capita.

Analysis of TAVT revenue line items for the cities listed in Table 4 indicate that those located outside of Gwinnett County are subject to significantly different distributions and are not a reliable indicator. Within the county, city TAVT revenues in FY 2022 ranged from roughly $99 (in Lilburn) to $190 (Grayson) per resident household. The remaining cities fell within a narrower range of $110 to $140 per household, with Dacula, Lawrenceville and Suwanee tightly clustered at the high end of that range. Assuming Mulberry's 12,100 households are similar, city TAVT revenues would have exceeded $17.0 million. To account for the probability that FY 2022 was not a typical year in terms car sales and future sales may be impacted by higher interest rates, KB estimated city TAVT revenues at $135 per resident household, which rounded to $1,650,000.

### *Franchise Fees*

Municipalities in Georgia are allowed to impose fees on utilities for the use of the municipality's rights-of-way and related costs. Franchise taxes or fees are paid directly to cities based on a percentage of the revenues collected by utilities within those jurisdictions. Utilities typically collect the franchise fee from residential and commercial customers as a surcharge to their utility bills and send periodic payments directly to the municipality. Other than cable, county governments do not collect franchise fees, which is the case in Gwinnett County. Therefore, potential city revenues from franchise fees paid by electricity, natural gas, and telephone providers would become an added cost to Mulberry residents and are thus excluded from consideration as potential city revenue source under the "revenue neutral" condition placed on the study.[8] It is assumed that Mulberry will opt out and prevent utilities from adding the respective surcharges to residential utility bills after incorporation.

The analysis also assumes that future city cable TV franchise revenues would be transferred out of the approximately $6.9 million in cable fees collected by Gwinnett County, so that fee would be revenue neutral and is added to city revenues. Among utilities paying franchise fees, cable operators are less influenced by commercial and industrial demand and revenues should be less variable to the effects of nonresidential development than electricity or natural gas utilities. Not having specific information on cable coverage areas, KB estimated cable franchise revenue for Mulberry based on per-capita and per household comparisons with the cities in Table 3. Collected cable fees by cities ranged roughly $18 to $50 per resident household and $6 to $13 per capita. Excluding Sugar Hill and Grayson as significant outliers, the remaining cities clustered within a range of $25 to $35 per household and $11 to $13 per capita. Placing Mulberry toward the upper third of this range results in potential cable franchise fee revenues of roughly $350,000 to $420,000 per year. We settled on a conservative annual estimate of $370,000 ($30 per resident household), which is comparable to Peachtree Corners and significantly lower than Milton ($480,000), the two cities that are closest to Mulberry based on population and households.

[8] This exclusion is significant. KB estimated potential combined annual franchise fees from those utilities at roughly $2.2 million.

### Insurance Premiums Fee

Insurance premiums fees are collected on policies written for life insurance, property and casualty and automobile policies purchased by residents. We understand that these collected taxes are paid to the jurisdiction of the policy holder, either to the respective city, or to the county if the resident/business is within an unincorporated area. Gwinnett County collected nearly $54.7 million in insurance premium taxes in FY 22, while its individual cities listed in Table 4 collected between $168,000 (Berkeley Lake) and $3.1 million (Peachtree Corners). Although the influence of commercial development skews the data in some cases, it appears that cities with a larger percentage of owner-occupied housing and high residential property values collected more insurance premium tax revenue per household than cities with higher concentrations of renters and multi-family housing. Snellville, Milton, and Johns Creek generated annual insurance premium taxes of between $222 and $236 per household in FY 22, while cities with more renters generally fell in the range of $175 to $200. Placing Mulberry on a comparable level to Snellville results in estimated insurance premium tax revenues of $2.7 million. That estimate is significantly lower than Peachtree Corners' actual collections of $3.1 million and appears reasonable.

### Financial Institutions Business License

Cities and counties are permitted to levy a tax on depository financial institutions that have offices located within their jurisdiction. According to GA Code § 48-6-93 (2020) "Municipalities and counties may each levy and collect a business license tax from depository financial institutions having an office located within their respective jurisdiction at a rate not to exceed 0.25 percent of the Georgia gross receipts [of said depository financial institutions]." Gwinnett County collected $1.67 million in financial institutions taxes in FY 2022, an amount smaller than most other revenue sources. Individual city collections ranged from $0 in Sugar Hill to nearly $279,000 in Johns Creek. Removing outliers, 11 cities collected receipts ranging from $6 to $17 per resident household, averaging just under $14.

CoStar included five banks occupying just 17,900 SF of building space among the commercial property listings downloaded for this report. We used Google Maps to locate these banks and found that they are clustered along the City's western boundary near Hamilton Mill Road. It appears that at least three of the five are within the city limits of Mulberry and two may lie just outside. The gross receipts of these branches are unknown but given the community's household income distribution, it can be assumed that the deposit base is relatively healthy. Adjusting for cities with higher commercial deposits and absent of having more accurate information on the size and locations of these institutions, KB conservatively estimated potential city revenues on these institutions at $10 per household, yielding potential annual receipts of $125,000. Generating this amount of revenue would require the banks to generate combined annual gross receipts of $50 million, which appears reasonable for a surrounding population of more than 40,000.

### Occupational / Business Licenses

Occupation taxes (also referred to as business licenses by some cities) can be levied on individuals, proprietorships, corporations, and other for-profit occupations and trades at the discretion of the local government. Gwinnett County levied more than $17.8 million in occupation taxes with the unincorporated county in FY 22. Individual cities in Table 4 raised revenues ranging from less than $38,000 (Berkeley Lake) to nearly $3.8 million in commercially developed Peachtree Corners. In KB's experience, business license rates, assessment methods and the types of businesses that are subjected to the tax can vary greatly by community. Those factors, along with the differing nature of local economies, introduce a high degree of variability that makes comparison among cities more challenging. Typically, these taxes are assessed on the basis of either employment or gross receipts. Cities with limited administrative resources may opt for simplified stepped rate schedules to make it easier to calculate and collect the fees, at the sacrifice of higher revenues. Finally, we have observed that cities with very low or in some cases no property tax millage rates (such as Peachtree Corners) tend to rely more heavily on occupational taxes and business licenses than those with more diverse revenue sources.

Examining individual cities in Table 4, the commercialized nodes of Dunwoody, Peachtree Corners and Tucker collected business occupational taxes ranging from $2.9 to more than $4.1 million in FY 22. The cities of Snellville, Milton, Suwanee, and Duluth collected between $950,000 and $1.4 million, while Johns Creek collected $1.9 million. These cities are much closer to, but still higher than Mulberry in terms of the total value of their respective non-residential tax digests. Adjusting for the presence of multi-family apartments that can greatly inflate these cities' commercial tax digests but produce no occupational taxes, collections appear to fall within a range of $2.85 to $3.15 per thousand of digest value when adjusted to reflect retail, office, and industrial property types only. Total square footage is a more accurate indicator of potential collections than tax value, but unfortunately that data is not easy to collect across multiple communities.

The data presented earlier in this report show that Mulberry has more than 1.5 million SF of retail and office space. Retail businesses appear to generate comparatively high sales per SF and office and retail rents and vacancy levels suggest that market conditions are relatively healthy. It is also likely that Mulberry would have a significant number of smaller professional service firms that may not necessarily occupy commercial office space and in some cities do not pay occupational taxes.

Assuming that the new city adopts an ordinance that broadly defines taxable entities and bases collections mainly on gross receipts rather than employment, similar to Duluth, we believe it is possible that Mulberry could generate occupational tax revenues of roughly $1.05 million, which would be comparable to Snellville. Other ordinance models could collect less than half that amount, so these revenues will be highly dependent on future decisions made by the new mayor and council.

### *Regulatory Permits and Inspection Fees*

Cities and counties generate fees from issuing building permits, performing inspections associated with residential and commercial construction, installation of plumbing, electrical and HVAC systems, and building renovations. Municipalities collect fines from code enforcement activities. Fees are also charged for planning and development services such as managing new development applications, granting site plan approvals, zoning variances, sign permits and issuing certificates of occupancy. In FY 2022, Gwinnett County collected nearly $5.9 million in fees from development approvals and inspections, presumably from within unincorporated areas. Based on its share of total developed parcels, land area and tax digest, it is likely that at least 10 to 12 percent of that total county revenue was generated from activity occurring within the proposed city limits of Mulberry.

Individual cities adopt their own building inspection fee structures that may or may not correspond to the county's. Five cities in Table 4 generated more than $1.0 million in building permit and inspection fee revenues during FY 2022, ranging from $1.05 million in Duluth to nearly $2.4 million in Dunwoody. Milton, which is closest to Mulberry in terms of the residential nature of its tax base, also collected more than $1.4 million, while Peachtree Corners, which is largely built out, collected $1.45 million. When permit and inspection fee income was analyzed as a multiple of each city's respective tax base, proceeds ranged from roughly $250 to $580 per million of gross tax digest, with four cities (Grayson, Duluth, Norcross, and Milton) clustering in the $475 per million range. In most cases, collected revenues were more than twice Gwinnett County's average revenue of $198 per million of unincorporated tax digest.

Future revenues from these sources will depend on both the new city's adopted fee structures and the total annual value of new construction and rehabilitation that occurs within the city limits. As previously noted, this part of Gwinnett County has both a large inventory of developable land and a historical growth rate that is faster than the county average. For these reasons KB positioned Mulberry toward the upper end of the range of the communities in Table 4, at $530 per million in city tax digest. This appropriately positioned Mulberry above Snellville, Grayson, Duluth, and Norcross and well below Dunwoody. This estimate results in annual revenues of $1,475,000, which is roughly equivalent to the annual dollar amount collected by Peachtree Corners.

Depending on local economic and real estate market conditions, some cities are able to fund most or all of the operating cost of their planning, building inspection and engineering departments from development permits and inspection fees. It should be noted that Gwinnett County levies a 0.36 millage rate to provide planning and code enforcement services to unincorporated areas and smaller cities that do not operate their own departments. That millage rate translates to roughly $1.0 million in property tax collections within the city limits of Mulberry for county-managed planning and code enforcement services in FY 2022. Assuming the new city assumes those functions, that millage rate will no longer be charged. Even if the new city adopted significantly higher fee structures than the county, the annual net cost to homeowners for planning and development services should significantly decrease after incorporation.

### *Storm Water Fees*

Currently, Gwinnett County imposes a storm water utility fee on developed residential and nonresidential property, including tax exempt entities, to cover the cost of inspecting, maintaining, and improving storm water infrastructure. For taxable properties the fee is included in annual property tax bills. Those revenues totaled more than $30.1 million in FY 2022. Typically, charges for specific services such as storm water, sanitation, water and sewer systems or street lighting, are restricted revenues assigned to enterprise funds for such purposes. If the proposed city of Mulberry designates stormwater management as its initial third service, the city will either adopt and assume the current county fee structure for residential and commercial properties, or institute new storm water rates. We further assume that the county will agree to continue collecting these fees on the city's behalf as part of annual property tax bills.

KB identified five cities in Gwinnett County, plus Dunwoody and Johns Creek, that administer storm water management at the local level. FY 2022 gross receipts for stormwater charges ranged from a low of $715,600 in Sugar Hill to a high of more than $2.9 million in Peachtree Corners. Storm water rates are typically based on impervious surface area, with a base rate tied to an average single-family home and commercial properties taxed as a multiple of the residential rate. Shopping centers with single-story buildings and large parking lots are typically assessed with the highest bills. Calculated as an average per developed tax parcel, among the 5 Gwinnett cities, revenues ranged from $38 in Sugar Hill to about $103 per parcel in Lawrenceville and Peachtree Corners. Snellville generated $43 and Duluth $63 per developed parcel, respectively. The average of the entire sample was $70 per parcel.

To obtain a better estimate of current storm water charges on existing properties in Mulberry, KB pulled a random sample of 50 (2023) tax bills from throughout the proposed city, including 35 residential, 10 commercial and 5 undeveloped parcels. The five undeveloped properties included one HOA owned parcel. In Mulberry the average storm water charge for residential properties was $122.00. With the wide range of home sizes and values included in the sample, annual residential charges ranged as high as $480, with most properties paying less than $100 per year. The smaller commercial sample was more variable, ranging from $860 to more than $6,300 in total and averaging about $0.10 per building SF. Three of the five vacant parcels were also charged a small stormwater fee ranging from $22 to $39. Extrapolated to the entire city, this small sample suggests that total stormwater charges currently levied by the county on more than 14,300 developed parcels could fall anywhere within a range of $1.5 to $2.1 million and should be easily verifiable when all city parcels are eventually coded by the county assessor and tax commissioner. (This range also suggests that county stormwater rates might be higher than those charged by some cities.) At an estimated conservative total of $1.5 million, city storm water charges would average $104 per tax parcel and be revenue neutral to homeowners.

### *Alcoholic Beverage Excise Taxes and License Fees*

Most cities eventually adopt alcohol ordinances that impose "selective sales and use taxes" (or excise taxes) on beer, wine and distilled spirits sold at supermarkets, convenience stores and package stores, as well as poured drinks sold by restaurants. Most cities also require sellers to purchase annual flat-fee liquor licenses. All of the jurisdictions in Table 4 earned revenues from liquor licenses and alcohol sales, and 9 of the 16 imposed excise taxes for poured drinks at bars and restaurants. The county also raised a total of more than $10.0 million from alcohol related licenses and excise taxes in FY 2022, presumably only from sellers located in unincorporated areas, including Mulberry. Total revenues from these sources varied by city. Those containing strong restaurant and retail nodes such as Suwanee, Duluth, Dunwoody, Tucker, and Johns Creek generated revenues of between $1.1 and $1.5 million. Lilburn, Lawrenceville, and Peachtree Corners were closely behind with revenues between $900,000 and $965,000. Remaining cities with less retail development and the characteristics of bedroom communities, including Milton, Norcross, and Snellville, had significantly lower revenues of $600,000 or less.

Because Mulberry does not have a large concentration of restaurants and several large retailers are located just outside the city limits, KB estimates that potential alcohol revenues currently collected by the county would be lower than indicated by Mulberry's population and income characteristics. Based on population and households, using the lowest range of the sample indicates that the city should be able to raise annual revenues of between $800,000 and $850,000 from alcohol taxes and license fees, assuming restaurant sales are included. However, retail sales data obtained from Environics Analytics and presented earlier in this report suggest that potential revenues could be closer to the $400,000 to $500,000 range depending on the specific fee structures contained in the ordinance. For estimating purposes KB used an average of $45 per resident household from liquor licenses and excise taxes on alcohol sold by businesses and restaurants located within the city limits. This input resulted in potential annual gross revenues of $550,000.

### *Other Permits, Licenses and Service Charges*

Municipalities in Georgia generate discretionary income from a variety of sources including election filing fees, rentals of public property, investment income, charges for services, private donations, fines, court fees, etc. Due to the discretionary nature of these "other revenues" it is not surprising that they are highly variable by community. Gwinnett County collected nearly $2.7 million in "other" revenue from various sources in FY 2022, while individual cities in Table 4 generated between $0 and $826,000. Some Gwinnett cities, such as Lilburn ($734,000), Lawrenceville ($424,000) and Dacula ($360,000) generated significant income while others, including Norcross, Grayson, and Sugar Hill recorded no associated revenues. The Fulton County cities of Johns Creek ($826,000) and Milton ($366,000) were also aggressive in raising income from other sources while Duluth, Suwanee, Peachtree Corners and Tucker all listed total revenues below $100,000. Because Mulberry is expected to provide a minimum range of services initially, miscellaneous revenues are likely to be limited and lower per capita than most comparable cities, but for the same reason it may be important for city government to utilize these available sources as much as possible. KB used an average of $1.80 per capita to estimate other potential city revenue, which is below the median of other cities in Table 4. This input resulted in modest potential annual gross revenues of $75,000.

### *Intergovernmental Revenues*

Municipalities also receive revenue from other levels of government. At the federal level, Georgia cities and counties received significant funding during the COVID Pandemic, which continued into FY 2022. Other cities with concentrations of lower-income households receive Community Development Block Grants (CDBG) on a competitive or allocated basis for affordable housing, redevelopment, social assistance, and related purposes. (Mulberry is not likely to qualify for either of these sources.)

At the state level the most relevant intergovernmental revenue is the Georgia Department of Transportation's Local Maintenance and Improvement Grant (LMIG), which is funded by the state's motor fuel tax. LMIG grants assist local governments by increasing available capital outlays for road maintenance and improvement projects and are thus restricted to road-related capital improvements. State LMIG grants to cities and counties are determined by formula, with one third based on local population divided by the state's population, and the remaining two-thirds based on local road mileage divided by the total state road mileage. The resulting percentages are then applied to the total grant amount available state-wide for the applicable year. Population and road mileage inside the proposed city limits was attributed to Gwinnett County's $6.9 million LMIG allocation in FY 2022.

The proposed city will also become eligible for a share of Gwinnett County's SPLOST revenue at some point in the future. In simple terms, these sales tax proceeds are allocated among Gwinnett's cities and the unincorporated county on a negotiated basis before the start of a multi-year cycle that must be approved by voter referendum. The parties then identify capital projects within their jurisdictions that the SPLOST funding will be used for, and those project lists are adopted internally and presented to voters before the referendum takes place. We understand that Gwinnett voters recently approved a six-year SPLOST, so Mulberry may not be able to request a direct allocation before 2029.

For information purposes KB estimated potential city LMIG and SPLOST revenues at roughly $450,000 and $6.1 million respectively, based on FY 2022 funding levels. Because LMIG and SPLOST are restricted to capital projects, they cannot be used to fund ongoing city operations and are not directly relevant to fiscal feasibility. The city's future eligibility to receive those funding sources and the value of controlling them at the city level is also questionable if public works is not provided as a city service. It may be in Mulberry's best interest to negotiate agreements to allow Gwinnett County to continue administering LMIG and SPLOST projects within the city limits, provided those projects and funding levels are consistent with what would have been received otherwise.

## Revenue Summary

Table 5 contains the estimates for the revenue items outlined in this section. Combined revenue estimates total just over $9.4 million (rounded), including $7.9 million in operating revenues and $1.5 million restricted to an enterprise fund for storm water management. As noted in the narrative, a future city council may not authorize collection some discretionary revenues or may adopt ordinances with different fee structures that produce significantly different results.

**Potential City of Mulberry Revenue Estimates**

| | |
|---|---|
| **Potential Operating Revenues [1]** | |
| Title Ad Valorem Tax (TAVT) | $1,650,000 |
| Cable TV Franchise Fees | $370,000 |
| Insurance Premium Fees | $2,700,000 |
| Financial Institutions Fees | $125,000 |
| Business and Occupation Taxes | $950,000 |
| Other Licenses & User Fees | $75,000 |
| Alcoholic Beverage Taxes & License Fees | $580,000 |
| Regulatory Building Permits / Inspection Fees | $1,475,000 |
| **SUBTOTAL: General Government Operating Revenues** | **$7,925,000** |
| **Potential Enterprise Fund Revenues** | |
| Storm Water Utility Charges [2] | $1,500,000 |
| **Total Potential General Government and Enterprise Funds** | **$9,425,000** |
| **Other Potential Future Intergovernmental Revenues [3]** | |
| LMIG | $450,000 |
| SPLOST Distribution | $6,100,000 |
| **SUBTOTAL: Other Potential Future Revenues** | **$6,550,000** |

**Notes**

[1] Potential revenue sources are approximate, based on the estimates and assumptions contained in the narrative. Some sources, such as occupational/business licenses and alcohol taxes are discretionary and may not be adopted, or adopted in significantly different form that produces different revenues than presented here.

[2] This entry assumes that Storm Water management will be the third muncipal service and operated as an enterprise fund, similar to other cities who have assumed that function.

[3] Included for information purposes only.

Sources: DCA RLGF Database, UGA Carl Vinson Institute and GSU CLGF reports, and KB Advisory Group.

**Table 5: Summary of Estimated Potential City Operating, Enterprise and Intergovernmental Revenues**

For information purposes, KB also estimates that the new city could become eligible in the future to receive more than $6.5 million in intergovernmental revenues from LMIG and SPLOST. While Mulberry may or may not qualify to receive those revenues directly, these estimates provide an indicator of reasonable investment levels that should be made within the new city if responsibility for administering those funds remains vested with Gwinnett County. [section break]

# III. Potential Municipal Service Costs

## Introduction

KB used the same data sources and methods to produce expenditure estimates for the proposed city of Mulberry, analyzing relevant RLGF line-item budgets for those cities listed in Table 4. As noted, this methodology necessarily compares this proposed start-up city to other municipalities that are well established and have already reached stabilized levels of operations. Most of those municipal governments also offer a broader array of public services than the minimum of three to be provided by this proposal. While line-item budgets for services such as public safety, parks and recreation, public works, sanitation, etc. can be eliminated for comparison purposes, the added space needs and overhead costs associated with housing those departments are usually embedded in general government, along with associated costs to coordinate and manage the activities of elected or appointed boards or commissions that may accompany such services.

Municipal service costs also tend to reflect the priorities and levels of service desired by residents, as expressed through the annual budgets adopted by their elected representatives. Simply comparing departmental budget numbers across a range of cities with different demographic characteristics, local issues and service needs does not necessarily capture the underlying reasons for observed differences in spending. Similarly, resulting cost estimates that are produced from such methods may or may not be consistent with the preferences of local residents and may be over- or under-estimated when applied to Mulberry. Finally, the experience of most cities suggests that services they provide “in house” tend to expand over time. Newly incorporated cities will often engage private firms to administer services initially, but over time replace third-party contractors with city employees. Budget comparisons can in some cases be misleading when comparing cities with more employees and higher salary and benefit costs against those that continue to rely on contracted services.

In summary, it is important to understand that estimating municipal service costs based on comparisons with established cities both (a) capture a fairly wide range of preferences for services which may or may not be applicable to Mulberry and (b) compare a newly incorporated area against cities that have long since reached stabilized operations, which may result in over-estimated costs. Finally, regardless of local preferences, elected and appointed officials have flexibility to control costs and tailor levels of service to available revenues, at least in the short term.

## Estimated City Expenditures

The following sections estimate realistic “stabilized” municipal administration and governance costs for the new city assuming it will operate with a mayor and five-member city council, supported by a core staff led by a designated administrator, city clerk, finance director and associated department heads retained either as employees or on a contract basis. Legal services are also retained on a contract basis. The analysis further assumes that that the city will initially provide the following three services (a) planning and zoning, (b) protective inspection (building permits, inspections, and code enforcement) and (c) storm water management. Each cost component is estimated below.

### *General Government Administration*

General government expenditure line items in the DCA's Report of Local Government Finance (RLGF) format are quite detailed and cover "administration support" for each jurisdiction's legislative body, executive department, elections (city clerk), finance and auditing functions, legal services, data management, insurance, human resources, public information, and customer service functions. There is also a separate line item for the operation of government buildings (repairs, maintenance, utilities, etc.) and associated general government capital outlays, usually consisting of debt service payments for facilities and annual spending to purchase or finance vehicles, furnishings, and equipment. Total combined FY 2022 general government costs for the cities listed in Table 4 ranged from $1.0 million or less for the smaller cities of Grayson, Berkely Lake and Sugar Hill to a high of close to $30 million for Lawrenceville, which recently financed major capital improvements. Among the more comparable cities in terms of population, Peachtree Corners incurred a total cost of $9.3 million, with a large share spent on buildings and other capital outlays. Related general government costs in Suwanee, Norcross, and Duluth, all of which have large city halls and more city departments, were in the $4.0 to $5.5 million range. Total general government costs in Dacula and Snellville were $1.2 and $2.2 million, respectively.

Some general government expenses are less variable to population size or tax base than others. The key variable in most cases appears to be the number of services provided, resulting facility needs and how that space is acquired and financed. Cities that operate out of 30,000 to 60,000 SF government-owned buildings will obviously incur higher overhead than Mulberry, which could house initial operations within 10,000 SF of leased space.[9] KB analyzed general government operating costs (excluding facility costs) by the size of their respective tax base and found that several large and small communities fell within a tight range of $1,300 to $1,500 per million of property tax digest. Annual facility costs were more variable, ranging from less than $200 for several communities, to more than $1,000 per million of tax digest in Grayson and Lawrenceville. Capital outlays associated with general government buildings and equipment were the most variable, ranging from well under $100 for most cities, to more than $500 per million of tax digest in Peachtree Corners, Suwanee, Tucker, and Lawrenceville.

Excluding facility expenses, general government operating cost data suggest that Mulberry should also be able to operate initially at an annual cost of under $1,400 per million of gross tax digest, which translates to a stabilized annual operating budget of about $3.7 million in FY 2022$. This allowance appropriately positions Mulberry higher than the smaller cities of Suwanee, Snellville, Tucker, and Lilburn, and just below Milton, Norcross, and Duluth. This budget would pay for administrative personnel, compensation and office expenses for the mayor and council, legal services, insurance, billing and record keeping services, etc.

If it is possible to lease roughly 10,000 SF of suitable commercial space within the city limits, Mulberry should incur lower facility costs than most comparably sized cities. An annual facilities budget in the rage of $500,000 to $600,000, comparable to Johns Creek, should enable the city to lease space for $30 per SF, (enough to include landlord financed tenant improvements), leaving a minimum of $20 per SF for utilities, common area maintenance charges and related building expenses. Finally, without the need to finance the

[9] The City Manager of Peachtree Corners reported that after the city incorporated it leased 12,000 SF in an existing commercial building, which was "more space than needed." He also noted that 10,000 SF would have met the city's needs, but the larger space was in a preferred location and was the best available option at the time. Peachtree Corners has since purchased a 60,000 SF city hall,

construction of public buildings, an annual capital budget should be limited to required start-up furnishings and equipment. These inputs result in a total annual operating and facilities budget of $4.25 million for general government. Associated capital outlays are combined with related departmental capital items/start-up costs and reported later in this section.

### *Planning & Zoning and Inspection Services*

Planning & zoning (P&Z) and building inspection & code enforcement (Inspections), are two of the three proposed departmental services that would be administered by new the city. In some communities, P&Z functions are combined with Inspections within a Department of Planning and Development. In other cities, Inspections might instead be folded onto a City Engineering or Development Services Department along with Public Works. While Mulberry would not create its own public works department, the city may require similar types of personnel or contractors with expertise to inspect, maintain and expand its stormwater utility.

For purposes of this study, KB has not attempted to predict how the city might organize itself internally to provide these basic services. RLGF reports include single line-item expense entries for “Planning and Zoning” and “Protective Inspections”. However, possibly for reasons explained in the previous paragraph, it appears that not all cities consistently separated the two services, and several reports showed $0 entries for one of the line items. It is also likely that the Gwinnett County administers planning and inspection functions for some of the smaller cities on the list, so there are fewer and less reliable data points to use for comparison. For analysis purposes KB combined the two line-items and estimated how the resulting costs might be allocated in Mulberry’s case.

Removing some obvious outliers that are served by the county, combined FY 2022 P&Z and Inspection costs for the cities listed in Table 4 ranged between a low end of roughly $700,000 to $800,000 in Lawrenceville, Snellville, and Sugar Hill, to the $2.2 million range for Peachtree Corners and Johns Creek. Other cities with significant development activity such as Suwanee, Duluth, Milton, and Tucker had combined budgets of between $1.0 and $1.8 million. KB analyzed these annual expenses on both a per capita and per acre basis to compare and apply comparable spending levels to Mulberry. Costs compared more consistently among communities when based on population rather than acreage, so we relied on that metric to forecast service costs.

Because of the historical growth rate of this part of Gwinnett County, KB assumed that combined P&Z and Inspection costs would need to be near the upper third of comparable jurisdictions on a per capita basis. We also assumed that effectively managing the city’s growth and future development will be a high public policy priority and thus given adequate resources. These assumptions translate to an expenditure level of $45 to $50 per capita. Applying this range to the City’s population resulted in a combined expenditure estimate of roughly $1.86 million. This total budget falls between the City of Milton ($1.76 million) which is larger than Mulberry in total population and land area, and Peachtree Corners ($2.26 million) which has a similar population but is more urbanized, with 5,000 more tax parcels concentrated within a much smaller land area.

Allocating costs between the two line-items is speculative and would be irrelevant if the two services were administered under the umbrella of a single department. Only Tucker and Peachtree Corners provided separate data for each line item. Tucker spends 57% of these combined departmental costs on P&Z functions and 43% on Inspections, while Peachtree Corners was a near 50/50 split, with Inspection costs being slightly larger. In Mulberry's case we estimate that P&Z costs will be higher initially as the department moves to get regulations in place. The new city is also likely to have fewer code enforcement issues than more urbanized communities. KB arbitrarily applied a 55/45 split to total costs of $1.86 million, allocating $1.02 million to Planning and Zoning functions and $835,000 to Inspections and Code Enforcement. As discussed in the revenues section, a major share of these departmental budgets will be funded by permits and inspection fees from development activity.

### *Storm Water*

"Storm Drainage," is listed among other public works functions in the RLGF database, but few cities reported any costs on that line. Revenues to pay for stormwater management are identified with other restricted Enterprise Funds, but the RLGF format does not include associated costs for either storm water or similar services such as trash collection or water and sewer utilities. In practice, operating expenses for enterprise funds are dictated by revenues available to those funds. Surpluses in some years will be accrued to pay for capital outlays when major repairs or new construction are required. For this reason, KB simply estimated costs at 90% of fund revenues and did not attribute the difference to an operating surplus.

### *Capital Outlays*

The RLGF database also includes extensive line-item detail on capital outlays at the departmental level. The data show that in addition to financing public buildings, public safety and public works departments tend to generate the highest capital outlays due to the need for vehicles, equipment, and spending on infrastructure projects. Without those services, capital outlays as a percentage of Mulberry's annual operating expenditures should be lower than most cities.

The cities in Table 4 spent a combined total of roughly $133 million on capital outlays in FY 2022. As a percentage of their total budgets, capital outlays ranged from 0% in Grayson to a high of 55% to 60% of total expenses in Lawrenceville and Dacula. (The average of all cities was 27%.) Isolating capital outlays to include only those services that are relevant to Mulberry - reduced total expenses to a combined total of only $27 million, meaning that roughly 80% of those communities' capital expenses were for items and services that Mulberry will not provide at the city level. Removing those outliers that have financed public buildings left 6 cities, which we compared on the basis of their total tax digests. Resulting capital spending ranged from $35 to $180 per million of property tax digest.

If it is assumed that as a start-up Mulberry would initially incur higher capital costs for its limited services, an allowance of $150 per million of tax digest would position Mulberry between Milton and Snellville and significantly above Johns Creek in terms of relative capital spending. This allowance provides an annual allowance of $420,000 for capital outlays. Adding a contingency and reserve, $500,000 per year should be adequate to finance required start-up furnishings and equipment. This total does not include capital outlays associated with storm water infrastructure maintenance and improvements, which would be financed out of revenues generated by that enterprise fund.

## Municipal Service Cost Summary

The above inputs result in total estimated annual expenditures of just under $8.0 million, including an operating budget of $6.1 million for general government and departmental services, $500,000 for associated capital outlays and $1.35 million in costs associated with the city's storm water management enterprise fund.

**Potential City of Mulberry Annual Expenditures**

| | |
|---|---|
| **General Government and Departmenal Operating Expenses [1]** | |
| General Governmental Administration | $3,700,000 |
| General Governmental Buildings & Overhead | $550,000 |
| Protective Inspections | $835,000 |
| Planning and Zoning | $1,025,000 |
| **SUBTOTAL: Operating Expenses** | **$6,110,000** |
| Allowance for Capital Outlays & Reserves | $500,000 |
| **Total Baseline City Service Costs** | **$6,610,000** |
| **Enterprise Fund Expenses** | |
| Storm Water Management | $1,350,000 |
| **Total Operating and Enterprise Fund Expenditures** | **$7,960,000** |

**Notes**

[1] Potential service costs are approximate, based on the estimates and assumptions contained in the narrative.

Sources: DCA RLGF Database, UGA Carl Vinson Institute and GSU CLGF reports, and KB Advisory Group.

**Table 6: Summary of Estimated Annual Operating, Enterprise Fund and Capital Improvement Costs**

Compared to revenues summarized in Table 5, these expenditure levels produce a potential surplus of $1.31 million for operations and $150,000 for enterprise funds. The estimated surplus assumes that all revenue sources listed in Table 5 will be pursued and that required ordinances and fee structures will be consistent with the assumptions contained in this report. The estimated coverage ratio of 1.2 provides flexibility for a future city council to consider possible reductions to some of the revenue sources estimated herein.

[Section break]

# Appendix

A technical appendix with calculations and source data used in the analysis is provided in a separate document.

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