Atlanta Impact Fee Study
Roads, Parks, Fire and Police

System Evaluation and Fee Update

Community Development Human Resources Committee
Work Session
April 24, 2012

Department of Planning and Community Development
James E. Shelby, Commissioner

with Civic Concept Consultants, Dr. Arthur C. Nelson,
Dr. James C. Nicholas, Dr. Julian C. Juergensmeyer,
Kimley-Horn & Associates and StreetSmarts
Overview of Presentation

- Legal Requirements
- System Evaluation
  - Exemptions
  - Administration
  - Service areas
- Impact Fee Update
  - Updated fees, adoption options
  - Myths about impact fees
  - Problems with fee comparisons
- Summary of Recommendations
- Next Steps
What are Impact Fees?

“Charges levied on new development to pay for the construction or expansion of off-site capital improvements that benefit the development.”

- Regulatory fee, not a tax
- One-time, up-front charge
- Charged at building permit
- Based on pre-determined formula
- Pays only for capital costs needed to serve growth
Development Impact Fee Act

- Use only for “capital improvements” (10-yr useful life)
- Use only for “system improvements” that serve community at large, not “project improvements”
- Base fees on levels of service that are adopted and “applicable to existing development as well as” new growth
- Give developers credit against fees for similar improvements
- Exempt fees only if funded through other revenue
- Establish advisory committee (50% dev’t reps)
- Account for fees paid (amount, address and date)
- Account for exemptions (address, reason, funding)
- Refund fees if not encumbered within 6 years
- Prepare annual report
Requirements for Atlanta Road Fees

- Spend road fees only on projects identified in the comprehensive plan
- Demonstrate projects are in proximity to new development
- Demonstrate projects will have greatest effect on road level of service
- Have road section of annual impact fee report reviewed by advisory committee
- These provisions became effective July 1, 2007
Exemptions

- Exemptions have been extensive
  - Large areas of the city have been exempt
  - Exemptions have reduced impact fee collections by at least 1/3

- Exemptions currently suspended
  - CFO has not certified funds available since June 2009

- Recommendations:
  - Rescind blanket exemptions for geographic areas of the city
  - Add affordable housing exemption requirements to ensure housing remains affordable
  - Fund exemptions by depositing other funding into fee accounts
Administrative Process

- Authority fragmented
  - No single administrative entity
  - Appropriations not always recorded promptly
  - Need better tracking of project completion

- Recommendations:
  - Create administrator position in DPCD
  - Create management committee with reps from other affected departments
  - Establish procedures to track appropriations, expenditures, interest, exemptions
  - Put administrative fee in single account
Service Areas

- Current service areas:
  - 1 service area for roads, fire and police
  - 3 service areas for parks

- Atlanta under State mandate to show road fees spent to benefit fee-payers

- Park service areas are also appropriate for roads

- Recommendation: Use park service area boundaries for roads
Modifications to Fee Calculations

- Eliminate ROW and State road costs from road fees; add collector road costs
- Add improvement costs to park fees
- Calculate all fees based on existing levels of service in each service area
- Recommend adoption of city-wide road and park fees based on lowest level of service of the three service areas
Updated Fees

Fees per Single-Family Unit

Note: CPI up 59% since 1993 study; ENR construction cost index up 82%

Note: updated road fee excludes ROW costs; park fee includes improvement costs
Adoption Options

<table>
<thead>
<tr>
<th>Land Use Type</th>
<th>Unit</th>
<th>Current Fees</th>
<th>Updated Fees based on Adoption Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>42.5%</td>
</tr>
<tr>
<td>Single-Family</td>
<td>Dwelling</td>
<td>$1,544</td>
<td>$1,544</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>Dwelling</td>
<td>$857</td>
<td>$975</td>
</tr>
<tr>
<td>Commercial</td>
<td>1000 sq ft</td>
<td>$2,273</td>
<td>$1,717</td>
</tr>
<tr>
<td>Office</td>
<td>1000 sq ft</td>
<td>$2,322</td>
<td>$1,160</td>
</tr>
<tr>
<td>Industrial</td>
<td>1000 sq ft</td>
<td>$1,255</td>
<td>$902</td>
</tr>
</tbody>
</table>

% Change from Current Fees

<table>
<thead>
<tr>
<th>Land Use Type</th>
<th>Unit</th>
<th>Change 0%</th>
<th>Change 18%</th>
<th>Change 41%</th>
<th>Change 76%</th>
<th>Change 135%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family</td>
<td>Dwelling</td>
<td>0%</td>
<td>18%</td>
<td>41%</td>
<td>76%</td>
<td>135%</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>Dwelling</td>
<td>14%</td>
<td>34%</td>
<td>61%</td>
<td>101%</td>
<td>168%</td>
</tr>
<tr>
<td>Commercial</td>
<td>1000 sq ft</td>
<td>-24%</td>
<td>-11%</td>
<td>7%</td>
<td>33%</td>
<td>78%</td>
</tr>
<tr>
<td>Office</td>
<td>1000 sq ft</td>
<td>-50%</td>
<td>-41%</td>
<td>-29%</td>
<td>-12%</td>
<td>18%</td>
</tr>
<tr>
<td>Industrial</td>
<td>1000 sq ft</td>
<td>-28%</td>
<td>-15%</td>
<td>1%</td>
<td>27%</td>
<td>69%</td>
</tr>
</tbody>
</table>
Myths about Impact Fees

- Impact fees add to the cost of housing
  - The market sets the price. Developers will reduce profits or negotiate a lower purchase price from land owners.

- Impact fees make the City less competitive
  - Better infrastructure tends to attract development

- Atlanta’s impact fee system is unfair and difficult to navigate
  - Impact fees level the playing field; simpler than negotiated exactions
  - New ordinance incorporates provisions backed by the study: improved administration; the elimination of blanket geographic exemptions; improved processes for developer agreements; and better accountability.
Impact Fee Comparisons

- Atlanta not competing for lowest-cost development in area
  - Land costs make that impossible

- Fees are a small part of development costs
  - Current office/retail fees are about 1.5% of construction costs
  - Maximum office fees about 1.8%; retail about 2.7% of construction costs

- Fees are not an additional development cost
  - Communities with no impact fees still require developers to make improvements

- Development costs are only one of many factors affecting location decisions
  - No two communities are comparable in all other important factors
  - Study in Florida found no advantage for counties that reduced fees
## Summary of Major Recommendations

<table>
<thead>
<tr>
<th>Issue</th>
<th>Current Policy</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Service Areas</td>
<td>Single City-Wide Area</td>
<td>Three (same as parks)</td>
</tr>
<tr>
<td>Road Fee Expenditures</td>
<td>Primarily Sidewalks</td>
<td>Greatest Effect on Road LOS</td>
</tr>
<tr>
<td>Geographic Exemptions</td>
<td>About 20% of City</td>
<td>Eliminate</td>
</tr>
<tr>
<td>Affordable Housing Exemptions</td>
<td>Based on Initial Price</td>
<td>Add Requirements to Keep Affordable</td>
</tr>
<tr>
<td>Funding Exemptions</td>
<td>Identify Offsetting Bond Projects</td>
<td>Deposit into Fee Account</td>
</tr>
<tr>
<td>Park, Fire, Police Methodology</td>
<td>Recoupment (lower than existing level of service)</td>
<td>Fees Based on Existing Level of Service</td>
</tr>
<tr>
<td>Impact Fee Administration</td>
<td>Responsibility Scattered Among Departments</td>
<td>Create Fee Administrator Position in Dept. of Planning &amp; Community Development, New Management Committee</td>
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<tr>
<td>Administrative Procedures</td>
<td>Appropriations and Expenditures Not Always Tracked</td>
<td>Administrator to Develop Better Tracking Procedures</td>
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Questions?