



# ANNEXATION OPTIONS

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REPORT  
TO THE  
DECATUR CITY COMMISISON

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The purpose of this report is to review possible options for annexation for your consideration. Annexation of additional area has been most recently discussed by the City Commission in terms of providing an opportunity to decrease overall property taxes, to diversify the property tax base and to provide more opportunities to take advantage of efficiencies in service delivery by providing a slightly larger scale.

## BACKGROUND

In 2005 the City of Decatur contracted with the Carl Vinson Institute of Government to provide a study of annexation possibilities, concentrating on making sure that annexation decisions were based on economic modeling that would take into account both revenues and expenses associated with adding additional properties into the City of Decatur.

Since that time the City Commission has approved annexation requests on a piecemeal basis, ranging from one parcel, single-family lots to institutional parcels. The largest annexation consisted of nine single-family parcels on Derrydown Way. Unfortunately, this has not resulted in a comprehensive approach to annexation and has produced a process that is time-consuming and confusing to track and has contributed to even more irregular city limits.

In January, 2008 the City Commission was presented with a report showing a potential annexation area and describing costs and the process for proceeding. Since that time, Representative Stephanie Benfield has assisted in coordinating public meetings with the Springdale area residents, the Forrest Hills and the Midway Woods Neighborhood Associations. Information has been posted on the City's website, including responses to the most frequently asked annexation questions.

## OPTIONS

There appear to be three options for the City Commission to consider: maintain current city limits; annex primarily commercial area; or, annex an area that contains both commercial and residential properties.

### Current City Limits

While maintaining the current city limits is certainly an option, it does not appear to provide an opportunity to decrease property taxes or diversify the tax base. In 1994, the City's residential property made up about 76% of the total tax digest. In 2008, residential property was approximately 86% of the total digest. We are estimating that the real property digest will be basically flat for 2009 with hopes for very modest growth (3%) in 2010 and 2011. Assuming that we do not want to reduce services and that we can limit expenditures to no more than a three-percent increase annually for each of the next three

years, it is likely that we will need at least a half-mill to one and half mill increase in the tax rate for City operations.

Information provided by the City Schools of Decatur indicate that to meet future student population growth, not including any students added by annexation, would require at least four additional classrooms with an estimated additional cost to the system of at least \$880,000. On top of this cost is the reality that the State of Georgia has continually reduced the proportion of education funding provided to local school systems which has impacted CSOD significantly.

The City Commission and the Board of Education are faced with serious financial impacts in the future. Without additional sources of revenue or without significant changes to our service delivery models, it is much more likely that millage rates will increase over the next several years. Therefore, by reviewing the City's future economic sustainability in terms of adequate revenues and reasonable property tax millage rates, it appears that the ability to annex additional land area into the City limits is supported.

#### Annexation of Primarily Commercial Properties

Annexation of commercial properties would include some additional area at the intersection of North Decatur Road and Clairmont Avenue; the area north of the existing city limits at Church Street and North Decatur Road; and the area directly east of the existing city limits including a portion of East College Avenue, East Ponce de Leon Avenue and DeKalb Industrial Avenue. This would be a smaller land area that would significantly diversify the tax base.

If these areas were included in the city limits, it would provide the city with oversight and input when these major gateways are redeveloped. This will be very important over the next five to twenty years as it is probably inevitable that these properties will be redeveloped and given their proximate location to the City, we have a strong interest in assuring that quality projects are undertaken. This is particularly true in regards to the redevelopment of the property currently owned by DeVry University which is currently on the market as DeVry moves its operations to downtown Decatur.

Currently, this area does contain properties that will require assessment and possible action in regards to codes enforcement. For instance, the Police Department has indicated concerns about the adult entertainment club on East Ponce de Leon and we would likely have to construct a one-company Fire Station somewhere in the northeast quadrant within a three to five year period.

Based on staff analysis, the thirty-six month short term costs of providing City of Decatur services would be approximately \$400,000<sup>1</sup> on an annual basis<sup>2</sup>. After the first thirty-six months, we would expect to begin making some capital investments in infrastructure items such as sidewalks, facilities or equipment. At that point, long-term annual cost estimates increase to approximately \$750,000.

If the City requests annexation of an area that is over 50% commercial<sup>3</sup> by local act of the Georgia General Assembly, then a referendum is not required.

### Annexation of Commercial and Residential Properties

Another option would be to annex the previously identified commercial areas and two residential areas located to the southeast of the city - mainly the Forrest Hills and Midway Woods neighborhoods. A number of residents in these neighborhoods have indicated an interest in becoming a part of the City of Decatur. In meetings with residents, their main interests appear to be having their children attend City Schools of Decatur (CSOD) and in the City's public safety and codes enforcement programs.

After the previous annexation map was published, the Midway Woods Neighborhood Association requested that the City include their entire neighborhood instead of having it divided. Based on input from neighborhood meetings held earlier this year, several primarily residential neighborhoods to the north and east of the existing city limits have been removed.

Over the summer, the Midway Woods and the Forrest Hills Neighborhood Associations conducted surveys of their residents. Midway Woods received responses from 135 of 750 households representing an 18% response rate. Approximately 52.2% of the respondents indicated that they were either moderately or strongly in favor of annexation and 45.7% of the respondents indicated that they were either moderately or strongly opposed to annexation. When asked if they would support annexation if it resulted in a \$1,001 - \$1,500<sup>4</sup> annual tax increase, favorable support decreased to 42%.

Forrest Hills received survey responses from 120 out of 242 households representing a 50% response rate. Of the respondents, approximately 74.8% indicated that they were either moderately or strongly in favor of annexation and 24.4% of the respondents indicated that

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<sup>1</sup> Based on today's dollar value.

<sup>2</sup> This amount is exclusive of costs covered by income generated by fees associated with the service.

<sup>3</sup> By acreage

<sup>4</sup> The average difference for a \$250,000 home is approximately \$1,385.

they were either moderately or strongly opposed to annexation. Information is not on hand to indicate if levels of support changed based on projected levels of tax increases.

The City Schools of Decatur worked with Rosser International to estimate the potential student population in potential annexation areas. After looking at birth records and taking into account some attendance at non-public schools, both the City and the City Schools agreed that for purposes of estimating the impact on City Schools, annexation would increase the population by 450 students. Given that two areas have been deleted but another area has been added, 450 seems to be a reasonable number for planning purposes.

A 450 student population increase would require 7 to 10 classrooms in addition to the 4 that are already needed. Based on \$220,000 cost per classroom plus adding in ancillary services, the total would range \$2,000,000 - \$3,000,000.

Currently local funds contribute approximately \$9,300 in funding per student for school system operations. Based on this funding number, an additional 450 students would cost approximately \$4,185,000 on an annual basis.

While there would be impact on City operations, it would not be significantly different from what we estimate the costs to be for the commercial annexation.

Annexation procedures require a referendum in the proposed annexed area if the number of residents in the area to be annexed exceeds 3% of the population of the City of Decatur or if there are at least 500 people in the area, whichever is less. If this area were annexed we estimate that there would be a population increase of approximately 7,800 residents<sup>5</sup>. Therefore a referendum would be required.

We could also pursue legislation that would phase-in the commercial properties earlier than the residential properties. For example, the commercial properties could become effective on January 1, 2010 and the residential properties could become effective January 1, 2011 with school attendance beginning in August, 2011. This would give the CSOD 18 months of tax collections before students were enrolled.

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<sup>5</sup> 2000 US Census

## REVENUES vs. EXPENDITURES

City Operations	Maintain Current City Limits	Commercial Properties	Commercial/Residential Mix
Revenues	\$0	\$1,780,000 <sup>6</sup>	\$3,800,000
Expenditures	\$500,000 - \$1,000,000	\$900,000 - \$1,400,000	\$900,000 - \$1,400,000
Difference	(\$500,000 - \$1,000,000)	\$880,000 - \$380,000	\$2,900,000 - \$2,400,000

City School Operations	Maintain Current City Limits	Commercial Properties	Commercial/Residential Mix
Revenues	\$0	\$2,675,000 <sup>6</sup>	\$6,600,000 <sup>6</sup>
Expenditures	\$880,000+	\$880,000 - \$1,000,000	\$5,065,000
Difference	(\$880,000+)	\$1,795,000 - \$1,675,000	\$1,535,000

### Next Steps

The City Commission would need to decide at its November 17, 2008 meeting how to proceed. If we do want to pursue annexation through local legislation of the General Assembly, then various members of the General Assembly representing Decatur and DeKalb County would have to agree to support either a single piece of legislation or multiple pieces. For example, the commercial and residential area to the north and northwest is located in Representative Mary Margaret Oliver's district; the commercial district in the northeast is located in Representative Karla Drenner's district; and, the commercial area along East College and the residential area to the southeast are located in Representative Stephanie Stuckey Benfield's district.

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<sup>6</sup> Real Estate Property Taxes Only

The DeKalb delegation to the Georgia General Assembly has in the past required a majority of the delegation support local legislation, so ultimately additional house members will also have to agree in order for the legislation to go forward.

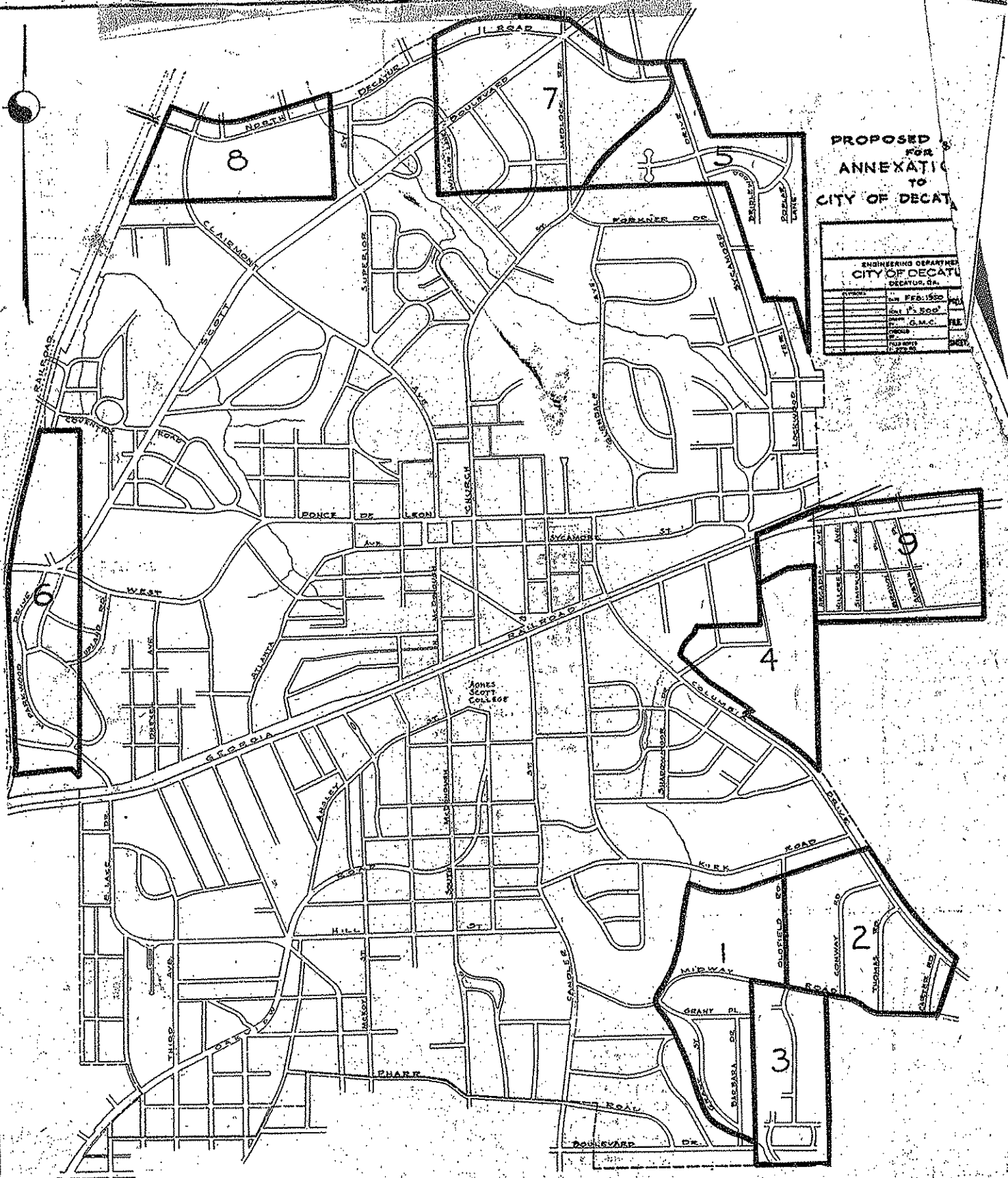
If the legislation is adopted by the General Assembly and is signed by the Governor, and a referendum is required it could be held either on a special election date or in conjunction with the general election date which would be November 3, 2009.

The effective date for annexation could be as early as January 1, 2010; however, it is recommended that for school purposes, residential property be given an effective date a year after commercial properties are incorporated.

Other activities would also have to occur. The annexation would have to be precleared by the United States Justice Department under the Voting Rights Act, service delivery would have to be worked out and we would have to make sure that City of Decatur and DeKalb County records are updated and correct.

### CONCLUSION

In looking at areas to consider for annexation, several factors should be considered. Current residents have indicated that maintaining a high quality of life, superior services and a small city "feel" is important. Therefore, an extensive annexation plan that would fundamentally change the existing character of the community would not be desirable. In addition, annexation should offer the potential to reduce the property tax burden for residential property owners both in terms of city operations and school taxes. This means that the annexation should offer long-term revenue benefits that exceed service delivery costs. In addition, the area to be annexed should have a reasonable connection to the existing city limits.



**DECATUR'S PROPOSED ANNEXATION**—This map shows in black outline the areas proposed to be annexed by Decatur. Separate bills on each section were introduced in the legislature at the request of the city commissioners, but have been held up temporarily in order to try to iron out a few objections. Section eight has definitely been

sections to annexation. Sections one, two and three lie in the Hooper Alexander school attendance area and bids are ready for letting on the enlargement of this school. Letting the contract on this project has also been held up. Section six lies on the western boundary of Decatur and it seems it is the only area not being contested. The