Development Impact Fee Study and Ordinance Update

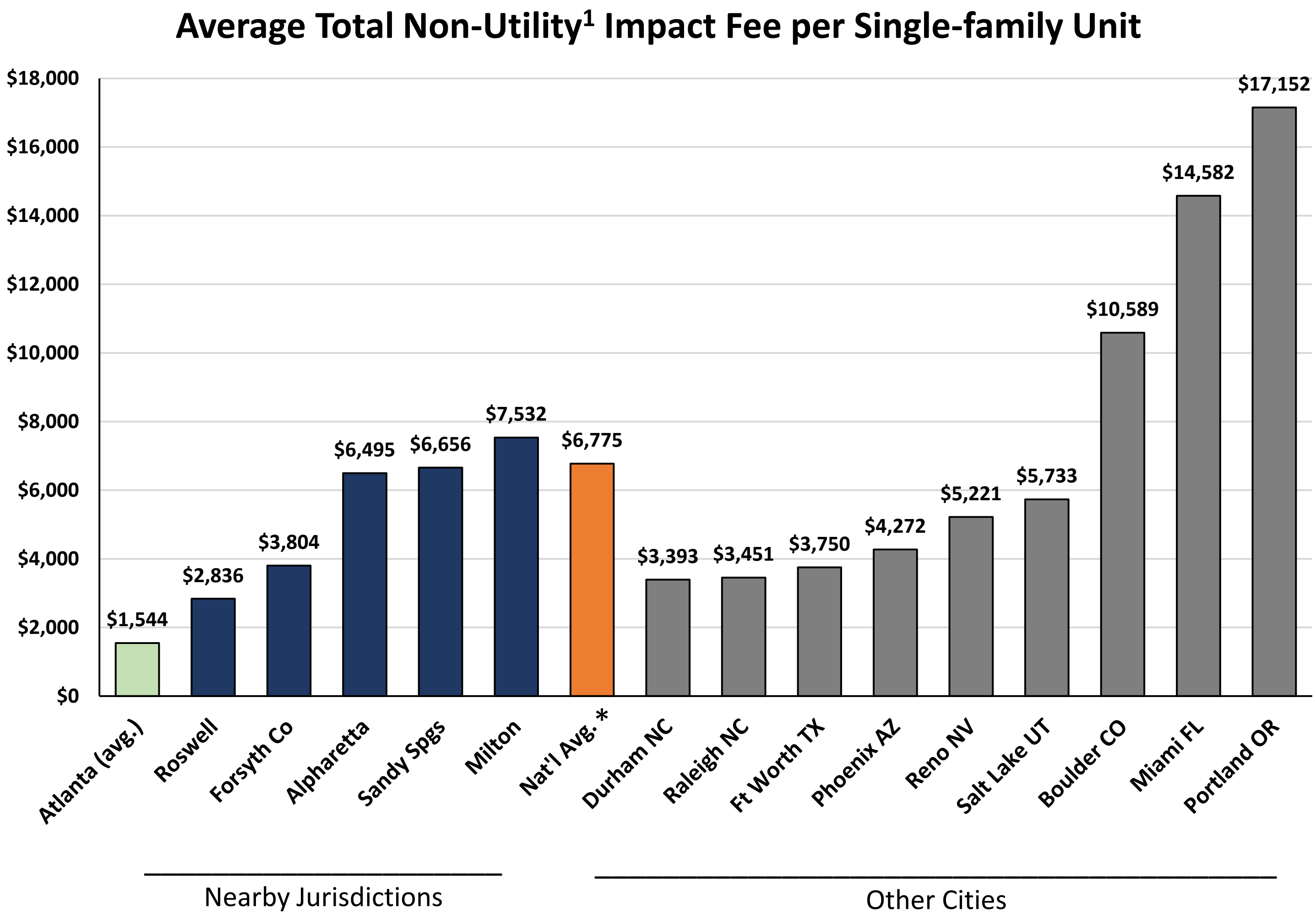
Community Development/Human Services

February 23, 2021

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



1 Excludes water and wastewater fees
Source: Duncan Associates

* w/o CA

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- Fee levels are outdated and based on 1993 land use, costs, and scope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, JWB Properties
  - 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

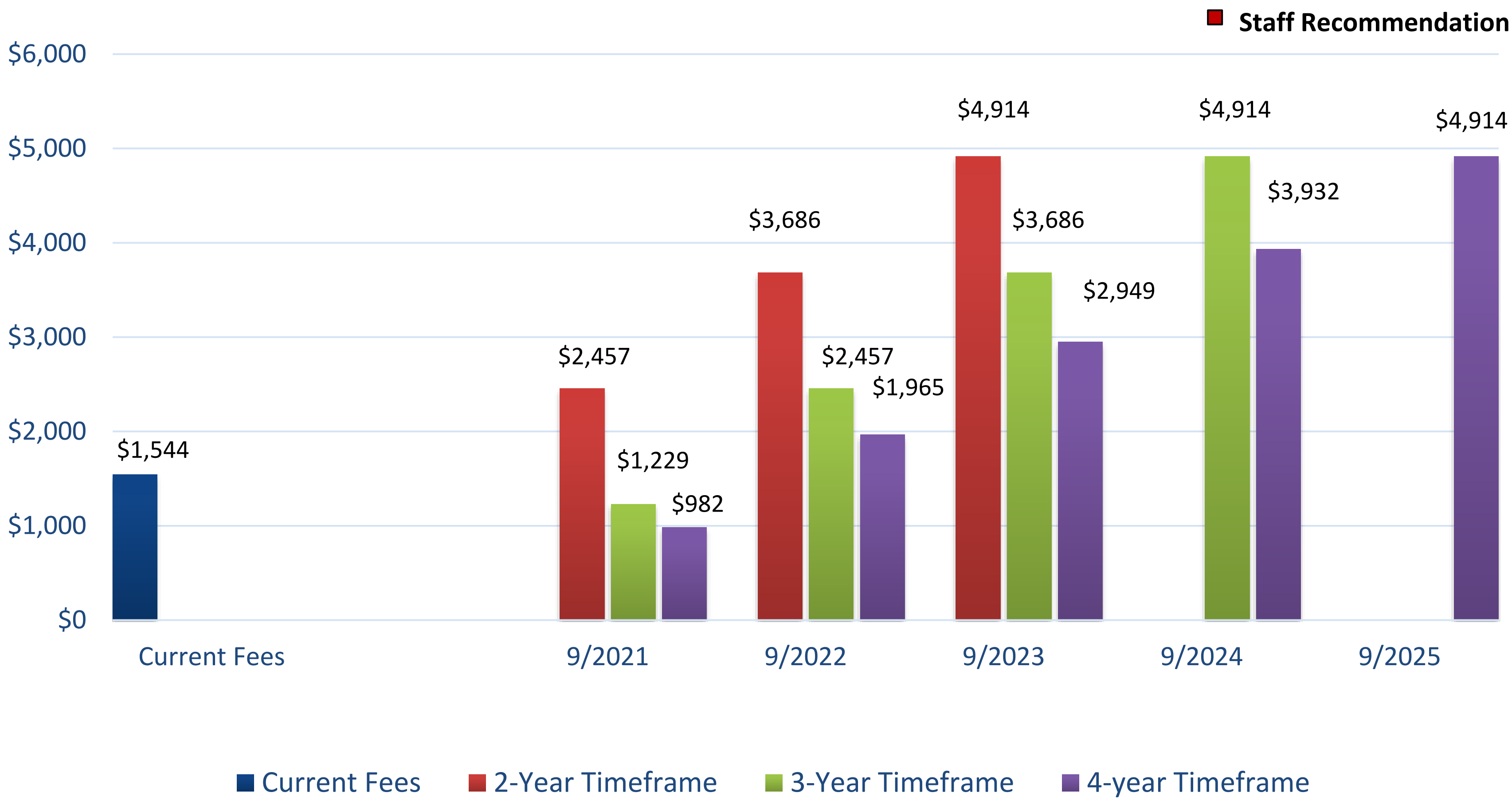
- Phase-in fees over 2 years, with 3 increases
  - 1^{st} year ordinance takes effect-50% of the rate set forth
  - 2^{nd} year-75% of the rate set forth
  - 3^{rd} year and beyond-100% of rate set forth

DIFAC Final Recommendation

- Recommendation did <u>not</u> carry

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

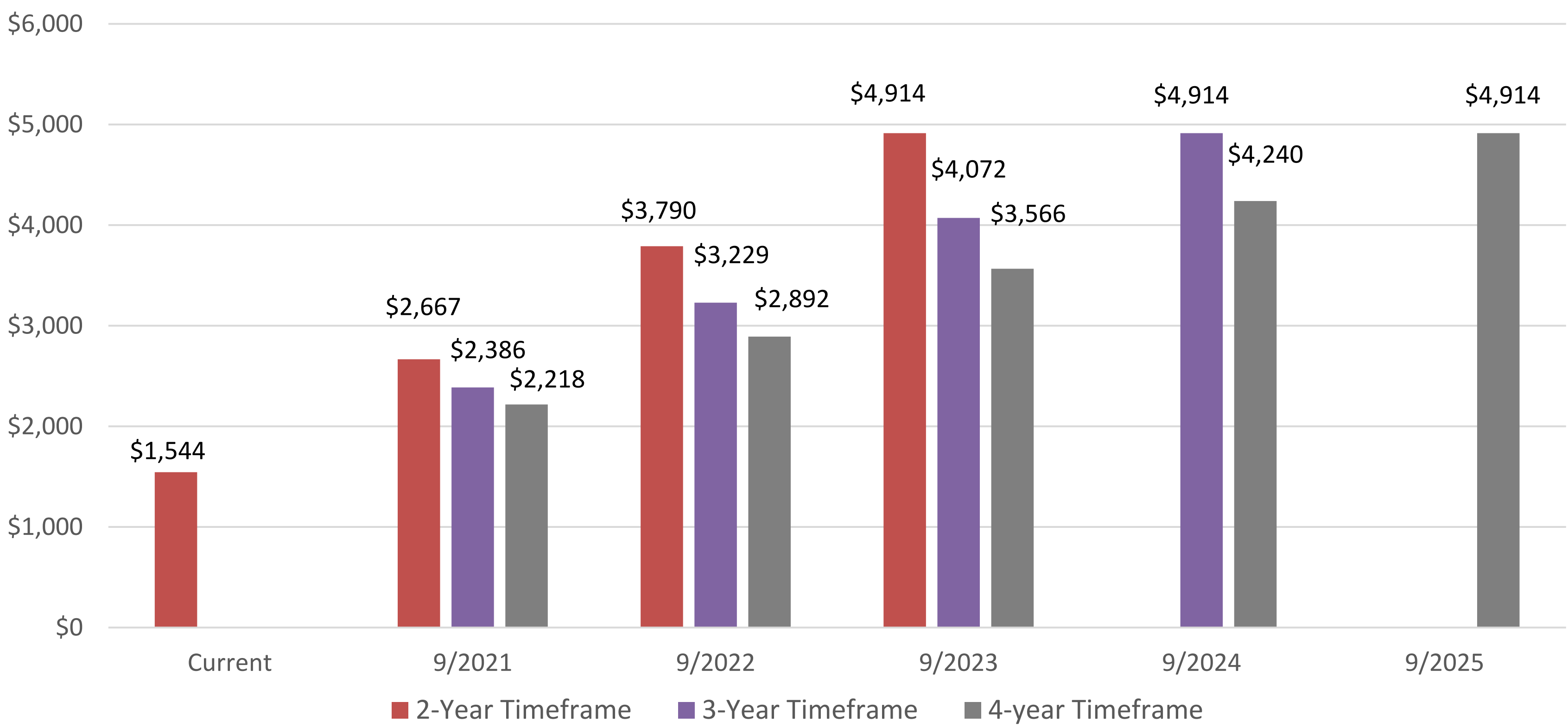
Option 1: Single-Family Home Phase in Approach by Total Rate*



***Total rate of $4,914 phased-in at varying % each year.**

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

Option 2: Single-Family Home Phase in Approach by Rate Change*



***Rate difference of $3,370 ($4,914-$1,544) phased into current rate incrementally each year.**

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

- Flat-rate structure for all single-family home development.

Updated Recommendation

- Tiered-rate structure for all single-family home development.

DIFAC Final Recommendation

- In favor of preliminary recommendation of flat rate structure for single-family homes.

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.

Updated Recommendation

- Must be Affordable for 10-years

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"

Updated Recommendation

- 20% 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 ($40,000 -$80,000 average annual salary)

DIFAC Final Recommendation

- In favor of preliminary recommendation.

Questions