



# Impact Fee Study

prepared for  
the City of Atlanta, Georgia

**duncan** | associates

with  
Kimley-Horn & Associates

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**PUBLIC REVIEW DRAFT**

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## EXECUTIVE SUMMARY

This study updates the City's transportation, park, fire, and police impact fees. The impact fee study and ordinance have not been updated since they were originally adopted in 1993.

### Need for Update

Much has changed in the 24 years since the impact fees were adopted. The City's fees are based on levels of service and costs that are almost a quarter-century old. Construction costs have almost doubled and land costs are five times what they were in 1993. Trip generation rates are based on the 1991 5<sup>th</sup> edition of the ITE manual, rather than the current 2012 9<sup>th</sup> edition. Large area designations once targeted for impact fee exemptions are no longer in active use by the City. Continued reliance on such outmoded data and procedures could weaken the defensibility of the City's impact fees.

### Key Findings

- The procedures for programming transportation impact fees must comply with the Atlanta-specific statutory requirements related to proximity to new development, greatest effect on level of service, and annual review by the impact fee advisory committee.
- Current road fees do not include the cost of collector roads, which get the bulk of City improvements.
- Current park fees cover only land costs.
- Exemptions, particularly automatic exemptions for broad geographic areas, cost about 40% of potential revenue before the City ceased funding them in 2009.
- The recoupment approach designed in large part to avoid the need to fund exemptions resulted in lower park, fire and police fees for non-exempt developments, with reductions ranging from 5-24% depending on fee type and service area.

### Key Recommendations

- Implement recommended procedures to ensure transportation fees are spent on projects that have the most effect on improving levels of service, and are spent in reasonable proximity to the developments that paid the fees.
- Establish an on-going Impact Fee Advisory Committee that meets at least annually to review the planned transportation projects to be included in the Capital Improvements Element.
- Expand transportation fees to include collectors, and park fees to include improvement costs.
- Base fees on existing levels of service, discontinuing the recoupment approach.

- Fund limited affordable housing and economic development exemptions by tracking non-impact fee expenditures.

**Updated Fee Summary**

Table 1 below summarizes the potential impact fees calculated in this report. The updated impact fees include collector road and park improvement costs. Transportation fees would be reduced by 50% when located within 1,000 walking feet of a MARTA or light rail station. Total updated fees are more than double current fees for most land use categories (see details in next chapter). This is not surprising. Since the original study was done 24 years ago, construction costs have almost doubled, and land prices have increased far more. In addition, current transportation fees do not include collector road costs, current park fees do not include improvement costs, and park, fire, and police fees were based on a lower than existing levels of service in order to fund exemptions with recoupment revenue.

**Table 1. Updated Impact Fee Summary**

Land Use Type	Unit	Road*	Park Fee by Service Area			Fire	Police	Total Fee by Service Area		
			North	South	West			North	South	West
Single-Family	Dwelling	\$4,046	\$1,526	\$1,324	\$2,319	\$248	\$147	\$5,967	\$5,765	\$6,760
Multi-Family	Dwelling	\$2,221	\$1,035	\$898	\$1,573	\$168	\$100	\$3,524	\$3,387	\$4,062
Hotel/Motel	Room	\$1,269	\$701	\$608	\$1,065	\$114	\$68	\$2,152	\$2,059	\$2,516
Retail/Commercial	1,000 sq ft	\$4,284	\$1,609	\$1,397	\$2,445	\$261	\$155	\$6,309	\$6,097	\$7,145
Office	1,000 sq ft	\$3,253	\$786	\$682	\$1,194	\$128	\$76	\$4,243	\$4,139	\$4,651
Public/Institutional	1,000 sq ft	\$1,190	\$473	\$411	\$719	\$77	\$46	\$1,786	\$1,724	\$2,032
Industrial	1,000 sq ft	\$2,856	\$293	\$254	\$445	\$48	\$28	\$3,225	\$3,186	\$3,377
Warehouse	1,000 sq ft	\$1,269	\$204	\$177	\$309	\$33	\$20	\$1,526	\$1,499	\$1,631
Mini-Warehouse	1,000 sq ft	\$1,031	\$96	\$83	\$145	\$16	\$9	\$1,152	\$1,139	\$1,201

\* fee reduced by 50% within 1,000 walking feet of a MARTA station or light rail station

Source: Potential fees from Table 26 (transportation), Table 39 (parks), Table 50, (fire), and Table 60 (police); updated residential fees represent average (untiered) rates; current fees from City of Atlanta (commercial/office fees are for a 100,000 square foot shopping center or office building).

**Implementation Options**

The City Council could consider phasing the increase in over time, and/or adopting them at a less than the maximum fees calculated in this report. With either of these implementation options, the adopted fees should be based on a percentage of the updated fees that applies to all land use types for a given fee type and service area, in order to ensure that the fees are based on the updated study and retain the proportionality to the impact of the development. For example, the adopted fees should not be based on a maximum percentage increase from current fees, because that would at least partially retain the proportionality between land uses from the 1993 study. Nor should the adoption percentage be different for different land use types, because that would also weaken the nexus between the fee amount and the demand generated by the development.

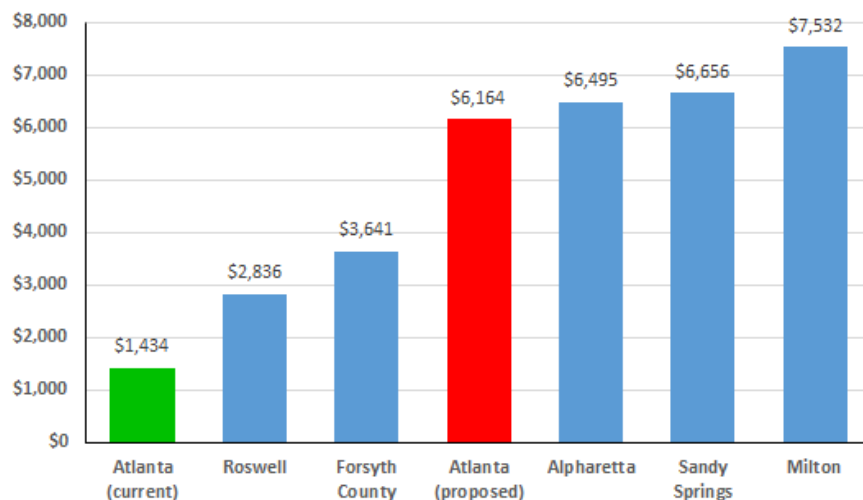
Another implementation option would be to cap updated park fees at the level of the Northside service area. The Northside has the highest current fees, because the fees are based strictly on land costs and a uniform city-wide ratio of acres to population, and because the Northside has significantly higher land costs than the other two service areas. Under the updated fees, which include improvement costs, the Northside park fees are only modestly higher than in the Southside, while the Westside has significantly higher fees. Higher updated fees in the Westside reflect more improvement value per service unit, rather than higher land costs (although land costs are modestly higher than in the Southside). In this context, it might make sense to have the same fees in the Northside and Westside service areas – that is, adopt Westside fees at the percentage required to equal Northside fees.

**Competitiveness**

It is easy to compare impact fee amounts charged by local jurisdictions, and it is natural to be interested in how Atlanta’s impact fees compare. However, it would be a mistake to conclude that differences between Atlanta’s impact fees and those charged by neighboring or similar jurisdictions are a significant factor in the City’s ability to attract new development. Too many other factors are involved, most of them much more difficult to quantify and compare than impact fees. These include the availability of jobs, total housing costs (of which impact fees are only a small part), the quality of transportation infrastructure, schools, recreational amenities, entrepreneurial opportunities, economic synergies resulting from a concentration of workers, suppliers and customers, and other factors. The overall attractiveness of the community is a far greater factor in competitiveness than impact fee amounts. It is therefore not surprising that numerous studies comparing impact fees and growth rates between jurisdictions have failed to find any significant effects of impact fee levels on the pace of growth and development.

The City of Atlanta’s current and proposed total non-utility impact fees for an average single-family unit are compared with total non-utility impact fees charged by five nearby jurisdictions in Figure 1 (Atlanta’s fees assume average of the three park service area fees). Atlanta’s fees are currently the lowest, but would be more mid-range under the proposed fees. Additional fee comparisons for retail development and for peer cities are presented in the next chapter.

**Figure 1. Single-Family Fees, Atlanta and Nearby Jurisdictions**



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## TECHNICAL SUMMARY

Impact fees are charges assessed on new development to cover the costs of capital improvements needed to accommodate growth. The City of Atlanta imposes impact fees for transportation, parks, fire and police facilities.

The impact fees were originally adopted by the City Council in 1993 based on an impact fee study produced by this consultant team,<sup>1</sup> and have not been updated since. The purpose of this study is to provide a comprehensive evaluation of the City's impact fee system, and calculate updated impact fees that cover the growth-related capital costs to maintain adequate levels of service for transportation, park, fire and police facilities.

Much has changed in the 24 years since the impact fees were originally adopted, but the City's fees and ordinance have not been updated. The City's fees are based on levels of service and costs that are almost a quarter-century old. Trip generation rates are based on the 1991 5<sup>th</sup> edition of the ITE manual, rather than the current 2012 9<sup>th</sup> edition. Reliance on such outmoded data could weaken the defensibility of the City's impact fees. The City also needs to ensure that its study, ordinance and procedures comply with the Atlanta-specific requirements related to road fee expenditures and annual review by the impact fee advisory committee imposed by the Legislature in 2007.

### Current System Evaluation

The first chapter of this report consists of an evaluation of the City's current impact fee system. Policy areas addressed include service areas, levels of service, methodology, land use categories, exemptions, and administration. The recommendations from the policy analysis serve as guidelines for the impact fee calculations in this study, as well as for changes to the impact fee ordinance and administrative procedures. The major findings and recommendations are summarized as follows.

- The City is under a special legislative mandate to justify its expenditures of transportation impact fees in terms of proximity to fee-payers and effect on roadway level of service.
- Many of the City's planned transportation improvements are to the collector street system, which is not covered by the current transportation impact fees.
- Current road fees are calculated based strictly on vehicular improvement costs, while multi-modal improvements are increasingly required to expand the capacity of the City's transportation system.
- State law restricts transportation impact fees to road improvements. Although roads are broadly defined to include multi-modal elements within the roadway corridor, the City should seek explicit authorization before using transportation impact fees to fund transit improvements.
- Current level-of-service measures are overly simplistic and fail to capture the full extent of the City's infrastructure investment.

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<sup>1</sup> James Duncan and Associates, *Impact Fee Study*, March 18, 1993.

- Before exemptions were put on hold in 2009, they accounted for about 40% of potential impact fee revenues, mostly from blanket exemptions granted in designated areas of the city. Criteria for affordable housing exemptions do not guarantee the housing remains affordable.
- The recoupment methodology for parks, fire and police impact fees was intended to avoid the need to fund exemptions with other revenue, but with the halt to exemptions they no longer perform that function.
- Reducing the number of nonresidential land use categories could simplify impact fee administration and avoid issues relating to change of use.
- The City has made significant strides in recent years in improving impact fee administration, but procedures remain that could be improved.

The major recommendations of the policy evaluation are summarized as follows:

- Implement recommended procedures to ensure that transportation impact fees are spent on projects that have the most effect on improving levels of service and are in closest proximity to where fees were paid.
- Extend the transportation impact fees to include collectors as well as arterials, and expand park fees to include improvements as well as land.
- Eliminate automatic blanket exemptions for development in designated geographic areas, or more narrowly target them to priority areas. Add criteria to affordable housing exemptions to ensure the housing remains affordable.
- Track non-impact fee expenditures on impact fee-eligible improvements to offset lost revenue from exemptions.
- Base the updated park and public safety fees on the existing level of service, rather than continue the recoupment approach of the original study.
- Replace the current level of service measures based on simple, physical ratios with ones that take into account the full range of the City's investments in land, buildings, equipment and other eligible improvements.
- Reduce the number of nonresidential land use categories in the fee schedules.
- Develop procedures to ensure that the Finance Department is notified of ordinances appropriating impact fee funds.

Potential Impact Fee Summary

Table 2 below summarizes the potential impact fees calculated in this report. The updated impact fees include collector road and park improvement costs. Transportation fees would be reduced by 50% when located in proximity to a MARTA or light rail station.

Table 2. Detailed Impact Fee Summary

Land Use Type	Unit	Road*	Park Fee by Service Area			Fire	Police	Total Fee by Service Area		
			North	South	West			North	South	West
<i>Updated Fee</i>										
Single-Family	Dwelling	\$4,046	\$1,526	\$1,324	\$2,319	\$248	\$147	\$5,967	\$5,765	\$6,760
Multi-Family	Dwelling	\$2,221	\$1,035	\$898	\$1,573	\$168	\$100	\$3,524	\$3,387	\$4,062
Hotel/Motel	Room	\$1,269	\$701	\$608	\$1,065	\$114	\$68	\$2,152	\$2,059	\$2,516
Retail/Commercial	1,000 sq ft	\$4,284	\$1,609	\$1,397	\$2,445	\$261	\$155	\$6,309	\$6,097	\$7,145
Office	1,000 sq ft	\$3,253	\$786	\$682	\$1,194	\$128	\$76	\$4,243	\$4,139	\$4,651
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Industrial	1,000 sq ft	\$2,856	\$293	\$254	\$445	\$48	\$28	\$3,225	\$3,186	\$3,377
Warehouse	1,000 sq ft	\$1,269	\$204	\$177	\$309	\$33	\$20	\$1,526	\$1,499	\$1,631
Mini-Warehouse	1,000 sq ft	\$1,031	\$96	\$83	\$145	\$16	\$9	\$1,152	\$1,139	\$1,201
<i>Current Fee</i>										
Single-Family	Dwelling	\$987	\$410	\$245	\$245	\$114	\$33	\$1,544	\$1,379	\$1,379
Multi-Family	Dwelling	\$470	\$285	\$171	\$171	\$79	\$23	\$857	\$743	\$743
Hotel/Motel	Room	\$793	\$183	\$110	\$110	\$51	\$15	\$1,042	\$969	\$969
Retail/Commercial	1,000 sq ft	\$1,304	\$584	\$350	\$350	\$199	\$57	\$2,144	\$1,910	\$1,910
Office	1,000 sq ft	\$1,977	\$241	\$145	\$145	\$71	\$20	\$2,309	\$2,213	\$2,213
Public/Institutional	1,000 sq ft	\$519	\$192	\$115	\$115	\$53	\$15	\$779	\$702	\$702
Industrial	1,000 sq ft	\$1,025	\$169	\$102	\$102	\$47	\$14	\$1,255	\$1,188	\$1,188
Warehouse	1,000 sq ft	\$748	\$94	\$56	\$56	\$26	\$8	\$876	\$838	\$838
Mini-Warehouse	1,000 sq ft	\$748	\$94	\$56	\$56	\$26	\$8	\$876	\$838	\$838
<i>% Change</i>										
Single-Family	Dwelling	310%	272%	440%	847%	118%	345%	286%	318%	390%
Multi-Family	Dwelling	373%	263%	425%	820%	113%	335%	311%	356%	447%
Hotel/Motel	Room	60%	283%	453%	868%	124%	353%	107%	112%	160%
Retail/Commercial	1,000 sq ft	229%	176%	299%	599%	31%	172%	194%	219%	274%
Office	1,000 sq ft	65%	226%	370%	723%	80%	280%	84%	87%	110%
Public/Institutional	1,000 sq ft	129%	146%	257%	525%	45%	207%	129%	146%	189%
Industrial	1,000 sq ft	179%	73%	149%	336%	2%	100%	157%	168%	184%
Warehouse	1,000 sq ft	70%	117%	216%	452%	27%	150%	74%	79%	95%
Mini-Warehouse	1,000 sq ft	38%	2%	48%	159%	-38%	13%	32%	36%	43%

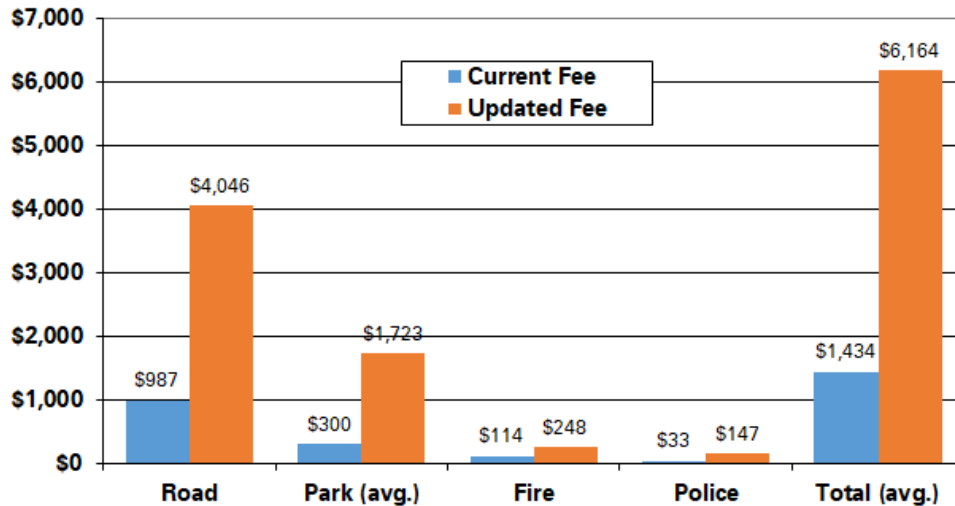
\* fee reduced by 50% within 1,000 walking feet of a MARTA or light rail station

Source: Potential fees from Table 26 (transportation), Table 39 (parks), Table 50, (fire), and Table 60 (police); updated residential fees represent average (untiered) rates; current fees from City of Atlanta (commercial/office fees for 100,000 square foot development, public/institutional fees based on church).

The significant increases from current fees reflect a number of factors, including increases in construction and land costs over the last 24 years, the expansion of transportation impact fees to include the cost of collector road improvements, the expansion of park fees to include improvement costs (versus land only), and basing the updated fees on the current level of service for parks, fire, and police facilities (the previous study used a recoupment approach that assumed these facilities had excess capacity to accommodate growth).

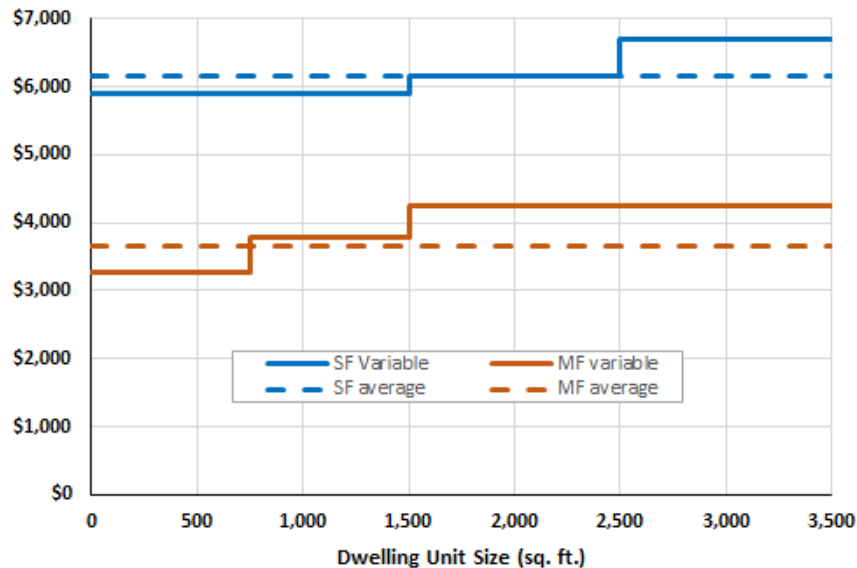
Current and updated fees for a single-family unit are illustrated in Figure 2. The average park fee for the three service areas is shown for simplicity.

**Figure 2. Current and Updated Fees, Single-Family Unit**



The summary table above shows flat rate residential fees, but tiered fees that vary by the size of the dwelling unit are also calculated in this update and are an option. The optional total residential fees (using the average park fees for the three service areas) are illustrated in Figure 3. While arguably more accurate, the total impact fee for the smallest size category is only \$259 lower than the average fee for single-family, and only \$508 less for multi-family. Given that these small differentials are unlikely to have much effect on encouraging smaller, more affordable units, this alternative may not be worth the additional complexity in impact fee administration that would be required to implement it.

**Figure 3. Total Tiered Residential Impact Fees**





## Comparative Fees

It is easy to compare impact fee amounts charged by local jurisdictions, and it is natural to be interested in how Atlanta's impact fees compare. But it would be a mistake to conclude that differences between Atlanta's impact fees and those charged by neighboring or similar jurisdictions are a significant factor in the City's ability to attract new development. Too many other factors are involved, most of them much more difficult to quantify and compare than impact fees. These include the availability of jobs, total housing costs (of which impact fees are only a small part), the quality of transportation infrastructure, schools, and recreational amenities, entrepreneurial opportunities, economic synergies resulting from a concentration of workers, suppliers and customers, etc.

The cost of impact fees is not like the cost of shoes. One cannot comparison-shop for the jurisdiction that charges less to obtain a building permit, and use that permit to build somewhere else. The purchase of a building permit entails the commitment to locate one's home or business in that community, and that decision is seldom made solely or even primarily on the basis of the lowest impact fees. Instead, the three-rule mantra of real estate prices – location, location, location – applies equally to the ability of a community to attract development. The overall attractiveness of the community is a far greater factor in competitiveness than impact fee amounts.

The argument typically made by the development community is straight-forward. The effect of impact fees is more like a tax, where no special benefit is provided in return, than a user fee, which purchases specific services. Impact fees, by raising the local cost of construction, steer housing development and job creation to neighboring or competing jurisdictions, and make housing more expensive and less affordable.

While the actual effects of impact fees on growth and housing affordability are not completely understood, economic theory and empirical evidence paint a much more nuanced picture.<sup>2</sup> Impact fees are not just an additional cost on construction that comes with no corresponding benefits, because the revenues are earmarked to be used only for infrastructure (roads, parks, fire and police facilities and equipment, etc.) required to serve the new development. Studies comparing impact fees and growth rates between jurisdictions, both in terms of residential construction and jobs, have not found consistent, statistically-significant effects of impact fee levels on the pace of growth and development. Finally, while impact fees may raise housing purchase prices, they also reduce the need for property tax increases to fund the expansion of infrastructure needed to serve growth, which in turn tends to reduce long-term housing costs. With these caveats on the uncertainties of the effect of impact fee differentials between jurisdictions, the following comparisons are presented.

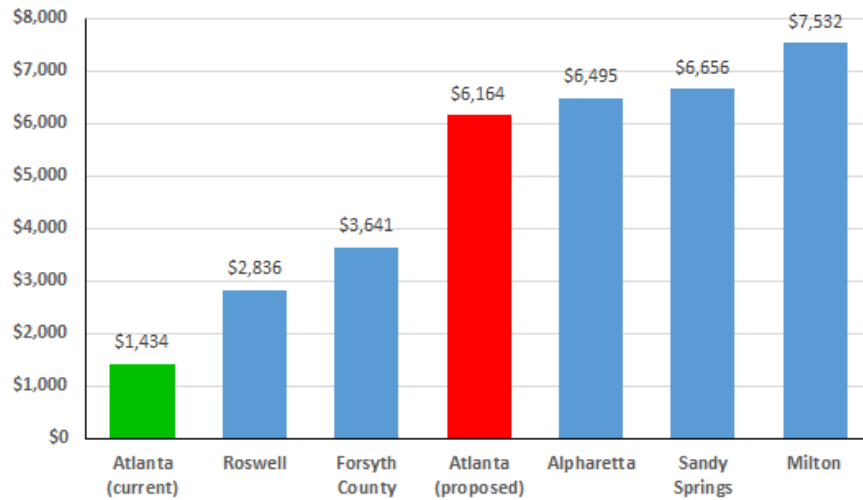
Nearby jurisdictions. The City of Atlanta's current and proposed total non-utility impact fees for an average single-family unit are compared with total non-utility impact fees charged by five nearby jurisdictions in Figure 4 below. Atlanta's fees are currently the lowest, but would be more mid-range under the proposed fees. Single-family fees for the comparison jurisdictions tend to be dominated by park impact fees, which are \$4,544 per unit in Sandy Springs, \$4,963 in Alpharetta, and \$6,215 in

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<sup>2</sup> For a recent review of the economic literature on the effects of impact fees on growth rates and housing prices, see Gregory Burge, "Impact Fees in Relation to Housing Prices and Affordable Housing Supply," May 2016, [https://www.researchgate.net/publication/265228760\\_Impact\\_Fees\\_in\\_Relation\\_to\\_Housing\\_Prices\\_and\\_Affordable\\_Housing\\_Supply](https://www.researchgate.net/publication/265228760_Impact_Fees_in_Relation_to_Housing_Prices_and_Affordable_Housing_Supply).

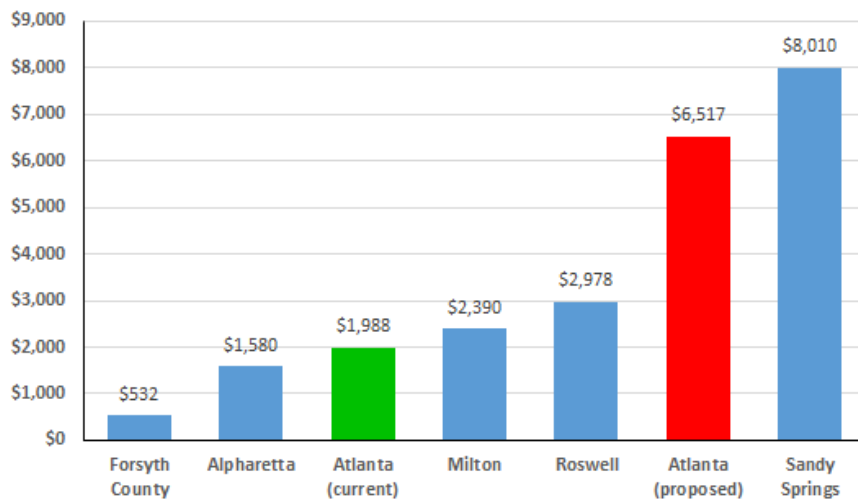
Milton, compared to Atlanta’s proposed average park fee for the three service areas of \$1,723. In contrast, Atlanta’s proposed road impact fee of \$4,046 per unit is higher than that charged by any of the nearby comparison jurisdictions, which charge fees for a single-family unit averaging about \$1,500 per unit (ranging from a low of \$678 in Milton to a high of \$1,968 in Forsyth County).

**Figure 4. Single-Family Fees, Atlanta and Nearby Jurisdictions**



The comparison with nearby jurisdictions looks quite different for nonresidential land uses. Total non-utility impact fees for retail uses (100,000 square foot shopping center or general retail) are compared in Figure 5. Atlanta’s proposed total retail fee is the second-highest of the group. This is because total nonresidential fees in the region tend to be dominated by road impact fees, and Atlanta’s proposed road fees are the highest after Sandy Springs. Forsyth County has the lowest retail fees because it assesses road fees only on residential uses, making up for the lost revenue by tracking non-impact fee funding.<sup>3</sup>

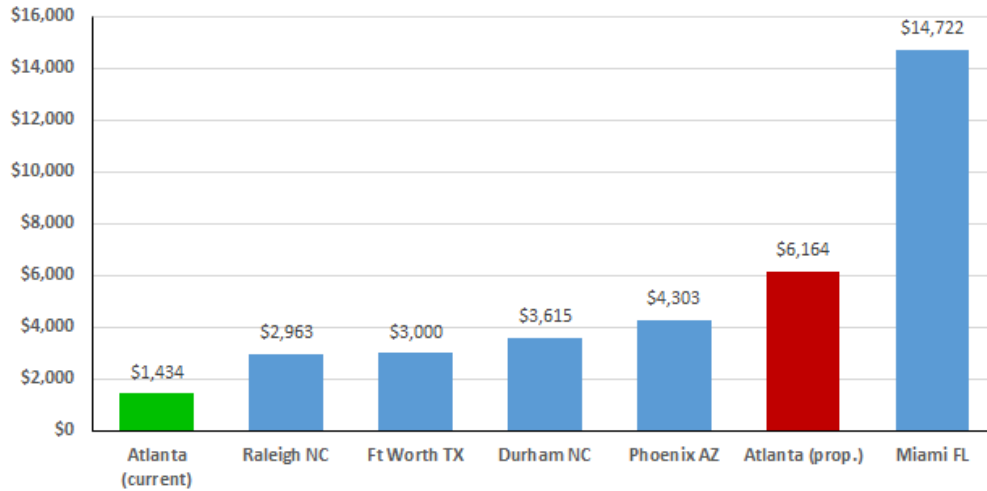
**Figure 5. Retail Fees per 1,000 sq. ft., Atlanta and Nearby Jurisdictions**



<sup>3</sup> Communication with David Gruen, Chief Financial Officer, Forsyth County, February 22, 2017.

Peer jurisdictions. The City of Atlanta’s current and proposed total non-utility impact fees for an average single-family unit are compared with total non-utility impact fees charged by five comparable jurisdictions in Figure 6. Atlanta’s fees are currently the lowest, and would be the second-highest after Miami-Dade County under the proposed fees, although only modestly higher than Raleigh, Durham, Fort Worth and Phoenix.

**Figure 6. Single-Family Fees, Atlanta and Peer Jurisdictions**



The peer city comparison looks similar for nonresidential land uses. Total non-utility impact fees per 1,000 square feet for retail uses (for a 100,000-square foot shopping center or general retail development) are compared in Figure 7.

**Figure 7. Retail Fees per 1,000 sq. ft., Atlanta and Peer Jurisdictions**

