

Development Impact Fee Advisory Committee
May 11, 2022
Meeting 2

Committee Member: Jim Collins, Monica Mastrianni, Tomeca McPherson, Melissa Phillips, Pat Shay, Dwayne Stephens, Bryan Wardlaw

Guests: Sean Evans (WTOC), Destiny Wiggins (FOX28), Jared Downs, Jen Davenport, Carrie Lawson

Consultant Team: Bill Ross, Paige Hatley

City Staff: Bridget Lidy

The attached presentation was shared with attendees.

Where are we in the Process?

Mr. Ross outlined the process on developing an impact fee program. The first task is to complete a Methodology Report. At this time, the draft of the Methodology Report has been shared with the Committee. The document includes growth projections, service areas, level of service, existing facilities, planned facilities, gross impact cost, credits and new maximum fee. The categories addressed in the document include parks/recreation facilities, fire protection, law enforcement and road improvements. The Methodology Report outlines the maximum impact fee, and it will not be approved by City Council. The fee schedule will be adopted by City Council through an impact fee ordinance.

The second task is the completion of the Capital Improvement Elements (CIE) which will become part of the Comprehensive Plan. It is required by the Georgia Department of Community Affairs (DCA) and provides growth projections, service areas, level of service, planned facilities and a list of capital projects eligible for impact fees. Once finalized, the CIE will be submitted to the Regional Development Council and then to the Georgia Department of Community Affairs (DCA). After the document has been reviewed by these entities and comments addressed, City Council will have to adopt the CIE. This document will need to be updated every five years.

Task three involves crafting an impact fee ordinance. It will outline the impact fee schedule which may be less than the maximum fee as identified in the current Methodology Report. City Council will have to adopt the ordinance which will include the fee schedule. The document will also outline the process for exemptions and credits. Two public hearing must be held prior to the adoption of the ordinance.

The fourth and final task is developing the fee assessment program and procedures for staff. Once this is completed, impact fees may be collected. Keep in mind, the City must provide an impact fee annual report which is required by State law.

Ms. Phillips asked if the consultant team would help to update the CIE in five years. Mr. Ross responded that their contract is only for the development and implementation of the program based on City Council's direction.

Ms. Mastrianni asked if the parks/recreation facilities could be used to improve existing, substandard structures. Mr. Ross stated that funds may only be used for new facilities. He added that impact fees could be used for expansion of existing facilities. For example, an addition with more square footage or a new building with a larger footprint—the expanded area—could be eligible. Anything associated with the existing structure or footprint would not be.

What is the Methodology Report?

Mr. Ross summarized the purpose of the Methodology Report with these four points:

1. Provides forecasts to 2045 and calculates the demand for future services
2. Projects needs for system improvements during the 23-year planning horizon
3. Establishes capital improvements that will meet the anticipated need for system improvements
4. Outlines the maximum impact fee that could be charged to help pay for the system improvements.

Mr. Ross strongly recommended not having City Council adopt the Methodology Report. If it were adopted, the jurisdiction would charge the maximum fee amount. The purpose of the document is to outline the maximum amount that could be charged.

Mr. Wardlaw asked if there was a set ceiling that could be charged. Mr. Ross stated that each community is different. Many have adopted a lower fee with the idea the elected officials would increase it in the future. However, Mr. Ross has never seen that happen. He added that any revisions to the maximum fee structure would have to go back through the same process that we are undertaking right now. The Methodology Report focuses on a 20-year projection to 2045.

Ms. McPherson asked how the impact fee is determined. Mr. Ross stated that it is ultimately up to the elected officials. They will review and use the Methodology Report to make a recommendation. In addition, they will determine any exemptions based on state law. Ms. Hatley stated that they have a list of 15-20 communities for City Council to consider so they can get an idea of what others are charging and for what categories. She hopes to have a draft of this list at the next Committee meeting.

Mr. Ross discussed the projected maximum impact fee and explained that it is based on mathematics—which does not have to be precise. However, rough proportionality is required since new growth and development may not be charged more than their fair share of capital improvements. In addition, there must be a connection between the fee charged and the improvements to be made.

Mr. Ross stated that the calculations must be made in current value dollars. In addition, the Level of Service (LOS) provided must be the same for new development and existing taxpayers. Taxes generated by new growth that will be used to cover the non-eligible portion of impact fee projects must be credited against the impact fees.

Mr. Ross said that the impact fees are not etched in stone forever. DCA requires an annual CIE report at the end of the year. This update cannot revise the fee schedule or allow for new projects to be added to any categories. If new projects were added, the CIE must be amended. He stated that the CIE should be reviewed and amended regularly to assist in monitoring changing conditions. An example of a CIE amendment is adding a helicopter to the list of expenses to assist fire protection (dropping water due to the increase of fires). This would be considered a new item and would be added to the impact fee

schedule. Every five years, it is required that the CIE be updated. The impact fee schedule is set in the impact fee ordinance—which would need to be amended to change the fee.

Mr. Ross said that all impact fee calculations are in net present value. He explained that calculations start by taking the current estimated cost of a project and adding any adjustments which would include increases due to inflation and then reducing interest rates. In addition, credits like SPLOST, bonds, and property taxes paid by new growth would have to be reduced. The result of this calculation equals the maximum net present value. Mr. Ross explained that a certain percentage is taken across the board. The percentage charged may vary between categories. For example, the road category may be 100% while the parks/recreation category may be at 50%. Within the categories, the land values are also adjustable. We cannot single out a specific land use. Mr. Ross explained that at the next meeting, the Committee will be able to see a spreadsheet where we can adjust the number to determine how it impacts the fee structure.

Mr. Ross reviewed ways on how to reduce impact fees to include:

- The adoption of a reduced impact fee schedule where the jurisdiction adopts fees that are less than the maximum
- The individual fee assessment addresses special or unique situations
- Individual appeals provides relief requested by property owner
- A developer agreement is approved in lieu of the Impact fee Ordinance requirements

Any appeals would be heard by staff and then forwarded to Council for a final decision if a resolution was not determined during the staff appeal process. In the event a developer received a credit, they will be able to carry them over to another project. If there is a secondary market where developers are trading credits, this activity must be reported.

There are two possible exemptions—one for affordable housing and the other for “extraordinary” economic or employment growth. Sandy Springs has the affordable housing credit. However, it has never been used. The percentage of affordable housing is something that the jurisdiction would define. The “extraordinary” economic or employment growth is also defined by the City. Fayetteville used this to incentivize development in their downtown which needed to be revitalized. Another example provided by Mr. Ross was where a county provided an exemption to companies who located in the county owned industrial park. If the exemption is used, the City will need to identify funds to make up for the gap in impact fee collections. This is done at the end of the year.

Mr. Shay asked about the affordable housing exemption. Mr. Ross explained that if the City offered this as an exemption, the City would have to make up the cost of the impact fee. Mr. Collins asked if there was a way to incentivize Low Income Housing Tax Credit (LIHTC) projects which are typically seen in Savannah. Mr. Shay also said to look at other qualifiers with affordable housing like public-private partnerships. He said we should predetermine these types of perimeters to help produce more affordable housing. It is already difficult to make the housing affordable.

The timeline for the impact fee project was reviewed. Ms. Lidy mentioned that the consultants will be presenting the Methodology Report to Council on June 23 at 4PM. Ms. Hatley suggested meeting with the Committee before the Council meeting to review the revisions and final draft of the Report based on the comments from this meeting. Ms. Lidy also suggested having a meeting following the Council meeting to review language for the affordable housing exemption.

Mr. Ross said that the collection of the fees is an administrative process that the consultants will assist in setting up for the City if the impact fee program is adopted. These fees are typically assessed during the building permitting process—either at the time of submission or prior to the issuance of the CO. The Committee agreed to provide the fee at the time of permit submission with collection before the CO is issued.

Mr. Wardlaw asked if it was fair to assess the fees at 100% if the ordinance is adopted. He suggested a sliding scale where year one would be a 25% collection, year 2 a 50% collection, etc., until it got to year 4 at 100% collection. Mr. Ross stated that if the Committee was amenable to this approach, it would have to be articulated in the ordinance that outlines the impact fee schedule. He reminded the Committee that this would be a decision of the elected officials. The Committee can make a recommendation to Council for this to be included.

Mr. Collins has access to a database of comparison impact fees charged in southeast Georgia and South Carolina communities. He suggested that the consultants provide this information for southeast Georgia.

Mr. Shay stated that Savannah's program should be innovative and encourage affordable housing production and not punish the developer. Let's look at Sandy Spring's ordinance and add our own language.

Mr. Ross reminded the Committee that the ordinance would adopt the fee schedule. The resolution would outline the exemptions. Ms. Lidy suggested packaging the ordinance and resolution at the same time to ensure we had a comprehensive program.

Mr. Shay made the observation that the parks/recreation category was high as compared to the other categories. Ms. Hatley mentioned that this is typically the case in other communities.

Mr. Wardlaw questioned why the parks/recreation fee only applied to residential uses and not commercial uses like hotel. He stated that visitors enjoy amenities. Mr. Ross explained that the fee was charged for new parks/recreation facilities—not existing assets. Ms. Hatley mentioned that the Tide to Town project was included in the forecast. She added that this project could be treated differently and applied across the board to all uses. Ms. Hatley mentioned that credits could be given if the developer donated land for the trail or developed part of it. This could also be true if the developer donated land for a fire station. Mr. Collins stated that with residential developments, many times there are amenities like open space, tennis courts or pools. Ms. Hatley stated that the facilities need to be open to the public and not just serve the property owners association—there cannot be a key to gain access. Mr. Wardlaw stated there should be a way to credit these amenities since the residents would put less stress on the other community wide assets. Mr. Ross mentioned that fires pose a consistent threat for both residential and nonresidential uses. He added that the impact fee applies to projected growth. Mr. Ross stated that these types of scenarios would have to be outlined in the ordinance as a development agreement.

