



# Development Impact Fees Working Session

Atlanta City Council

---

February 2021



# Agenda

---



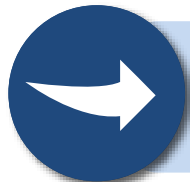
Background on the Impact Fee Program



2020 Impact Fee Update



2020 Fee Study Final Recommendations



Next steps



# What is the purpose of an Impact Fee Program?

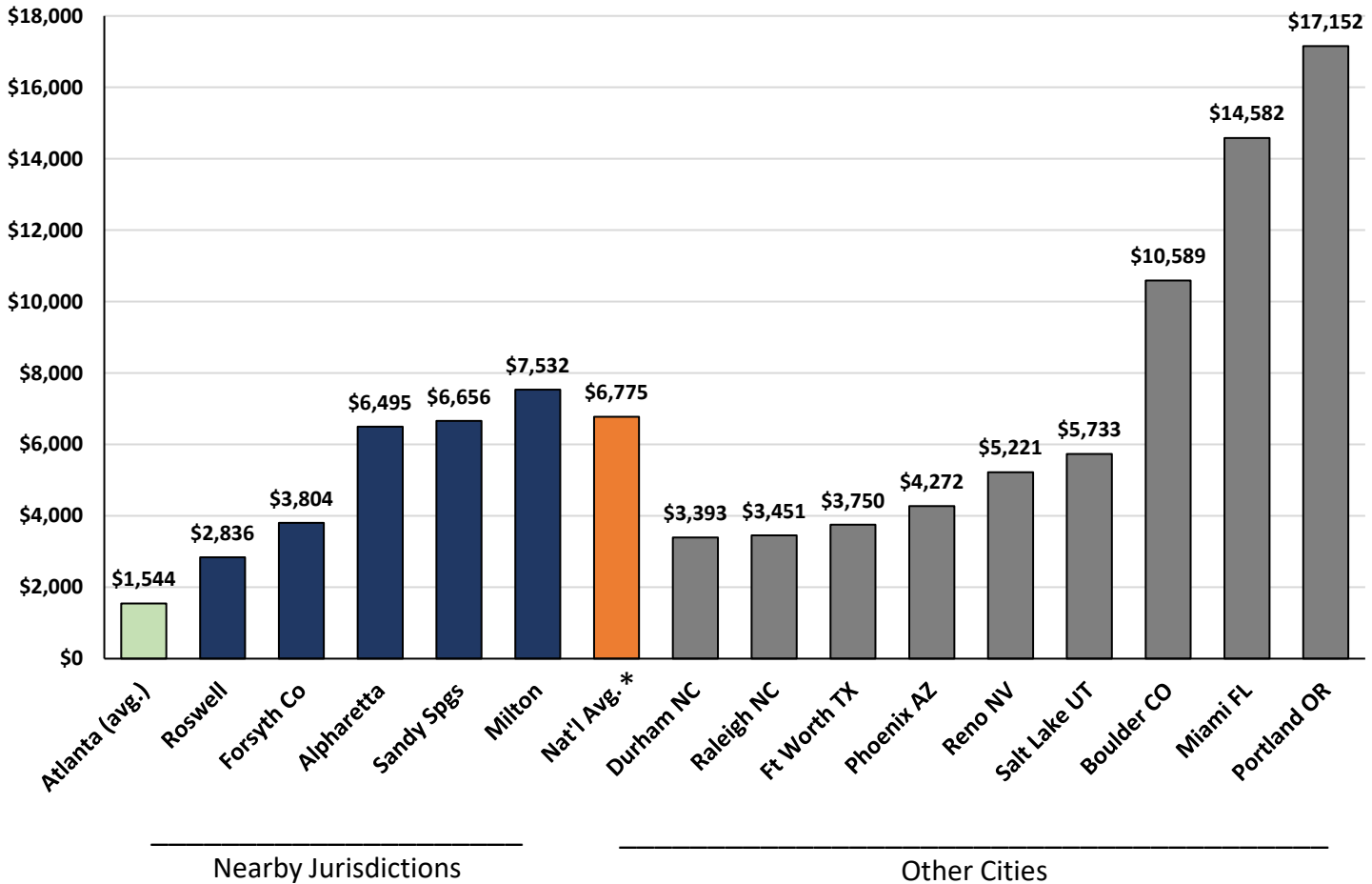
---

- 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



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

### Average Total Non-Utility<sup>1</sup> Impact Fee per Single-family Unit



1 Excludes water and wastewater fees  
Source: Duncan Associates

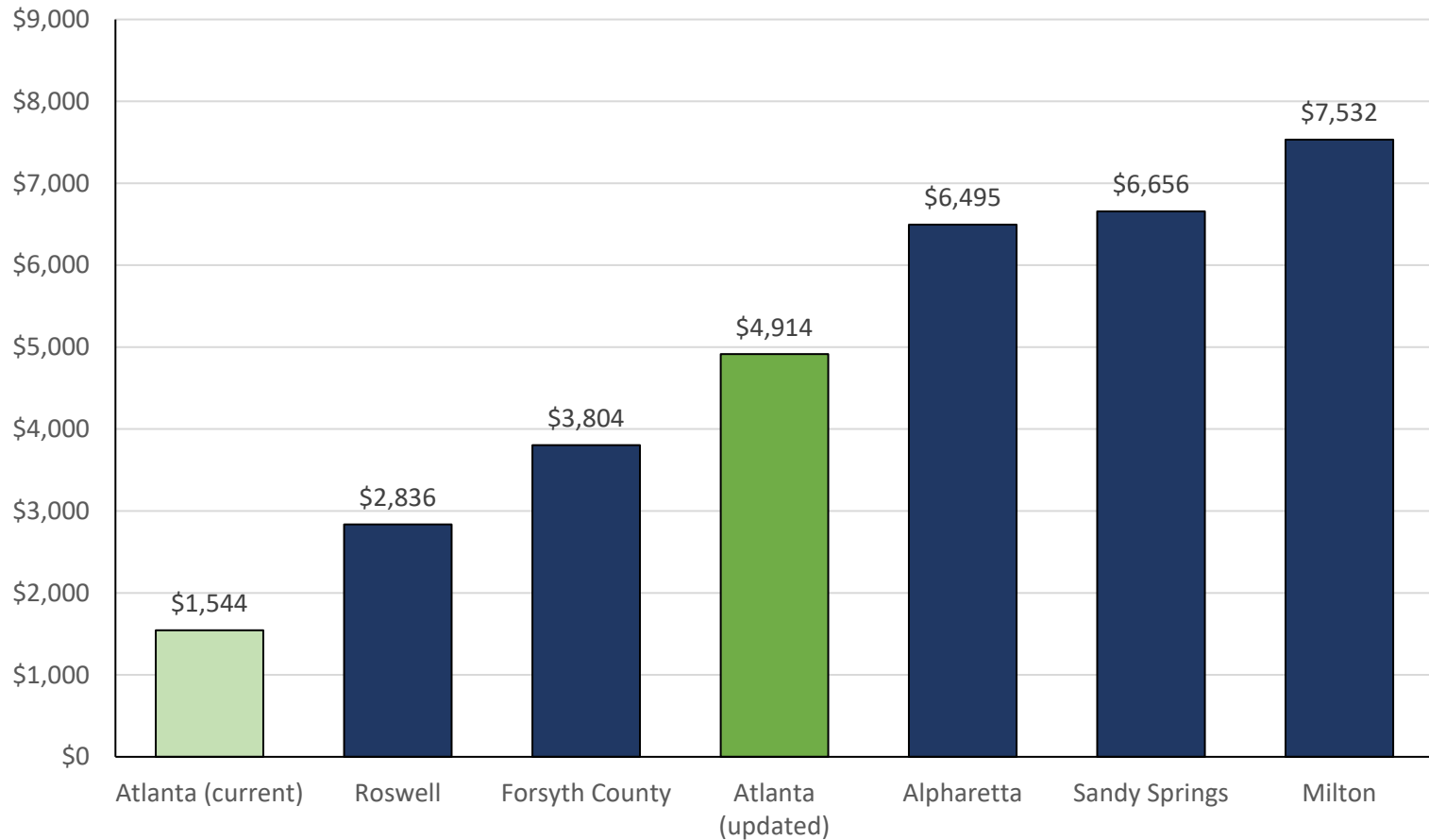
\* w/o CA



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



## Fee Levels: Single Family Detached – Per Unit





# Phased Effort to Update Impact Fee Program



## Phase 1 *(Updating the Program)*

- Update Fee structure
- Expand scope of usage of funds (where permissible under DIFA)
- Update Affordable Housing & Economic Development language
- Improve transparency of program
- Update transportation guidelines to align with state legislative mandate of proximity consideration



## Phase 2 *(Modernizing the Program)*

- More comprehensive update possibly modernizing all aspects of program
- Will initiate after state-wide update of GA Impact Fee Program



# Phase 1 Fee Study Updates 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



# 2020 Fee Study Updates Fall into One of Three Categories

## Fee Levels



- Fee levels are outdated and based on 1993 land use, costs, and scope
- Land use types are updated to reflect current types in the City
- Transportation service area is reduced from Citywide to three smaller service areas; aligned with Park service areas
- Fee levels are uniform across the city based on the lowest service area fee for Parks and Transportation

## Policy



- Further expands scope of what improvements can be funded to meet the requirements of a densifying city
  - Parks scope enables spend on improvements such as gyms & multi-use trails
  - Transportation scope enables spend on collector roads and building new sidewalks, **where permissible under DIFA guidelines**
- Recommends updating affordable housing and economic development language to better scope exemptions to current policies

## Program Admin



- Improve program transparency with expanded annual public reporting
- Improve project delivery for transportation projects through more timely expenditure of funds





# 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



# 2020 Fee Study Final Recommendations

---

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



# Recommendation#1. Preferred timeline to implement any fee changes associated with development impact fees

---

## **Preliminary Recommendation**

- Implement updated ordinance/fee changes 6-Months from date of adoption.

## **DIFAC Final Recommendation**

- In favor of preliminary recommendation to implement effective date of ordinance 6-months from date of adoption.



## Recommendation#2. Preferred time frame to phase in 100% of the adopted fee levels for development impact fees

---

### Preliminary Recommendation

- Phase-in fees over 2 years, with 3 increases
  - 1<sup>st</sup> year ordinance takes effect-50% of the rate set forth
  - 2<sup>nd</sup> year-75% of the rate set forth
  - 3<sup>rd</sup> year and beyond-100% of rate set forth

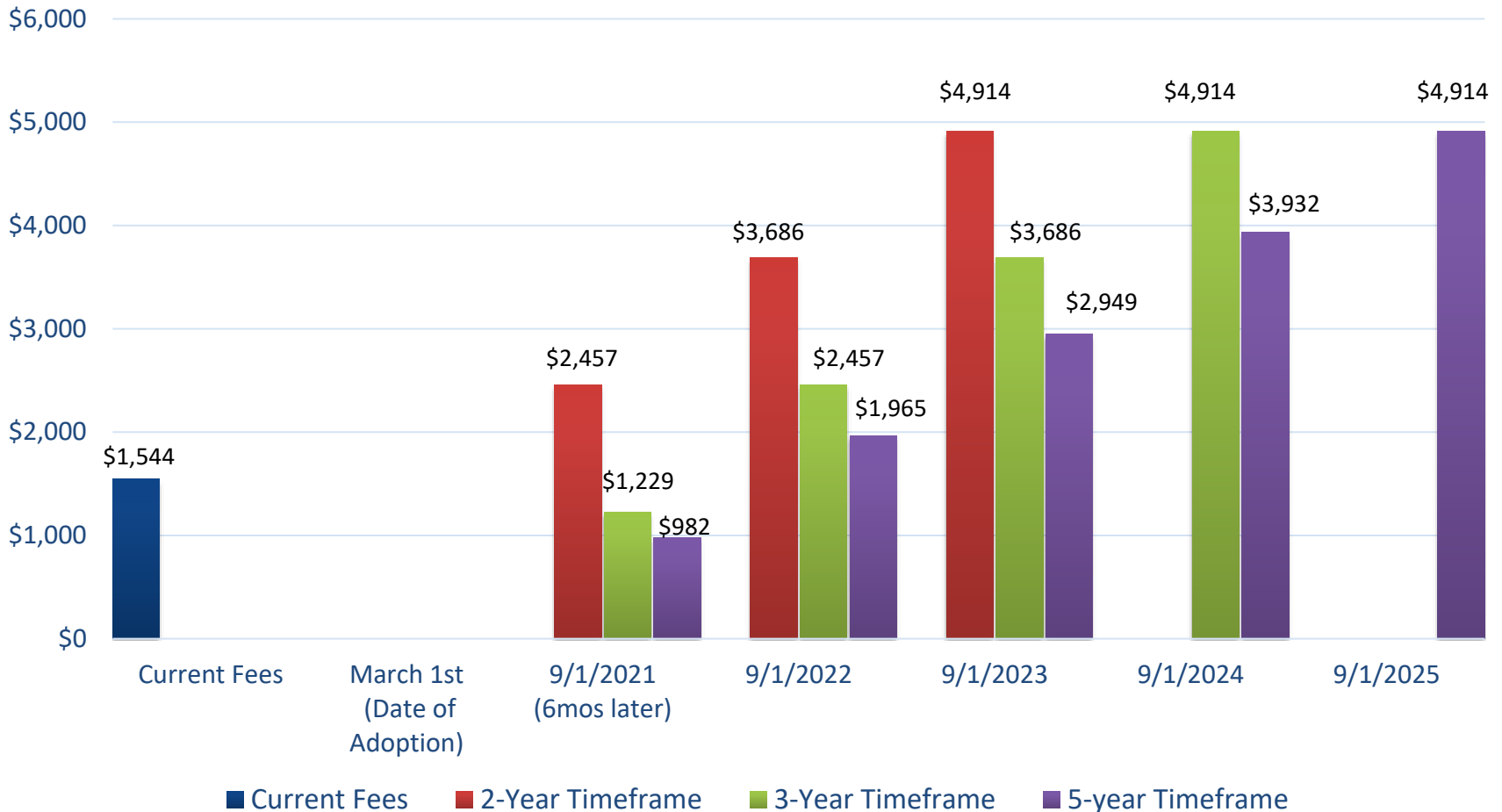
### DIFAC Final Recommendation

- Recommendation did not carry



## Recommendation #2 (cont.) Preferred time frame to phase in 100% of the adopted fee levels for development impact fees

### Example of Single-Family Home Phase in Approach





## Recommendation #3. How should we deal with near-term projects in progress that may be financially impacted by rate changes?

---

### **Preliminary Recommendation**

- The City of Atlanta will give 6-months notice prior to the first fee increase so there is no need to develop special guidelines for near term projects in progress.

### **DIFAC Final Recommendation**

- In favor of preliminary recommendation.



## Recommendation #4. Preferred single-family home (SFH) rate structure (i.e., rates based on square footage or single flat rate for all SFH)?

---

### **Preliminary Recommendation**

- Single flat rate structure for all single-family home development, rather than rates based on square footage (will review rate structure for possible revision for phase 2 update)

### **DIFAC Final Recommendation**

- In favor of preliminary recommendation.



## Recommendation #5. Suggestions to improve transparency of the program

---

### **Preliminary Recommendation**

- By June 30th of each year the Department of Finance shall prepare and present to the Mayor and Council an annual report describing the amount of any development impact fees collected, encumbered and spent during the preceding year by category of public facility and service area.
- The portion of the annual report relating to transportation impact fees shall be referred to the Development Impact Fee Advisory Committee, to report any perceived inequities in the expenditure of transportation impact fees in accordance with O.C.G.A. § 36-71-8(d)(2).
- Use three service areas for transportation and parks to conduct a distribution analysis within each service area to better understand the relationship between where funds are collected and where they are spent (proximity) as an administrative measure to inform the list of eligible capital projects to be funded with impact fees over the next 5 years.

### **DIFAC Final Recommendation**

- In favor of preliminary recommendation.





## Recommendation #6. Changes to the affordable housing exemption language

---

### Preliminary Recommendation

- 20% exemption based on the following guidelines:
  - a. Rental (developments of 10 units or more):
    - i. 10% of units at 60% AMI; or
    - ii. 15% of units at 80% AMI
  - b. For sale (developments of 10 units or more):
    - i. 20% of units at 120% AMI;
    - ii. 15% of units at 100% AMI; or
    - iii. 10% of units at 80% AMI
- Must be Affordable for 20-years
- Exemptions may be granted provided the exemption is funded through a revenue source other than impact fees.

### DIFAC Final Recommendation

- In favor of preliminary recommendation.



## Recommendation #6a. Should affordable housing exemptions apply to entire development or just affordable portion?

---

### **Preliminary Recommendation**

- Affordable housing exemption should only apply to the portion that is affordable.

### **DIFAC Final Recommendation**

- In favor of preliminary recommendation to apply exemption only to portion of development that meets affordability criteria.



## Recommendation #6b. Changes to the preliminary economic development exemption language?

---

### Preliminary Recommendation

- 100% exemption based on the following:
  - Projects that meet the goals and objectives of the 2020 Economic Development and Economic Mobility Strategy:
    - 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), or
    - 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 (\$38,000-\$80,000 average annual salary) or,
    - 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"

### DIFAC Final Recommendation

- In favor of preliminary recommendation.



# By March, Our Target is to Adopt Ordinance

Date	Next Steps
January 19 <sup>th</sup>	Received DCA Approval
February 9 <sup>th</sup>	CD/HS 1 <sup>st</sup> Read
February 11 <sup>th</sup>	Council Work Session
February 23 <sup>rd</sup>	CD/HS 2 <sup>nd</sup> Read
March 1 <sup>st</sup>	Final Adoption-Full Council
September 1 <sup>st</sup>	Effective Date of Ordinance (tentatively)



# Questions

---





# APPENDIX: Impact Fee Current Balances by Facility

## Impact Fee Current Balances

As of June 2020

Public Facility Type	Transportation	Police	Fire	Parks North	Parks South	Parks West	Total
Service Area	City-wide	City-wide	City-wide	North Parks Area	South Parks Area	West Parks Area	
Unencumbered & Available for New Projects **	10,924,833	1,521,055	1,603,962	1,020,812	2,404,295	160,622	17,635,580
Encumbered Remaining Balance - (Restricted by Ordinance)	21,609,202	458,066	4,994,837	4,234,008	132,074	450,345	31,878,531
<b>Total Impact Fee Fund Balance</b>	<b>\$ 32,534,035</b>	<b>\$ 1,979,121</b>	<b>\$ 6,598,799</b>	<b>\$5,254,820</b>	<b>\$ 2,536,368</b>	<b>\$ 610,967</b>	<b>\$49,514,110</b>

\*\* Includes collections previously encumbered but subsequently released from restriction



# APPENDIX: FY20 Impact Fee Financial Report

## Appendix A: Impact Fee CIE

### City of Atlanta Annual Impact Fee Financial Report FY 2020

Public Facility Type	Transportation	Police	Fire	Parks North	Parks South	Parks West	Total
Service Area	City-wide	City-wide	City-wide	North Parks Area	South Parks Area	West Parks Area	
Beginning Impact Fee Fund Balance FYE (6-30-2019)	29,041,824.59	1,725,843.69	5,729,259.73	3,840,791.08	2,701,770.79	1,302,155.94	44,341,645.82
Impact Fees Collected in FY 2020	5,928,457.50	250,458.00	862,091.00	1,438,916.00	734,946.00	200,921.00	9,415,789.50
Interest Earnings in FY 2020	173,942.51	10,332.82	34,301.75	22,995.32	16,175.81	7,826.74	265,574.95
Project Expenditures in FY 2020	(2,295,406.54)	-	(990.00)	(4,715.00)	(894,475.75)	(893,909.37)	(4,089,496.66)
Administrative Costs in FY 2020	(177,853.73)	(7,513.74)	(25,862.73)	(43,167.48)	(22,048.38)	(6,027.63)	(282,473.69)
Impact Fee Refunds in FY 2020	(136,929.00)	-	-	-	-	-	(136,929.00)
Ending Impact Fee Fund Balance FYE (6-30-2020)	32,534,035.33	1,979,120.77	6,598,799.75	5,254,819.92	2,536,368.47	610,966.68	49,514,110.92
Impact Fees Encumbered at 6/30/2020	21,609,201.86	458,066.00	4,994,836.68	4,234,007.65	132,073.59	450,344.83	31,878,530.61



# APPENDIX: Program Financial Summary for Last 6-Year Period

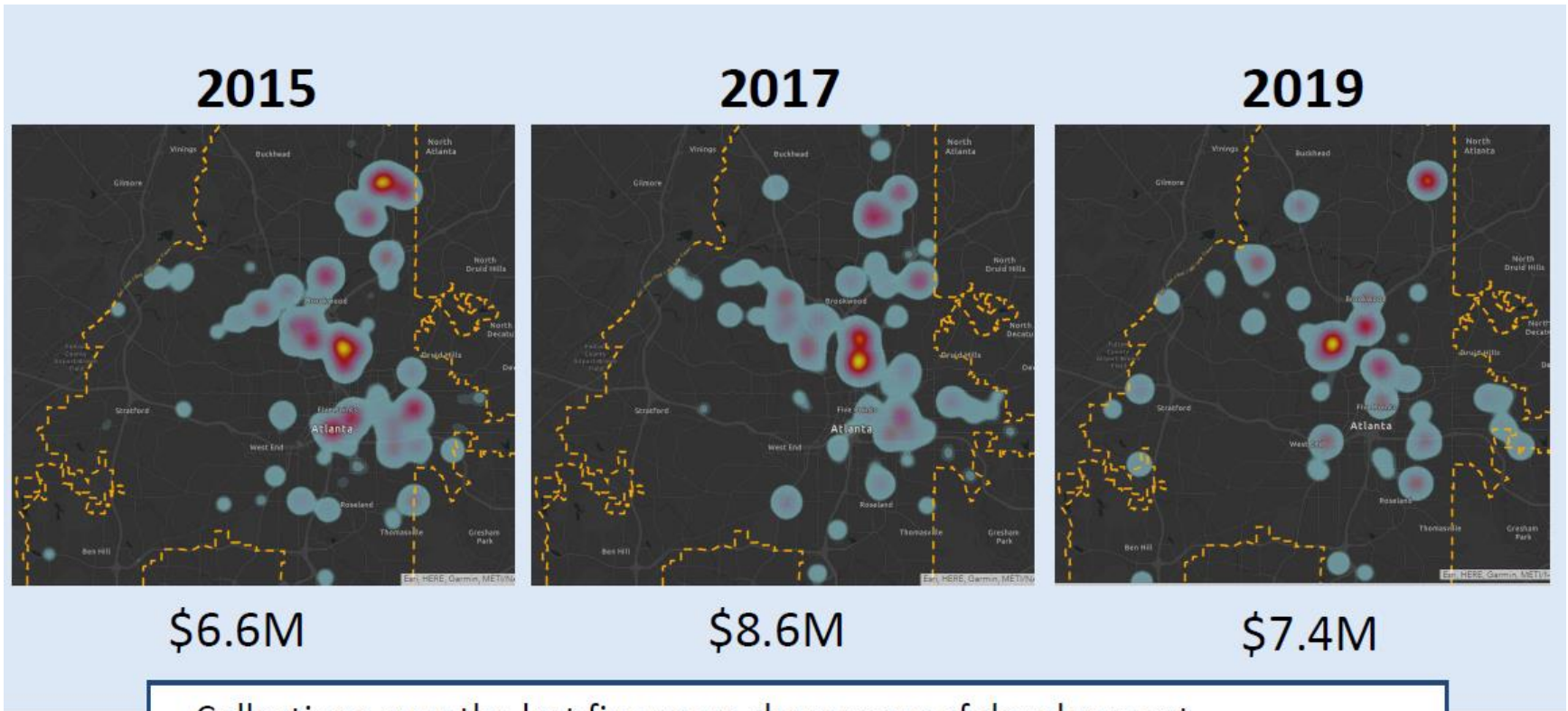
Impact Fee Gross Collections & Expenditures Six Year Period (FYE15 - FYE20)							
Public Facility Type	Transportation	Police	Fire	Parks North	Parks South	Parks West	Total
Service Area	City-wide	City-wide	City-wide	North Parks Area	South Parks Area	West Parks Area	
<b>GROSS COLLECTIONS:</b>							
Collections in FYE 2015	3,405,920	235,183	716,776	1,881,019	303,105	35,955	6,577,958
Collections in FYE 2016	3,519,369	160,953	554,031	1,329,924	224,202	84,681	5,873,160
Collections in FYE 2017	5,385,221	215,373	746,172	1,775,777	431,296	92,759	8,646,598
Collections in FYE 2018	3,699,018	206,986	718,994	1,223,923	596,530	113,821	6,559,272
Collections in FYE 2019	4,841,980	174,359	602,126	1,349,855	259,593	163,814	7,391,727
Collections in FYE 2020	5,928,458	250,458	862,091	1,438,916	734,946	200,921	9,415,790
<b>Total Gross Collections FYE 2015 - FYE 2020</b>	<b>\$ 26,779,966</b>	<b>\$ 1,243,312</b>	<b>\$ 4,200,190</b>	<b>\$ 8,999,414</b>	<b>\$ 2,549,672</b>	<b>\$ 691,951</b>	<b>\$ 44,464,505</b>
<b>PROJECT EXPENDITURES:</b>							
Expenditures in FYE 2015	(841,889)	-	(81,698)	(1,014,431)	(48,923)	-	(1,986,941)
Expenditures in FYE 2016	(459,168)	-	(608,832)	(13,571)	-	-	(1,081,571)
Expenditures in FYE 2017	(775,963)	(426,243)	-	(2,197,732)	-	(143,313)	(3,543,251)
Expenditures in FYE 2018	(2,785,971)	(406,614)	-	(5,624,130)	-	(311,811)	(9,128,526)
Expenditures in FYE 2019	(1,428,639)	(26,299)	(73,352)	(698,992)	(136,392)	(474,113)	(2,837,786)
Expenditures in FYE 2020	(2,295,407)	-	(990)	(4,715)	(894,476)	(893,909)	(4,089,497)
<b>Total Project Expenditures FYE 2015 - FYE 2020</b>	<b>\$ (8,587,036)</b>	<b>\$ (859,157)</b>	<b>\$ (764,872)</b>	<b>\$ (9,553,571)</b>	<b>\$ (1,079,790)</b>	<b>\$ (1,823,146)</b>	<b>\$ (22,667,572)</b>





# APPENDIX: Distribution Analysis: Impact Fee Collections Over Time

\*

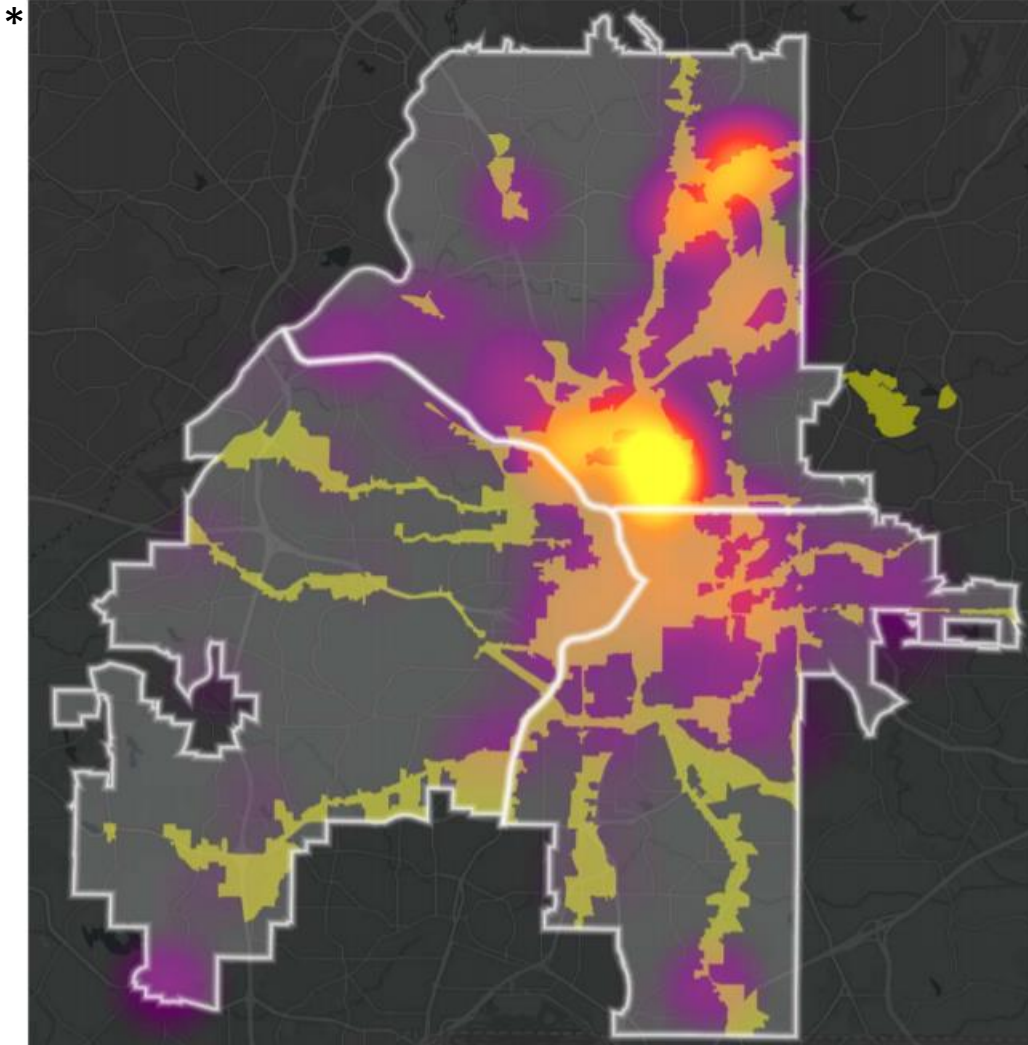


Collections over the last five years show areas of development concentration and emerging growth outside of the urban core

\*will be updated to reflect current financials



## APPENDIX: Collections over the last six years align with Atlanta City Design Growth Areas



- Growth areas align to “core areas” and “growth corridors” outlined in the Atlanta City Design
- Most revenue is collected in the core areas – however, growth corridors show areas of additional collection concentration

\*will be updated to reflect current financials



## APPENDIX: Parks and Transportation Service Areas

