



TAX EQUITY ANALYSIS

FOR THE

CITY OF BERKELEY LAKE, GEORGIA

APRIL 2011

OBJECTIVES

- To provide a detailed review of all services delivered by the City, including but not limited to the proposed restoration of the Lake Berkeley dam
- To recommend viable options for offering equitable fees, tax levies and/or service delivery assessments



DATA REVIEWED

- City Financial Data
 - 2009 Financial Statements and Audit Report
 - 2010 Statement of Income and Expense
 - 2011 Approved City Budget
 - Tax Digests for 2009 and 2010
 - Estimated costs of restoring or removing the Lake Berkeley dam
 - Estimated costs of the General Obligation Bond approved by the voters on March 15, 2011.
- Current Service Delivery Breakdown



INTERVIEWS

- City of Berkeley Lake
 - Mayor Lois Salter
 - City Administrator, Tom Rozier



INTERVIEWS

- Residents of Berkeley Lake
 - Rick Chambers, President - Miramont HOA
 - Barbara Carroll, President - Berkeley Walk HOA
 - Jeff Sprinkle, designated representative - River District HOA
 - President John Barta and designated representative, John Hackney - Berkeley Field HOA
 - Phil Johnson, designated representative - Berkeley Lake HOA
 - Andy Galeziowski, President - Berkeley Commons HOA
 - Dunbar Harrison III, designated representative - River Mansions HOA



INTERVIEWS

- The Georgia Municipal Association
- The Gwinnett County Tax Assessor's Office



SUMMARY OF INTERVIEWS

Residents of Berkeley Lake

Feedback from the HOA's reflected generally positive attitudes towards the Mayor, City Council and City Management.



SUMMARY OF INTERVIEWS

Residents of Berkeley Lake

A somewhat contentious atmosphere between the homeowners on the lake and those not on the lake seemed to be driving much of the emotional energy surrounding the issue with the dam.



SUMMARY OF INTERVIEWS

Residents of Berkeley Lake

Consensus among HOA's that:

- Funding should be through millage rate adjustment, as opposed to any type of special assessment
- The Green Space funding model (through general millage rate) is fair and equitable
- There is some value of the lake to all parties, but not equal value
- Repairing the dam is the correct and logical action



SUMMARY OF INTERVIEWS

Residents of Berkeley Lake

The one main disagreement is that lake front owners feel that, because their land is valued so much higher by being on the lake, the resulting additional property taxes already sufficiently make up for any differential in the value of the lake. Generally, those property owners not located on the lake disagreed.



SUMMARY OF INTERVIEWS

The Georgia Municipal Association (GMA)

- Mr. Lamar Norton
- Seeking parallels or situations comparable to the BL dam situation
- The only comparable situation - Mountain Park, GA (Fulton Co.)
 - siltation problems in their lake
 - City seeking funding alternatives for restoring their lake & recovering expenditures for same
 - Not as far along in the process as BL, watching to see what BL did



SUMMARY OF INTERVIEWS

The Gwinnett County Tax Assessor's Office

- Group assembled with special attention to their knowledge of BL and lake property in general
- Housing market ultimately drives property valuation
- Therefore, this office reluctant to deal with “hypothetical” situations or provide hard numbers
- General guidance -
 - Forecasted a significantly negative impact on the City's Tax Digest were it not for the presence of the lake
 - This negative impact, according to the Tax Assessor's Office, would likely manifest itself as significant value loss to the lake-front property, with a potential “domino effect” rippling through the values of other properties in the City



ANALYSIS & CONCLUSIONS

General City Services

- A thorough review of general services currently provided by the City revealed no “real” and very few “perceived” inequities
- We note that two gated subdivisions have privately-owned streets and have chosen to provide for their own street and (in the case of River District) sidewalk repair
- However, the level and expense of repair was termed to be minimal and not worth pressing for a millage differential



ANALYSIS & CONCLUSIONS

Green Space Acquisition

- Corner of Peachtree Industrial Boulevard and North Berkeley Lake Road
- Property acquired by the City, partly to serve as a buffer to commercial activity and traffic along PIB, and partly to function as a city park



ANALYSIS & CONCLUSIONS

Green Space Acquisition

- One or two comments from homeowners suggesting that homeowners along Ridge Road benefitted exclusively from this acquisition
- Yet, we found consensus among the various homeowners' associations that the green space acquisition was funded properly through common millage rate
- This method of funding consistent with other similar acquisitions in other jurisdictions
- Our conclusion - the City acted appropriately in funding the green space acquisition through common millage rate



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

- The only significant issue we found in our study
- The majority of homeowners’ representatives conceded that the lake was of value to them, but maintained that the lake front owners should bear a larger portion of the bill than those away from the lake
- This view in stark contrast to the widely held opinion that the green space acquisition was found to be funded properly through common millage rate
- This paradox explained by “Us vs. Them” atmosphere – makes the dam issue somehow different from the green space acquisition



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

- We rejected the development of any metric that attempted to equate individual residents' value of the lake to their proximity to the lake, because it would be too subjective and open for interpretation
- Instead, sought to examine the financial value of the lake to the community as a whole
- By analyzing the effect on City revenues from property taxes if the lake had not existed



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

- Not advocating that draining the lake is a viable option – just evaluating impact of lake's existence on property tax revenues needed to keep current level and mix of City services



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

First, we set out to establish the relative property tax contributions from the various residential areas of the City.



Restoration of Lake Berkeley Dam

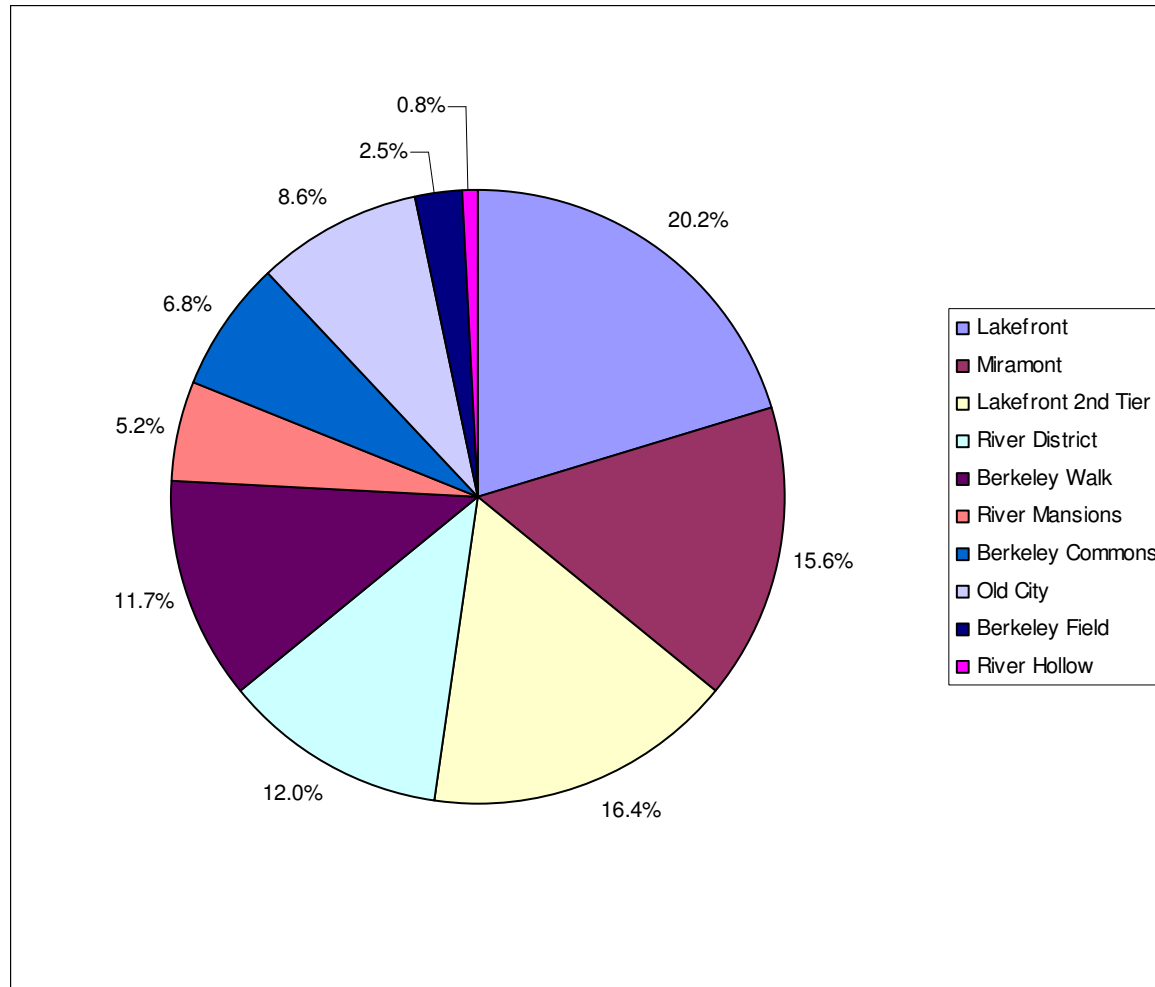
Lot Distribution

City of Berkeley Lake - Lot Distribution		
Subdivision	Total	%
Lakefront	143	20.2%
Miramont	110	15.6%
Lakefront 2nd Tier*	116	16.4%
River District	85	12.0%
Berkeley Walk	83	11.7%
River Mansions	37	5.2%
Berkeley Commons	48	6.8%
Old City	61	8.6%
Berkeley Field	18	2.5%
River Hollow	6	0.8%
TOTAL	707	100.0%

* Lots that are across the street or one lot removed from the lake.



Restoration of Lake Berkeley Dam Lot Distribution



Restoration of Lake Berkeley Dam

Property Tax Contribution

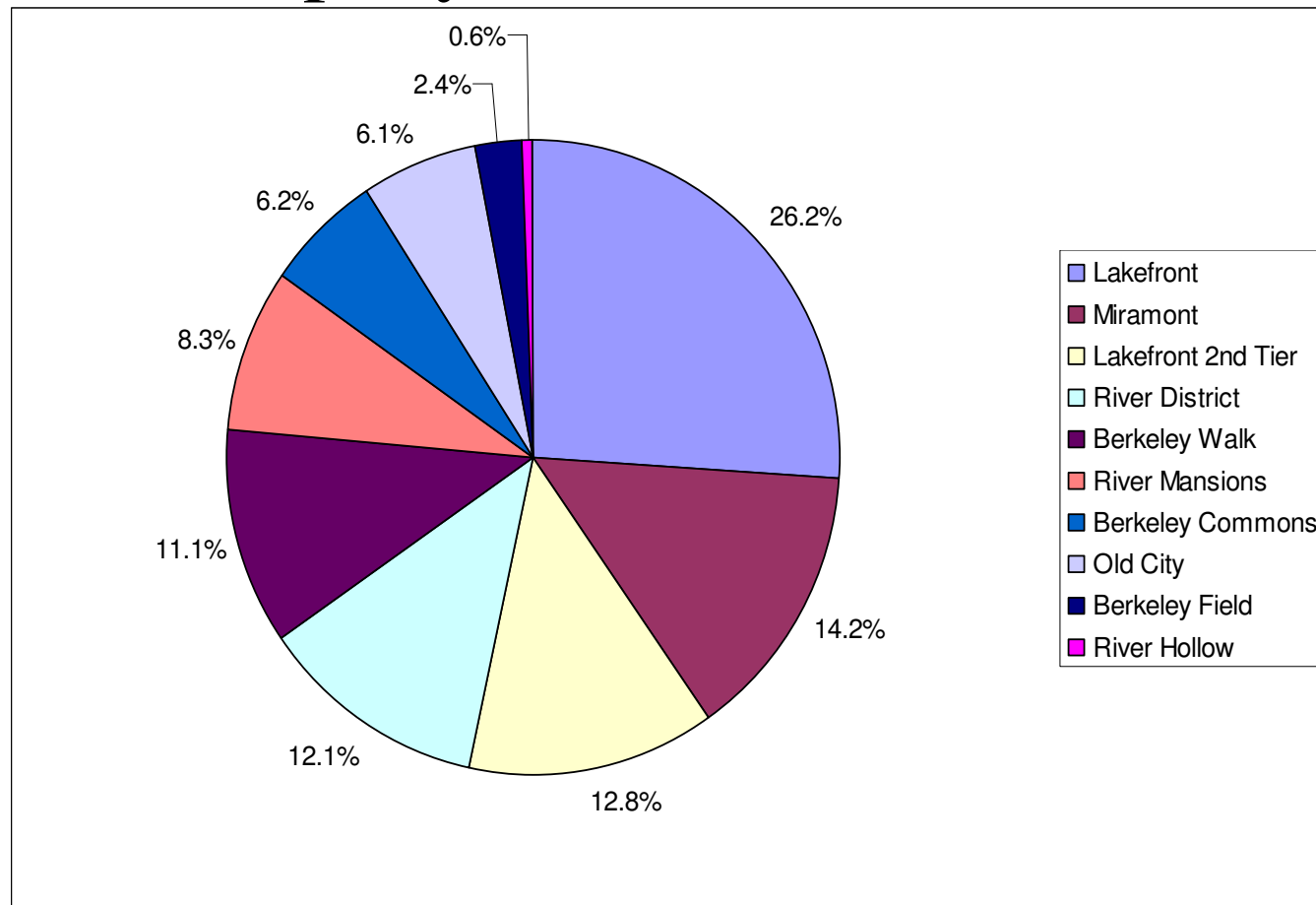
Millage Rate **4.9**

Subdivision	Property Tax Contribution - Total			
	Land	Bldg	Total	%
Lakefront	\$ 80,946	\$ 56,321	\$ 137,267	26.2%
Miramont	\$ 17,824	\$ 56,641	\$ 74,465	14.2%
Lakefront 2nd Tier*	\$ 27,161	\$ 40,264	\$ 67,426	12.8%
River District	\$ 24,873	\$ 38,360	\$ 63,233	12.1%
Berkeley Walk	\$ 10,569	\$ 47,623	\$ 58,191	11.1%
River Mansions	\$ 9,581	\$ 34,150	\$ 43,731	8.3%
Berkeley Commons	\$ 5,779	\$ 26,573	\$ 32,353	6.2%
Old City	\$ 14,182	\$ 17,897	\$ 32,078	6.1%
Berkeley Field	\$ 2,293	\$ 10,438	\$ 12,731	2.4%
River Hollow	\$ 2,576	\$ 696	\$ 3,272	0.6%
TOTAL	\$ 195,784	\$ 328,964	\$ 524,747	100.0%

* Lots that are across the street or one lot removed from the lake.



Restoration of Lake Berkeley Dam Property Tax Contribution



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

CONCLUSION

- Lakefront properties - 20.2% of the owners produce 26.2% of the contribution for funding city services.
- This due to higher land values on the lake.



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Next step - “normalize” current land values
to correct for different-sized lots.



Restoration of Lake Berkeley Dam

2010 Tax Digest Data Broken Down into Dollars per Acre

City of Berkeley Lake Subdivision	FMV	# Acres	2010 FMV \$/acre
Lakefront	\$ 41,298,900	85.03	\$ 485,698
River District	\$ 12,690,300	56.93	\$ 222,911
Old City	\$ 7,235,500	41.99	\$ 172,315
Lakefront 2nd Tier	\$ 13,857,900	87.03	\$ 159,231
Miramont	\$ 9,093,800	61.18	\$ 148,640
Berkeley Field	\$ 1,170,000	8.74	\$ 133,867
River Hollow	\$ 1,314,100	11.43	\$ 114,969
River Mansions	\$ 4,888,400	44.49	\$ 109,876
Berkeley Commons	\$ 2,948,600	28.66	\$ 102,882
Berkeley Walk	\$ 5,392,200	56.73	\$ 95,050
Total	\$ 99,889,700	482.21	\$ 207,150



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

CONCLUSION

- Lakefront property is currently valued at \$485,698 per acre. River District came in second place at \$222,911 per acre, or only 46% the value of Lakefront property



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

The preceding analyses begs the question:

What would happen to the Berkeley Lake Tax Digest if the lake were not there, and what would have to happen to everyone's millage rates to maintain the current level of City services to the community?



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

At this point, we took general direction from the Gwinnett County Tax Assessor's Office, along with our own experience, and ran two scenarios. The first scenario is conservative and the second is somewhat more aggressive.



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

- Assumes lakefront land value drops to the average of all other City subdivisions
- Assumes lakefront home values remain stable
- Assumes all non-Lakefront property values (land and homes) remain stable



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

First, to determine the average land value of all non-lakefront properties, we re-ran the normalized land values, removing Lakefront from the data set.



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Normalized Property Values (Land Only) w/o Lakefront

City of Berkeley Lake Subdivision	FMV	# Acres	2010 FMV \$/acre
River District	\$ 12,690,300	56.93	\$ 222,911
Old City	\$ 7,235,500	41.99	\$ 172,315
Lakefront 2nd Tier	\$ 13,857,900	87.03	\$ 159,231
Miramont	\$ 9,093,800	61.18	\$ 148,640
Berkeley Field	\$ 1,170,000	8.74	\$ 133,867
River Hollow	\$ 1,314,100	11.43	\$ 114,969
River Mansions	\$ 4,888,400	44.49	\$ 109,876
Berkeley Commons	\$ 2,948,600	28.66	\$ 102,882
Berkeley Walk	\$ 5,392,200	56.73	\$ 95,050
Total w/o Lakefront	\$ 58,590,800	397.18	\$ 147,517
		down	69.6%



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Then, we recalculated the property tax contributions from each neighborhood, assuming the lakefront property values dropped to the average of all other BL neighborhoods.



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Impact of Lake on Community

Millage Rate **4.9**

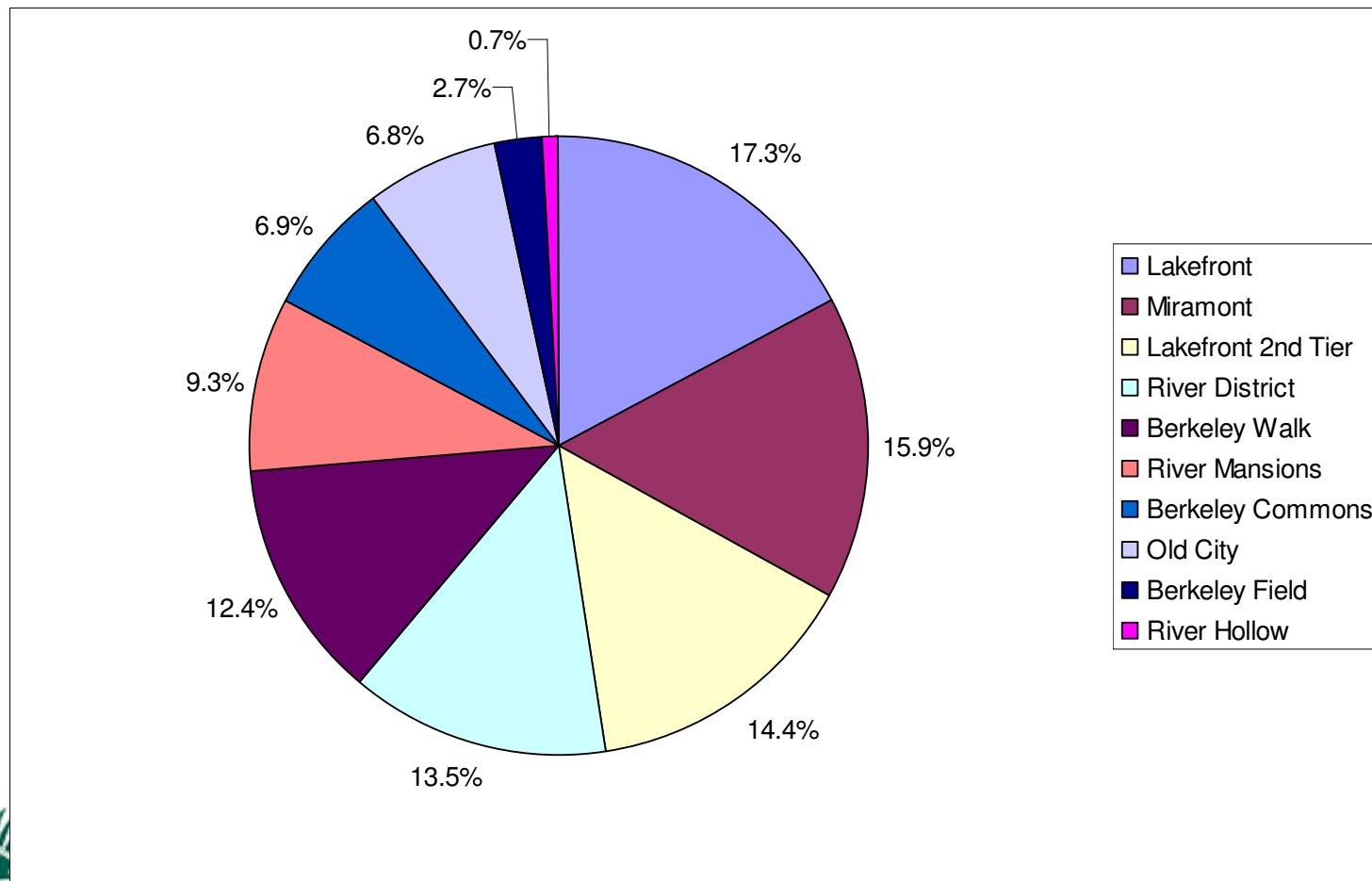
Subdivision	Assumed FMV Reduction w/o Lake		Property Tax Contribution - Total			
	Land	Bldg	Land	Bldg	Total	%
Lakefront	69.6%	0%	\$ 24,585	\$ 56,321	\$ 80,906	17.3%
Miramont	0%	0%	\$ 17,824	\$ 56,641	\$ 74,465	15.9%
Lakefront 2nd Tier	0%	0%	\$ 27,161	\$ 40,264	\$ 67,426	14.4%
River District	0%	0%	\$ 24,873	\$ 38,360	\$ 63,233	13.5%
Berkeley Walk	0%	0%	\$ 10,569	\$ 47,623	\$ 58,191	12.4%
River Mansions	0%	0%	\$ 9,581	\$ 34,150	\$ 43,731	9.3%
Berkeley Commons	0%	0%	\$ 5,779	\$ 26,573	\$ 32,353	6.9%
Old City	0%	0%	\$ 14,182	\$ 17,897	\$ 32,078	6.8%
Berkeley Field	0%	0%	\$ 2,293	\$ 10,438	\$ 12,731	2.7%
River Hollow	0%	0%	\$ 2,576	\$ 696	\$ 3,272	0.7%
TOTAL			\$ 139,423	\$ 328,964	\$ 468,387	100.0%



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Impact of Lake on Community



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Effect of Scenario 1 Assumptions

- Drops the Lakefront contribution from 26.2% to 17.3%
- Overall revenue from residential property taxes is down \$56,361
- This is revenue that is needed to provide the current level of City services to the community
- Therefore, we calculated the millage rate increase that would be needed to replace that revenue...



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Impact of Lake on Community

Revenue-neutral Millage Rate **5.5**

Subdivision	Assumed FMV Reduction w/o Lake		Property Tax Contribution - Total			
	Land	Bldg	Land	Bldg	Total	%
Lakefront	69.6%	0%	\$ 27,595	\$ 63,218	\$ 90,813	17.3%
Miramont	0%	0%	\$ 20,006	\$ 63,577	\$ 83,583	15.9%
Lakefront 2nd Tier	0%	0%	\$ 30,487	\$ 45,195	\$ 75,682	14.4%
River District	0%	0%	\$ 27,919	\$ 43,057	\$ 70,976	13.5%
Berkeley Walk	0%	0%	\$ 11,863	\$ 53,454	\$ 65,317	12.4%
River Mansions	0%	0%	\$ 10,754	\$ 38,332	\$ 49,086	9.3%
Berkeley Commons	0%	0%	\$ 6,487	\$ 29,827	\$ 36,314	6.9%
Old City	0%	0%	\$ 15,918	\$ 20,088	\$ 36,006	6.8%
Berkeley Field	0%	0%	\$ 2,574	\$ 11,716	\$ 14,290	2.7%
River Hollow	0%	0%	\$ 2,891	\$ 782	\$ 3,673	0.7%
TOTAL			\$ 156,495	\$ 369,245	\$ 525,740	100.0%



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Effect of Scenario 1 Assumptions

- Property tax revenue would be reduced by 11% (\$56,361)
- To recover that lost revenue, everyone's millage rate must increase from 4.9 to 5.5



Restoration of Lake Berkeley Dam

Scenario 1 - Conservative

Impact of Lake on Individual Property Tax

Revenue-neutral Millage Rate **5.5**

Subdivision	Assumed FMV Reduction w/o Lake		Impact on Avg. Property Tax Bill	
	Land	Bldg	Total	%
Lakefront	69.6%	0%	\$ (324.85)	-33.8%
Miramont	0%	0%	\$ 82.89	12.2%
Lakefront 2nd Tier	0%	0%	\$ 71.17	12.2%
River District	0%	0%	\$ 91.09	12.2%
Berkeley Walk	0%	0%	\$ 85.85	12.2%
River Mansions	0%	0%	\$ 144.73	12.2%
Berkeley Commons	0%	0%	\$ 82.53	12.2%
Old City	0%	0%	\$ 64.39	12.2%
Berkeley Field	0%	0%	\$ 86.61	12.2%
River Hollow	0%	0%	\$ 66.78	12.2%



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive

- Assumes lakefront land value drops to the average of all other City subdivisions
- Assumes lakefront home values drop by 30%
- Because of proximity to and/or view of the lake, Lakefront 2nd Tier land value drops 30% and home values drop 10%
- Assumes for all non-Lakefront property values, land value drops 7% and home value drops 2%



Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive

Impact of Lake on Community

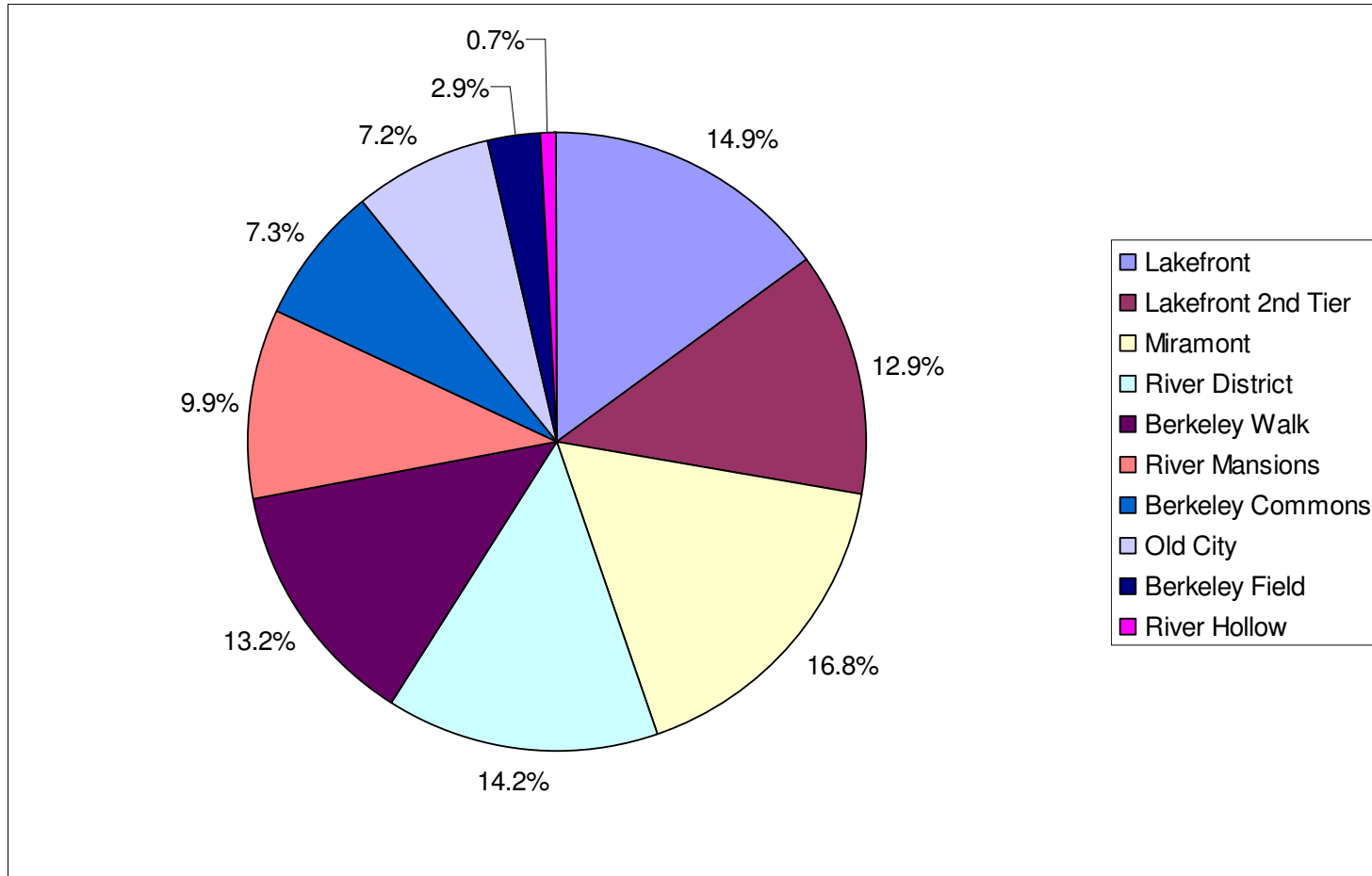
Millage Rate **4.9**

Subdivision	Assumed FMV Reduction w/o Lake		Property Tax Contribution - Total			
	Land	Bldg	Land	Bldg	Total	%
Lakefront	69.6%	30%	\$ 24,585	\$ 39,425	\$ 64,010	14.9%
Lakefront 2nd Tier	30%	10%	\$ 19,013	\$ 36,238	\$ 55,251	12.9%
Miramont	7%	2%	\$ 16,576	\$ 55,508	\$ 72,085	16.8%
River District	7%	2%	\$ 23,132	\$ 37,593	\$ 60,724	14.2%
Berkeley Walk	7%	2%	\$ 9,829	\$ 46,670	\$ 56,499	13.2%
River Mansions	7%	2%	\$ 8,911	\$ 33,467	\$ 42,378	9.9%
Berkeley Commons	7%	2%	\$ 5,375	\$ 26,042	\$ 31,417	7.3%
Old City	7%	2%	\$ 13,189	\$ 17,539	\$ 30,728	7.2%
Berkeley Field	7%	2%	\$ 2,133	\$ 10,229	\$ 12,362	2.9%
River Hollow	7%	2%	\$ 2,395	\$ 682	\$ 3,078	0.7%
TOTAL			\$ 125,137	\$ 303,393	\$ 428,530	100.0%



Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive



Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive

Effect of Scenario 2 Assumptions

- Drops the Lakefront contribution from 26.2% to 14.9%
- Overall revenue from residential property taxes is down \$96,217
- This is revenue that is needed to provide the current level of City services to the community
- Therefore, we calculated the millage rate increase that would be needed to replace that revenue...



Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive

Impact of Lake on Community

Millage Rate **6.0**

Subdivision	Assumed FMV Reduction w/o Lake		Property Tax Contribution - Total			
	Land	Bldg	Land	Bldg	Total	%
Lakefront	69.6%	30%	\$ 30,104	\$ 48,275	\$ 78,379	14.9%
Lakefront 2nd Tier	30%	10%	\$ 23,281	\$ 44,373	\$ 67,654	12.9%
Miramont	7%	2%	\$ 20,297	\$ 67,970	\$ 88,267	16.8%
River District	7%	2%	\$ 28,325	\$ 46,032	\$ 74,356	14.2%
Berkeley Walk	7%	2%	\$ 12,035	\$ 57,147	\$ 69,182	13.2%
River Mansions	7%	2%	\$ 10,911	\$ 40,980	\$ 51,891	9.9%
Berkeley Commons	7%	2%	\$ 6,581	\$ 31,888	\$ 38,469	7.3%
Old City	7%	2%	\$ 16,150	\$ 21,476	\$ 37,626	7.2%
Berkeley Field	7%	2%	\$ 2,611	\$ 12,526	\$ 15,137	2.9%
River Hollow	7%	2%	\$ 2,933	\$ 836	\$ 3,769	0.7%
TOTAL			\$ 153,229	\$ 371,502	\$ 524,731	100.0%



Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive

Effect of Scenario 2 Assumptions

- Property tax revenue would be reduced by 18% (\$96,217)
- To recover that lost revenue, everyone's millage rate must increase from 4.9 to 6.0



Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive

Impact of Lake on Individual Property Tax

Revenue-neutral Millage Rate **6.0**

Subdivision	Assumed FMV Reduction w/o Lake		Impact on Avg. Property Tax Bill	
	Land	Bldg	Total	%
Lakefront	69.6%	30%	\$ (411.80)	-42.9%
Lakefront 2nd Tier	30%	10%	\$ 1.97	0.3%
Miramont	7%	2%	\$ 125.47	18.5%
River District	7%	2%	\$ 130.87	17.6%
Berkeley Walk	7%	2%	\$ 132.42	18.9%
River Mansions	7%	2%	\$ 220.53	18.7%
Berkeley Commons	7%	2%	\$ 127.43	18.9%
Old City	7%	2%	\$ 90.94	17.3%
Berkeley Field	7%	2%	\$ 133.66	18.9%
River Hollow	7%	2%	\$ 82.79	15.2%



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Scenario 2 – More Aggressive

- While more aggressive than Scenario 1, Scenario 2 may still not be the worst case scenario
- One point emphasized by the Tax Assessor's Office
 - Tax digest ultimately driven by the housing market
 - Would seek its own level based upon demand
 - Without the lake, it was difficult to say just how low property taxes could ultimately go



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Conclusions from the Two Scenarios

- Because land values around the lake are so much higher than the rest of the City's residences, lake front owners, who only represent about 20% of the residents, are already carrying 26% of the financial burden for all city services to the community



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Conclusions from the Two Scenarios

- This differential in taxable value between Lakefront and non-lake front lots serves, in effect, as a special fee to the lake front owners for City services, a fee that is a direct result of their proximity and access to the lake



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Conclusions from the Two Scenarios

- It is not immediate access to the lake that determines the major portion of the value to each resident, but rather the common financial gain to the community that is represented by the lake



ANALYSIS & CONCLUSIONS

Restoration of Lake Berkeley Dam

Conclusions from the Two Scenarios

- Funding the dam restoration through a general increase in millage rate is fair and equitable to all parties



IN SUMMARY

General City Services

- A review of City services revealed no significant inequities
- We recommend no modifications



IN SUMMARY

Green Space Acquisition

- Consensus among the residents that the green space acquisition a few years ago was funded properly through a common millage rate adjustment
- We also found this method of funding consistent with other similar acquisitions in other jurisdictions



IN SUMMARY

Lake Berkeley Dam Restoration

- Our most conservative estimates indicate that, if the lake did not exist, property tax revenue would be reduced by 11% (\$56,000)
- To recover that lost revenue, millage rate must increase from 4.9 to 5.5 on every parcel in the city



IN SUMMARY

Lake Berkeley Dam Restoration

- Our more aggressive estimates indicate that, if the lake did not exist, property tax revenue would be reduced by 18% (\$96,000)
- To recover that lost revenue, millage rate must increase from 4.9 to 6.0 on every parcel in the city



IN SUMMARY

Lake Berkeley Dam Restoration

- Because land values around the lake are so much higher than the rest of the City's residences, that lake front owners, who only represent about 20% of the residents, are already carrying 26% of the financial burden for all city services to the community



IN SUMMARY

Lake Berkeley Dam Restoration

- This differential in taxable value between Lakefront and non-lake front lots serves, in effect, as a special fee to the lake front owners for City services, a fee that is a direct result of their proximity and access to the lake



IN SUMMARY

Lake Berkeley Dam Restoration

- It is not immediate access to the lake that determines the major portion of the value to each resident, but rather the common financial gain to the community that is represented by the lake



IN SUMMARY

Lake Berkeley Dam Restoration

- Funding the dam restoration through a general increase in millage rate is fair and equitable to all parties





TAX EQUITY ANALYSIS

FOR THE

CITY OF BERKELEY LAKE, GEORGIA

APRIL 2011