



Development Impact Fees Working Session

Atlanta City Council

May 2020



Agenda



Background on the Impact Fee Program



2020 Impact Fee Update



Areas Requiring Further Discussion



Next steps



What is an Impact Fee Program for?

- New development creates a demand for additional transportation, public safety, and recreational facilities
- Impact fee: one-time fee imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development
 - Helps to relieve taxpayers from the burden of developmental cost
 - Can only be used on improvements that expand system capacity, not maintenance of existing infrastructure



When was the Impact Fee Program Established?

- City of Atlanta Development Impact Fee Ordinance was adopted by the Atlanta City Council on March 18, 1993
- GA Development Impact Fee Act requires that the City of Atlanta adopt a Capital Improvements Element (CIE) to collect impact fees
- Capital Improvements Element (CIE) is a component of the Comprehensive Development Plan (CDP), which:
 - Guides growth and development of the City of Atlanta over next 20 years
 - Required by state (Georgia Planning Act of 1989) and local law (Charter of the City of Atlanta (Section 3-602))
 - Enables City to access financial resources to support CDP implementation as a Qualified Local Government (QLG)



What are the required annual updates and reporting?

- CIE has two components:

- 1 Annual Financial Report

- Provides an overview of impact fees collected, encumbered and used by category of public facility and service area for the last completed fiscal year

- 2 Schedule of Improvements

- List of all eligible capital projects to be financed with impact fees over the next 5 years
 - Fee Types: Transportation, Fire, Police and Parks

- CIE must be reviewed by the Atlanta Regional Commission (ARC) and the GA Department of Community Affairs (DCA)

- City of Atlanta CIE plan must be adopted annually by October 31



Agenda



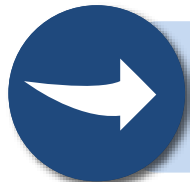
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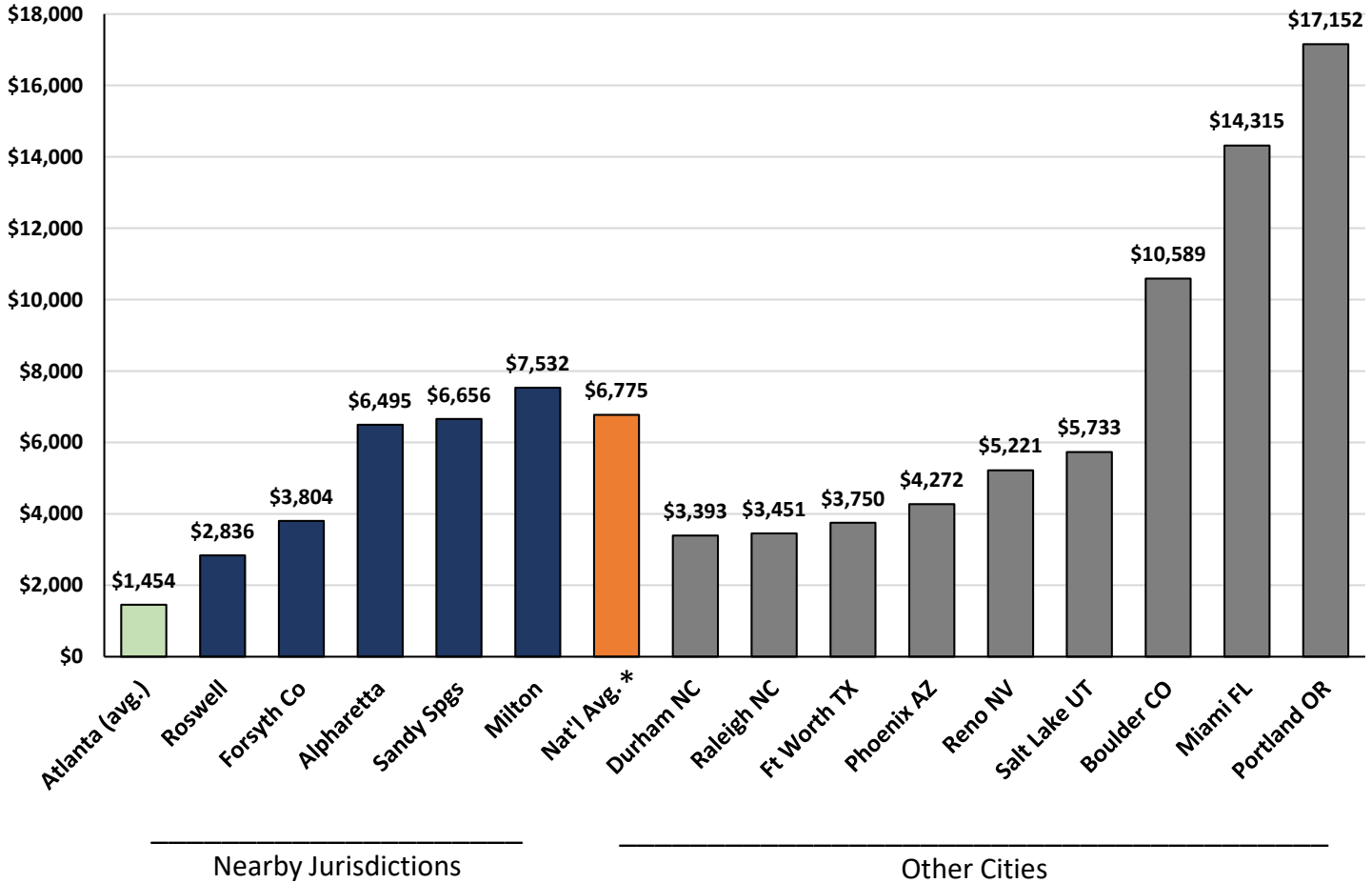


Next steps



Atlanta's Fees Have Not Changed in More than 25 Years and Are Well Below Peers

Average Total Non-Utility¹ Impact Fee per Single-family Unit



1 Excludes water and wastewater fees
Source: Duncan Associates

* w/o CA



In 2019, the Development Impact Fee Advisory Committee was Re-established

■ Reconstituted in Summer 2019 following Ordinance 18-O-1764

- Five-member committee
- Fifty percent of membership from development, building or real estate industries
- Serve in an advisory capacity to assist and advise the governing authority of the municipality with regard to the adoption of a development impact fee ordinance
- Report on any perceived inequities in the expenditure of transportation impact fees

■ Members

- Malloy Peterson, Sr. Vice President, Selig Development Co. (Chair)
- Kevin Green, President & CEO, Midtown Alliance
- Jim Brown, President, Homebuilders Association of Georgia
- Stacey McCoy, Finance Manager, Scicom Infrastructure Services
- Roderick Teachey, Sr, Vice President, Wingate Companies



REMINDER: We are Taking a Phased Effort to Updating the Impact Fee Program



Phase I (*FOR TODAY*)
Updating the program

Now – July 2020

- Evaluating adopting the completed **2017 Development Impact Fee Study with minor edits** to update the program after 26 years
- In parallel, staff is leading an effort to improve program administration and transparency



Phase II (*Long-term*)
Modernizing the program

January 2021 – July 2022

- Evaluating a more **holistic modernization of the program** after making management, administration, and fee level updates
- Focus on tackling policy issues tied to the program related to technology, affordable housing, and strategic use of exemptions



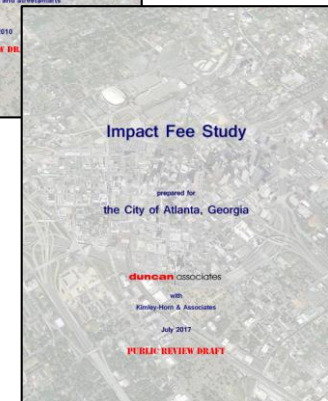
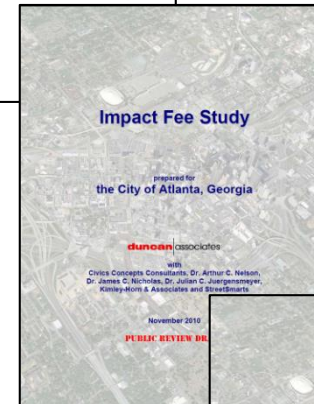
This Impact Fee Study Update Builds on Previous Efforts in 2010 & 2017

- **1993 Study**
 - Adopted, March 1993

- **2010 Study (major changes)**
 - Public hearing, April 2012

- **2017 Study (mainly update of 2010)**
 - Public review draft, July 2017

- **2020 Update of 2017 Study**
 - Preliminary calculations completed
 - Finalizing Public Review Draft





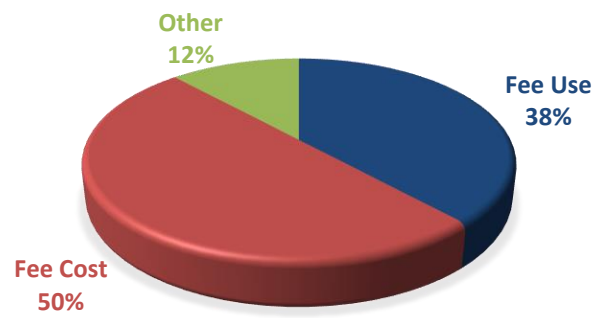
As Part of this Effort, We Conducted a Survey Based on the 2017 Fee Study Recommendations

53 *survey responses on the 2017 Study*

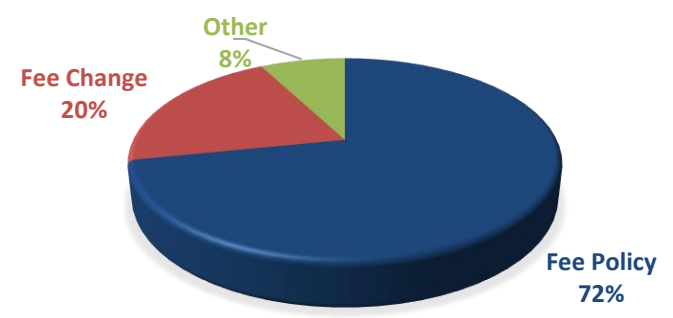
50+ *percent of respondents identifying as a residential or commercial developer*

4 *(out of 10) average scoring of impact fee program effectiveness by respondents*

Strengths of existing program



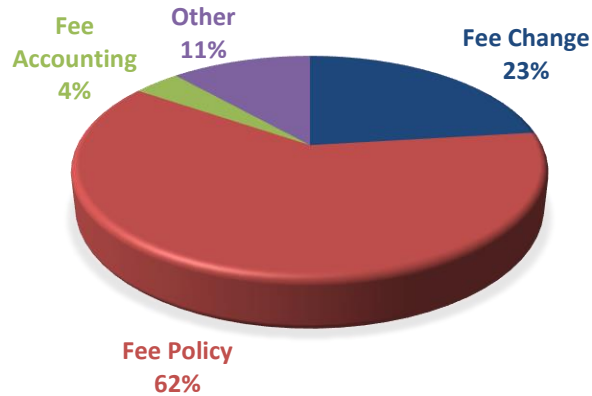
Areas of improvement for program



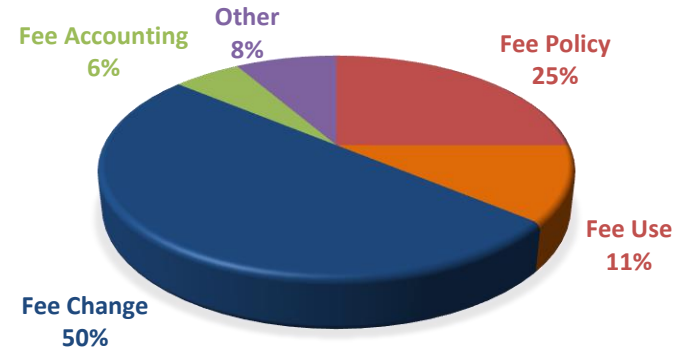


Respondents Flagged Fee Policy as Key Improvement and Fee Increases as Key Concern

Key Improvements of 2017 Study



Key Areas of Concern for 2017 Study



Quotes from respondents

“Increased rates obtained with good methodology. Retain flat residential fees, limit exceptions to fees, abandon the recoupment method [...], track impact fee projects to close.”

“Needs to demonstrate the City's competitiveness with other metro cities and other southeast regional cities because Atlanta must compete for the southeast region.”

“[I] understand fees have not been raised in awhile but increases need to be reasonable and more importantly phased in over time.”

“The cost should be reduced for certified affordable housing. I build predominately 60-120% AMI and it is already extremely difficult. Additional impact fees would make it more so”

“The implementation of higher Impact Fees could stifle development within the City. Impact Fees are simply a tax on new construction that gets passed on to the consumer.”

“We need to encourage green building design (i.e., buildings with a smaller environmental footprint) and impact fees can be a lever for achieving that but the proposed study does not reflect that.”



Preliminary Recommendations from 2020 Fee Study Fall into Three Categories



Fee Levels

Updating the assumptions and methodology to calculate impact fees based on present conditions



Policy

Updating policies and regulations dictating collection and expenditure of fees to improve program outcomes



Program Administration

Updating processes, systems, and structures used by the City to more effectively manage and allocate the impact fee program



Preliminary Recommendations from 2020 Fee Study Fall into One of Three Categories



Fee Levels

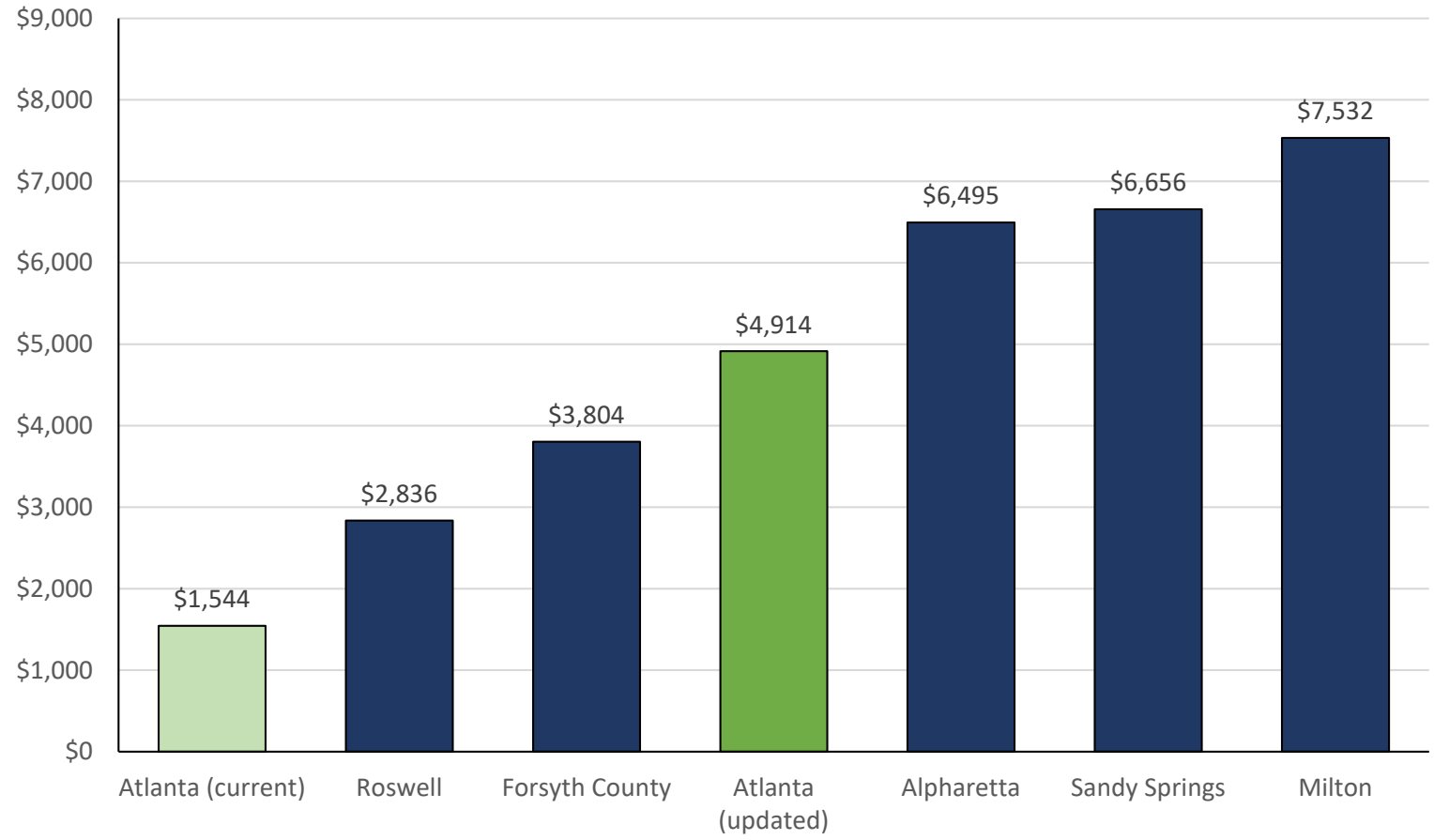
- Fee levels are outdated and based on 1993 land use, costs, and scope
 - 2020 study uses latest costs and Institute of Transportation Engineers (ITE) standards
- Land use types are updated to reflect current types in the City
- Transportation fees will formally include arterial and collector roads where City's volume is concentrated
- Transportation service area is reduced from Citywide to three smaller service areas aligned with Park service areas
- Recoupment fee approach is discontinued for parks, fire, and police fees
- Fee levels are uniform across the city based on the lowest service area fee for Parks and Transportation



Preliminary Fee Levels in 2020 Impact Fee Study: Single-Family Detached



Fee Levels: Single Family Detached – Per Unit

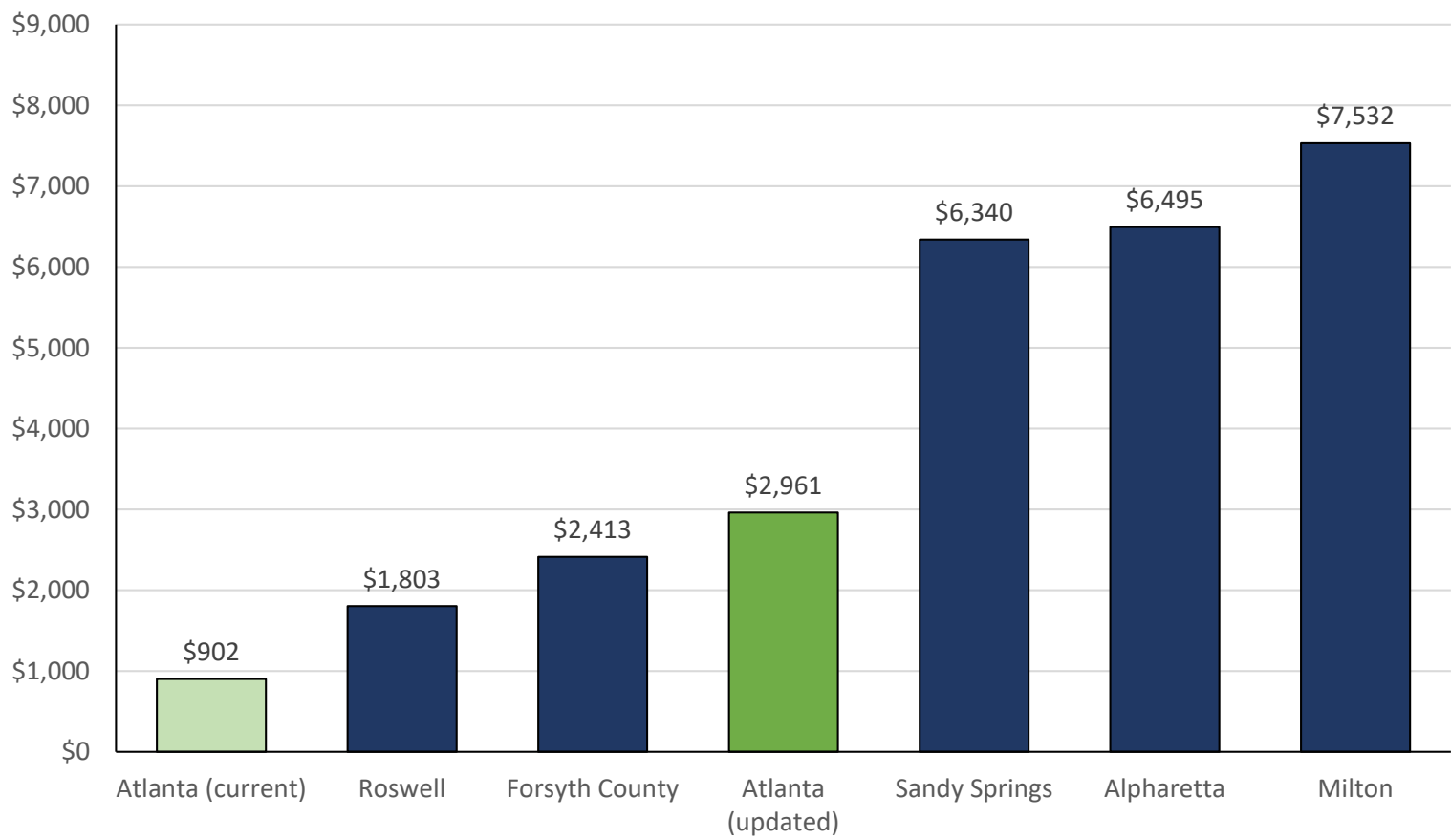




Preliminary Fee Levels in 2020 Impact Fee Study: Multi-Family



Fee Levels: Multi-Family – Per Unit

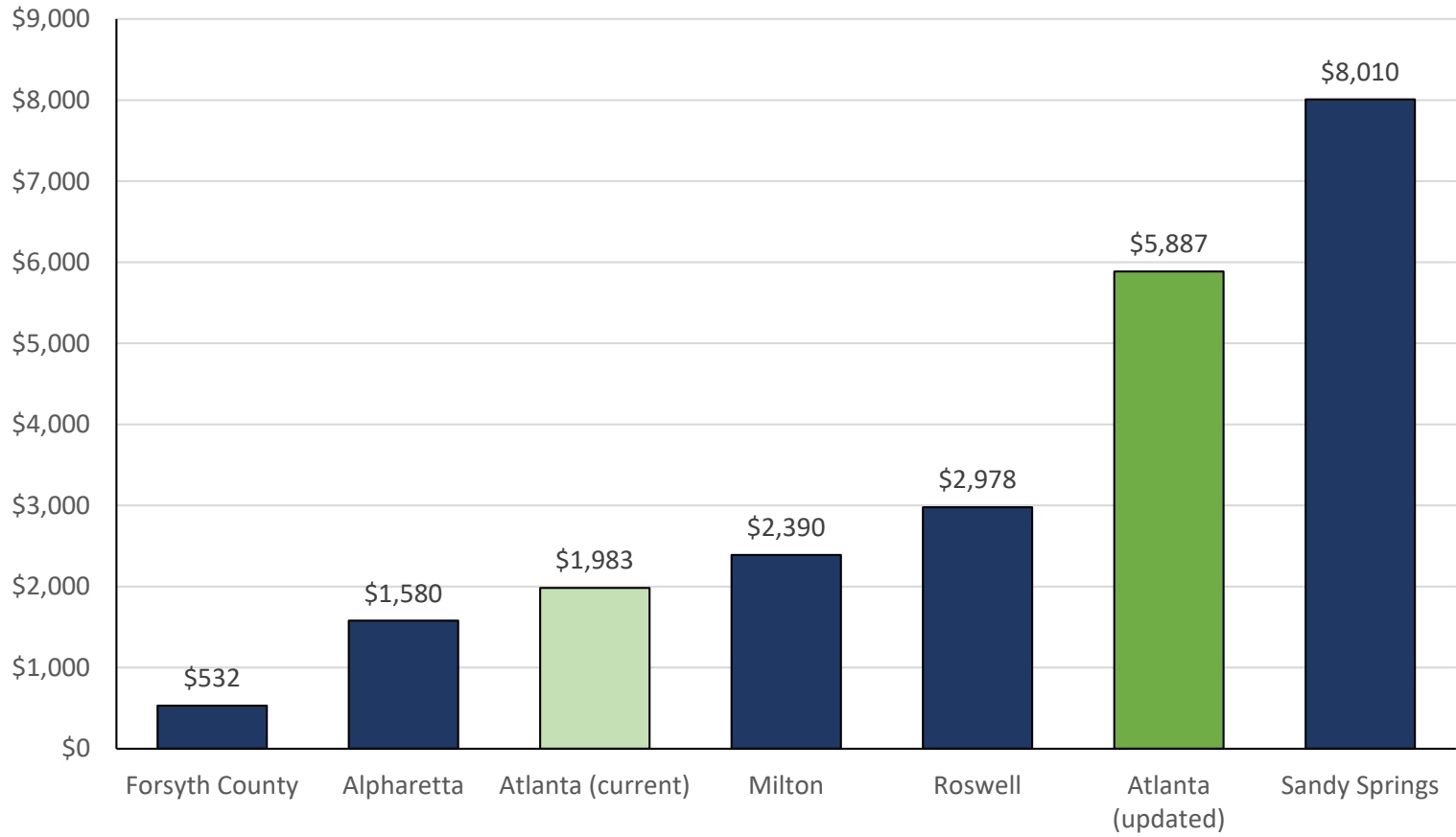




Preliminary Fee Levels in 2020 Impact Fee Study: Retail Development



Fee Levels: Retail – per 1000 sq. ft





Policy Adjustments will Improve Outcomes of the Impact Fee Program



Policy

- Scope of improvements funds can be spent on are further expanded upon to meet the requirements of a densifying city
 - Parks scope enables spend on improvements, multi-use trails
 - Transportation scope enables spend on collectors and building new sidewalk, where permissible under DIFA guidelines
- Spatial mapping methodology is outlined to analyze proximity within service areas for annual review
- Recommends updating affordable housing language to better scope exemptions to current policy and uphold long term affordability
- Economic development scope is to be redefined to reduce geographic exemption language and focus on economic development and inclusion priorities of Invest Atlanta



Program Administration Recommendations Focus on More Structure and Improved Reporting



Program Administration

- Increase staffing levels dedicated to the development impact fee program
- Maintain the development advisory committee with at least annual meetings
- Improve program transparency with expanded annual public reporting
- Align transportation project selection to comprehensive development plan to steer investments to targeted growth of the City
- Improve project delivery for transportation projects through more timely expenditure of funds
- Fund affordable housing exemptions through other funding sources (e.g., TSPLOST) not currently tracked and contemplated



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Several Areas Require Further Discussion and Finalization

x Details to follow

- 1** Determine guidelines for “grandfathered” developments already in progress
- 2** Decide on embedded legislative requirements for future studies
- 3** Finalize affordability and economic development language in ordinance
- 4** Develop reporting structure to improve transparency on proximity
- 5** Select preferred single-family fee structure option
- 6** Potential phasing or percentage adoption of recommended fee levels
- 7** Timeline for adopting a new fee study and associated ordinance



2020 Ordinance will Enhance Affordability and Economic Development Exemption Language

3

Finalize affordability and economic development language in ordinance

Proposed Affordability Language

- All units must remain affordable for at least 20 years
- **For Rental Development** affordable housing exemptions align with IZ requirements:
 - 15% of units, 80% AMI
 - 10% of units, 60% AMI
- **For Sale Development** affordable housing exemptions are on a sliding scale from 120% AMI based on IA home sale affordability standards:
 - 120% AMI, 50% exemption
 - 100% AMI, 75% exemption
 - 80% AMI or below, 100% exemption

Proposed Economic Development Language

- Project must meet the goals and objectives of the 2020 Economic Development and Economic Mobility Strategy
 - **Middle-wage jobs, Southside/Westside** - Retention, expansion or location of a business within the city's southside or westside that create at least 50 or more middle-wage FTEs (\$38,000 - \$80,000 average annual salary)
 - **Middle-wage jobs, Citywide** - Retention, expansion or location of a business outside of the city's southside or westside that create at least 200 or more middle-wage FTEs
 - **Major Project, citywide** - Retention, expansion or location of a business anywhere in the City of Atlanta that creates at least 500 jobs and/or at least \$10,000,000 in capital investment

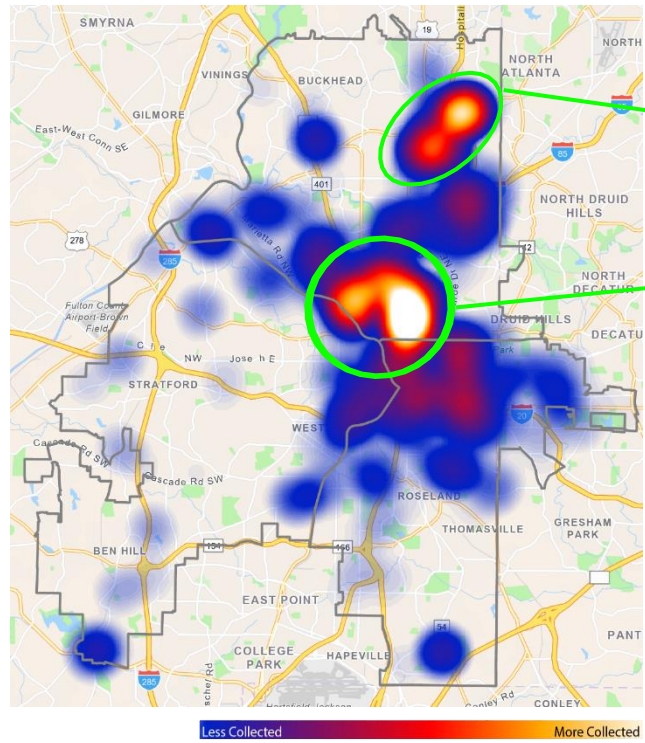


2020 Update will Expand Transparency on Collections and Expenditures to the Public

4 Develop reporting structure to improve transparency on proximity

EXAMPLE FOR PRESENTATION: Spatial analysis conducted for DIFAC

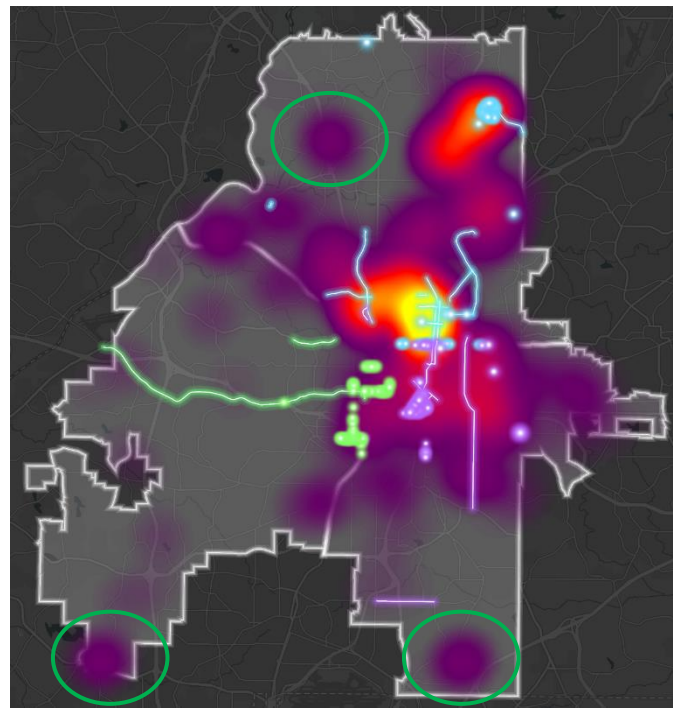
Development Impact Fee Collections (2014-2019)



Buckhead:
~\$3.2 Million
(15% total collections)

Urban Core:
~\$7.9 Million
(36% total collections)

Collections and CIE projects (2014-2019)



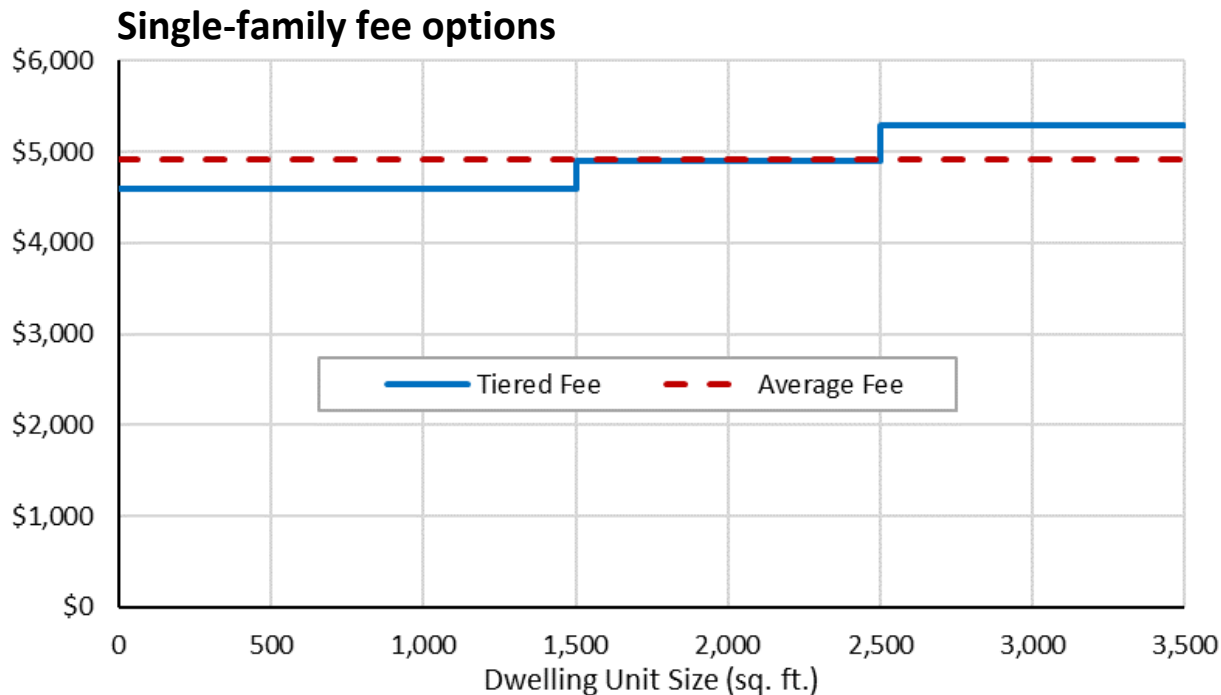
Conduct annual analysis and public facing reporting on collections and expenditures to educate the public on the program, identify potential imbalances, and inform the following year's CIE selection



There are Two Options for Single-Family Fees using a Flat Fee or Tiered Structure

5 Select preferred single-family fee structure option

Land Use Type	Unit	Transp.	Parks	Fire	Police	Total
Updated Fee						
Single-Family (avg.) - option 1	Dwelling	\$3,128	\$1,221	\$282	\$283	\$4,914
Single-Family (tiered) - option 2						
Less than 1,500 sq. ft.	Dwelling	\$2,940	\$1,129	\$260	\$262	\$4,591
1,500 to 2,499 sq. ft.	Dwelling	\$3,128	\$1,217	\$281	\$282	\$4,908
2,500 sq. ft. or greater	Dwelling	\$3,316	\$1,349	\$311	\$313	\$5,289





Fee Updates can be Adopted at Once or Phased-in Over Time

6 Potential phasing or percentage adoption of recommended fee levels

- Council will need to determine the phasing-in of new fee levels
- Some jurisdictions have adopted immediately at 100%, while others have implemented over time
- An example of a 3-year phase-in is shown to the right showing how increases would come over time

Table 79. Example of Phase-in to 100% over Three Years

Land Use	Unit	Current Fees*	Updated Fees by Adoption %			
			45%	60%	80%	100%
Impact Fees						
Single-Family	Dwelling	\$1,544	\$2,211	\$2,948	\$3,931	\$4,914
Multi-Family	Dwelling	\$857	\$1,332	\$1,777	\$2,369	\$2,961
Commercial	1,000 sq. ft.	\$1,983	\$2,649	\$3,532	\$4,710	\$5,887
Office	1,000 sq. ft.	\$1,935	\$1,323	\$1,764	\$2,352	\$2,940
Industrial	1,000 sq. ft.	\$1,255	\$1,364	\$1,819	\$2,425	\$3,031
Year-to-Year Change						
Single-Family	Dwelling		\$667	\$737	\$983	\$983
Multi-Family	Dwelling		\$475	\$445	\$592	\$592
Commercial	1,000 sq. ft.		\$666	\$883	\$1,178	\$1,177
Office	1,000 sq. ft.		-\$612	\$441	\$588	\$588
Industrial	1,000 sq. ft.		\$109	\$455	\$606	\$606
Cumulative Percentage Change						
Single-Family	Dwelling		43%	91%	155%	218%
Multi-Family	Dwelling		55%	107%	176%	246%
Commercial	1,000 sq. ft.		34%	78%	138%	197%
Office	1,000 sq. ft.		-32%	-9%	22%	52%
Industrial	1,000 sq. ft.		9%	45%	93%	142%

* Current fees assume north service area and 100,000 sq. ft. shopping center/office building



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Next steps



By July, We are Targeting a Resolution to Send the Updated Fee Study to DCA for Approval

Date	Next Step
5/15	Council Work Session
5/22 - 6/21	Capture additional public feedback on presentation and 2020 Impact Fee Study draft via survey
Week of 5/18	Develop legislative packet for Council decision on referral to DCA for approval
6/22	Study Update Public Hearing - CDHS
7/15	Send updated study to DCA for review / comment / approval
September	Study Ordinance - CDHS
October	Study Ordinance - Full Council

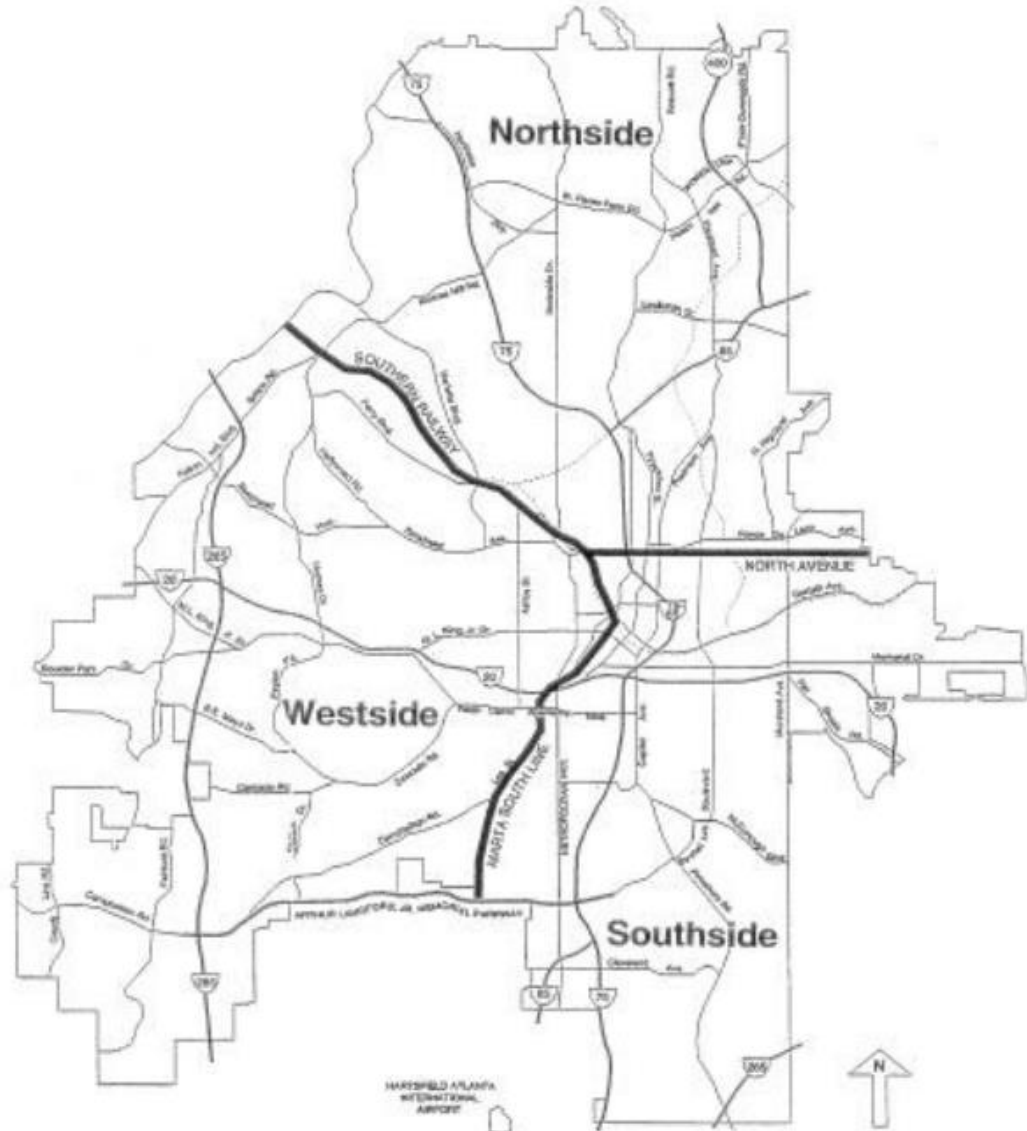


Questions





APPENDIX: Park and Transportation Service Areas



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