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## **MEMORANDUM**

**To:** City of Dunwoody Mayor and City Council  
**From:** Michael Tuller, AICP, Community Development Director  
**Date:** January 10, 2011  
**Subject:** **Impact Fee Assessment Report**

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### **BACKGROUND**

The City of Dunwoody, like many emerging metropolitan communities has taken proactive steps in addressing funding alternatives for the future. One potential revenue source being conceptualized is to enact an impact fee program where a one-time “fair share” dollar amount is assessed for new development by the city as a condition of permitting the project in our municipality. The monies generated by the new use being developed would go to an impact fee program dedicated to funding infrastructure system improvements over an extended period of time.

Ross & Associates have created an Impact Fee Assessment Report specific for the City of Dunwoody, which outlines the Development Impact Fee Act in Georgia and how Level of Service measurements could be created for our city, which contemplate new populations moving into the community and changes within our commercial real estate landscape.

### **ANALYSIS**

The State of Georgia allows impact fees to be collected for a number of system improvements typically programmed by local governments; where the proposed improvements can contemplate roads, public safety, parks/recreation, water supply, stormwater, wastewater, and libraries as possible areas for future funding allocations. Impact fees have been in existence in Georgia for approximately 20 years, where they have served as an innovative financing mechanism for implementing capital improvement projects. Locally, the cities of Sandy Springs, Roswell, and Alpharetta have implemented successful impact fee programs.

In the past 3 years, there have been increasing conversations in local governments throughout the state whether or not impact fees are a reasonable option for jurisdictions to entertain in relation to the national economic slowdown and local-level market competitiveness. Members of the business community have publically voiced their concern that the impact fees assessed for new development act as a deterrent for new business attraction. Conversely, staff research shows the cost of impact fee assessments to both residential and commercial developers is typically only 1% or 2% of the total cost to develop a tract of land; where it has been stated by professionals in the industry that



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impact fees truly do not discourage residential or commercial entities from locating in one community over another.

**RECOMMENDATION**

Staff recommends Mayor and City Council continue to evaluate the feasibility of Impact Fees as a potential revenue source in funding infrastructure system improvements for new development within the City of Dunwoody.

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# Impact Fee Assessment Report



**Dunwoody**  
\* Smart people – Smart city

## Impact Fee Program

DRAFT REPORT December 3, 2010

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**ROSS+associates**  
urban planning & plan implementation

# Impact Fee Assessment Report

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## ■ Executive Summary

This report presents an assessment of six public facility categories—fire protection/EMS, police protection, parks & recreation, libraries, roads, and stormwater facilities—as to whether they should be included for further and more detailed study in a City of Dunwoody impact fee program.

There are certain restrictions on what can and cannot be included in an impact fee program. In evaluating the public facility categories presented here an assessment has been made as to whether the category should or could be included in an impact fee program for the City of Dunwoody, whether sufficient information is available for impact fee calculations, what population is served by the facility, and what future projects could be impact fee eligible.

It is recommended that the City further explore in more detail five categories in an impact fee study: fire protection/EMS, police protection, parks & recreation, libraries, and roads. It is further recommended that the City consider adopting an economic development exemption as part of an impact fee program in order to be able to provide relief from impact fees for certain desired development.

In some cases the City's participation through impact fee funding may only be financial, such as with libraries, and in other cases the City's participation would include ownership of the facilities themselves, such as the current case of police protection. It is recommended that impact fees be studied for fire protection/EMS, police protection, parks & recreation, libraries, and roads, with the understanding that impact fees may represent the City's funding commitment to other governmental entities, rather than direct construction or purchasing costs.

Many policy issues are involved in the creation of an impact fee program; not the least of these are questions concerning level of service (LOS) standards and service areas. Recommendations have been made here concerning LOS standards and service areas as a point of beginning for further study of each category. However, the ultimate decision on any policy question rests with the City Council. This document is intended as a guide through the policy issues surrounding impact fee calculation and implementation, with greater detail provided throughout this report.

*It is recommended that the City move forward with an impact fee study that includes:*

- *fire protection/EMS*
- *police protection*
- *parks*
- *libraries, and*
- *roads.*

### Summary of Recommendations

Public Facility Category	Include in Impact Fee Study?	Recommended Level of Service	Comments
Fire Protection/EMS	Yes	Current (square footage and some vehicles) if City system; enhanced LOS for the city if County system	Fee collection can be used for financial participation in county system enhancements
Police	Yes	Current (square footage and some equipment)	Fee collection can be used to fund some 911 equipment in addition to facility space
Parks & Recreation	Yes	3.6 acres per 1,000 population; current level for park facilities	Based on the level of service, a current deficiency exists in park land*
Library	Yes	Enhanced LOS (square footage and collection materials) for the city if the library remains in the County system	Fee collection can be used for financial participation in county system enhancements
Roads	Yes	'D' (road projects that add capacity)	
Stormwater	No	n/a	User fees may be adequate at present



\*For more information on service deficiencies see the *Level of Service Considerations* section of this report.

### Implications

For fire/EMS and libraries (if the City takes over the three County fire stations and/or the County Library and establishes its own systems), and for the City police, an extension of the ‘current level of service’ is recommended. Using this approach means that future development will be served at the same LOS as existing development is served now, that there is neither an existing deficiency nor excess capacity in the existing systems, and that future capital improvements will be needed only to serve new growth.

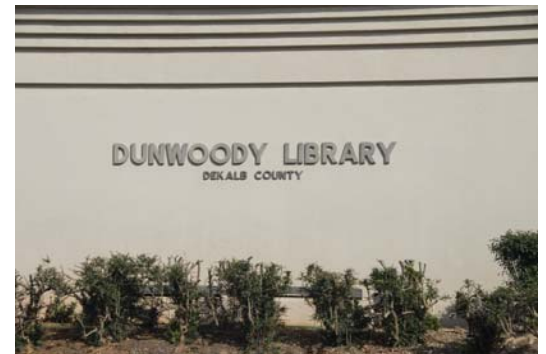
These future capital improvements may be owned and funded by the City, or in the case of fire protection and libraries may be owned by the County with City impact fees being used to fund only those improvements that will increase the level of service provided to the City. Should a change occur in ownership, if for example the City were to take over fire protection responsibility within the city limits, existing impact fee calculations can be used to seamlessly move from city funding of county facilities to city funding of city facilities.

While it is recommended that recreation facilities (playgrounds, ball fields, etc.) be maintained at the current level of service, the level of service for park land is recommended to be increased from the ‘current’ 2011 level of 3.09 acres per 1,000 population to 3.6 per 1,000 as directed by the City’s *Comprehensive Plan*. This creates an existing deficiency that will require funding from non-impact fee sources.

Impact fees for roads can only be used to the extent that new capacity is created by the road improvement that will accommodate new growth. Sidewalks and bike lanes can be included as parts of eligible road improvement projects, but cannot be funded independently.

For stormwater facilities, the current funding mechanism (user fees), combined with a lack of planned system-wide facilities, suggests that this category does not need to be included in an impact fee study. Should conditions change, the category could be revisited.

There are two current planning efforts that will affect the calculation of impact fees: a parks master plan and a transportation plan. Every effort should be made to incorporate the data and findings of those studies in the eventual impact fee calculations. It is recommended that the calculation of impact fees in these two categories be carried out while these plans are being prepared, rather than before.



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## ■ Introduction

Impact fees can be a confusing and daunting subject. It is the intention of this Impact Fee Assessment Report to give the City of Dunwoody the tools necessary to make some decisions relating to impact fees as a funding strategy, prior to preparation of an impact fee study.

This report presents an assessment and a set of recommendations concerning capital facilities eligible for inclusion in an impact fee program. This is the first step toward the preparation of an impact fee study for the City. The intent of this document is to provide background information on the service categories that could be included in an impact fee program. The categories examined in this report include fire protection/EMS, police protection, parks & recreation, libraries, roads, and stormwater facilities.

In addition to the category recommendations, this document provides an overview of considerations and requirements for level of service and service area determinations, as well as information about required annual updates. Possible exemptions are also discussed.

Based on the decisions by the City Council on the policy issues raised in this report, the consultant will prepare a detailed Methodology Report that will calculate the maximum impact fees that can be adopted for each facility category, by land use type.

### Policy issues considered in this Report:

- Public facility categories to be included in impact fee program.
- Pop/employment forecasts.
- Level of service standards.
- Service areas.
- Exemptions from impact fees.

## Impact Fees

Under State law, the City can collect money as a one-time ‘impact fee’ from new development based on that development’s proportionate share—the ‘fair share’—of the cost to provide the public facilities it needs. Revenue for capital facilities also can be produced from new development in other ways: such as through future property taxes generated by new houses and nonresidential projects.

To the extent that new growth and development generates other revenue that is used to pay for the same improvements that are funded by impact fees, or for non-impact fee eligible portions of impact fee projects, a credit against impact fees must be granted. In other words, an impact fee represents the shortfall in facility funding not covered by other sources of revenue that will be generated by new development.

Impact fees are authorized in Georgia under Code Section 37-71, the *Georgia Development Impact Fee Act* (DIFA), and compliance is administered by the Georgia Department of Community Affairs under Administrative Rules Chapter 110-12-2,



*Development Impact Fee Compliance Requirements.* Impact fees are a form of revenue authorized by the State, and strictly defined and regulated through State law. The provisions of DIFA are extensive, in order to assure that new development pays no more than its fair share of the costs and that impact fees are not used to solve existing service deficiencies.

## Eligible Costs

Impact fees can be used to fund what are defined by DIFA as ‘system improvements’ and are prohibited from funding what are called ‘project improvements.’ System improvements are public facilities designed to provide service to the community at large, such as a fire station or park. Project improvements are facilities that are planned and designed to provide service for a particular development project, are necessary for the ‘use and convenience’ of the occupants or users of the project, and are not system improvements. Examples of project improvements include roads within a subdivision, a deceleration lane for a grocery store, or a private pool open only to residents of a particular neighborhood.

Impact fees are also limited to funding certain types of capital projects, as defined by the State Act. Eligible facilities under DIFA are defined as capital items having a life expectancy of at least ten years, such as land and buildings. Fire trucks would be eligible, for example, since they have a useful life of at least ten years. Impact fees cannot be used for the maintenance, supplies, personnel salaries, or other operational costs, or for capital items that last less than ten years such as computers or automobiles. Many capital projects that are impact fee eligible will have associated non-eligible costs. The construction of a police station may be 100% impact fee eligible, for example, but in order to provide police protection service the City will also be required to maintain the facility, pay officer’s salaries, and provide other supplies and services that do not have a useful life of ten years.

Even without considering the non-eligible costs associated with some capital improvements, impact fees are unlikely to be used as a sole funding source for those improvements. While the last dollar in impact fees is not collected until the last new residents and employees move to the city twenty years from now, the facilities required to serve that growth often need to be in place before they arrive. Some capital items, such as library books or park land, can be purchased on a ‘pay as you go’ basis, but this is not an effective or likely method for the financing of major public facilities such as a police station that are needed well in advance of the total future population they are designed to serve. Impact fees can be used to repay other city funding sources (general fund, SPLOST) that have been used to finance capital projects, as well as the principal and debt service on any impact fee related loans or

*Impact fees are authorized by the Development Impact Fee Act, and any impact fee program must meet all provisions of that law.*

*Impact fees can only be used to fund public facilities with a useful life of at least ten years that serve the community at large.*

bonds. Lastly, impact fees can be used not only to pay for new facilities needed to serve new development but also to recoup investment that has already been made that created capacity for future growth. Impact fees should be viewed as one potential funding source in a balanced financing strategy, not the only source.

## The Capital Improvements Element

The legal basis for the collection of impact fees in the city is the adoption of a Capital Improvements Element (CIE) as an Amendment to the *Comprehensive Plan*. Data prepared for the impact fee study will amend the *Plan*, and vice versa. Population, housing units, and employment forecasts have been prepared for the *Plan*, and would be used in the impact fee study. The CIE prepared as part of this impact fee study will be submitted for state review and adopted following the procedures for a ‘major amendment’ to the current *Comprehensive Plan*.

The Capital Improvements Element reflects the methodologies used to determine new development’s fair share of future city capital improvements. The CIE establishes clear public policies regarding infrastructure development, ensures sound fiscal planning for capital improvements and establishes the need for new facilities, including a compilation of the capital facilities on which impact fee revenue can be spent. An important consideration is that impact fee revenue can only be spent on projects listed in the CIE, and only in the category for which it was collected. For example, impact fees collected for fire facilities can only be spent on fire facility projects listed as eligible in the CIE.

In the years ahead, changes to the City’s impact fee program will come up, whether new projects to be added, revised cost estimates, whole new facility categories such as stormwater, etc. Updates to the CIE will assure that these changes are accommodated and the adopted impact fees are current to revised plans and costs.

*Impact fee revenue can only be spent on projects listed in the CIE. Fees collected in one category can only be spent in that same category.*

*Annual CIE Updates (required by DCA) provide an opportunity for amending the program to address future changes*

### Who Pays an Impact Fee?

Oftentimes it is said that impact fees are a funding method that allows ‘new growth’ to pay for the services it demands. This is true as far as it goes, but it would be more accurate to say ‘new demand’ instead of ‘new growth.’ New growth simply refers to new residents and employees who move into the jurisdiction. Impact fees are charged based on the increase in demand for services. The difference is that the person demanding the increase in service may or may not be new to the jurisdiction; they may have lived there all or part of their life. However, the majority of new demand for services will be generated by new growth.

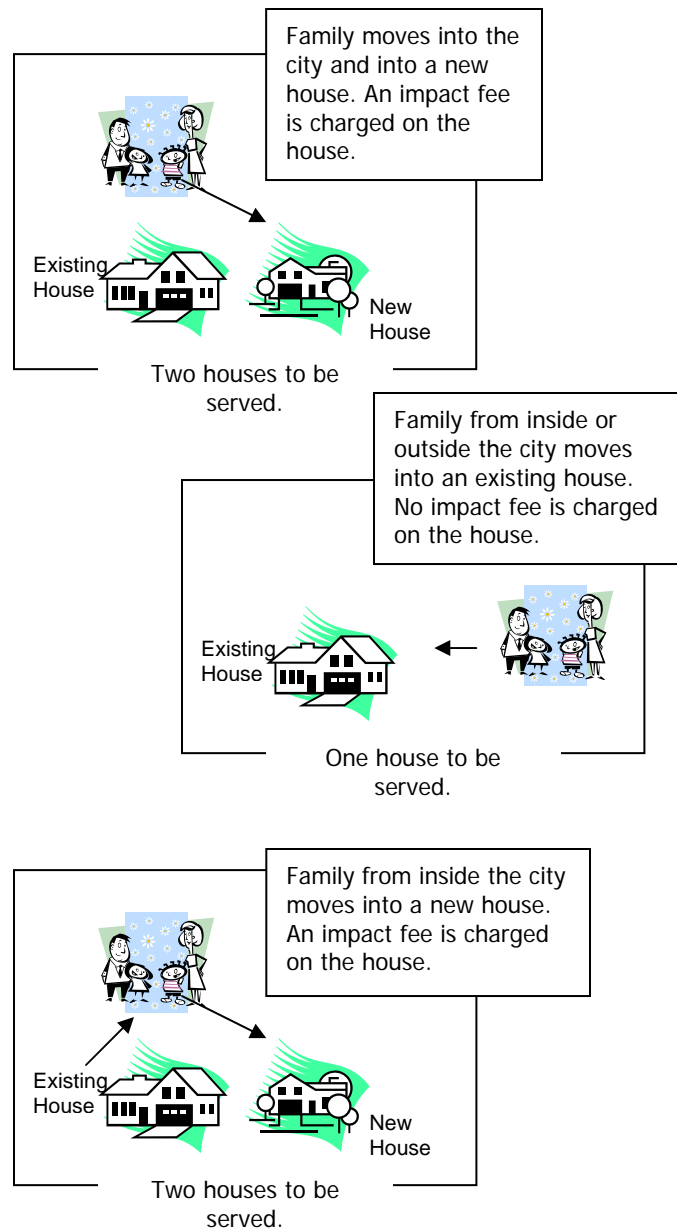
Here are some examples that will help explain the distinction:

- A family from outside the city moves into a new home built in the city. The new demand for services, represented by the new house, is also being generated by new growth. An impact fee is collected when the house is built.
- A family from outside the city moves into an existing house. While the residents are new growth, the dwelling unit already existed and is being served by the local government. It does not represent a new demand for services. No impact fee is collected.
- A family from inside the city moves into a new home built in the city. This might be the case where a child marries and moves out of their parent’s house into a new home. The family does not represent new growth, but does represent a new demand for services since there is a new dwelling unit that must be served. An impact fee is collected.
- A family from inside the city moves into an existing house. The residents are not new growth; the dwelling unit already existed and is being served by the local government. It does not represent a new demand for services. No impact fee is collected.

The key here is to look at the net increase in demand. For residential land uses the demand is measured in dwelling units. If a new house is built, it must be served, regardless of who lives there. (The police department, for example, must protect the house, no matter where the residents came from.)

Accessory uses—detached garages, swimming pools, tool sheds, etc.—are not assessed an impact fee.

These examples also apply to nonresidential land uses, but with a different ‘unit of measure.’ Many nonresidential land uses, for example, are charged an impact fee



based on square footage. This is the ‘unit of measure,’ just like a dwelling unit is the ‘unit of measure’ for residential land uses. An increase in square footage, such as building a new building or expanding an existing one, represents an increase in the demand for services. Consider these examples:

- An existing business expands, increasing its square footage. An impact fee is collected on the net new square footage.
- An existing business builds a new building, moving out of its old one. This is similar to the third example given above for residential land uses. There is a net increase in square footage to be served by the city—the new building as well as the original structure. An impact fee is collected on the new building.
- A business rebuilds its current structure and adds no new square footage, in essence replacing their existing building. No impact fee is collected.
- A structure is occupied by a new tenant, different from the previous one but with no change in land use. For example, if a restaurant takes over a building previously used as a restaurant. There is no change of use (just a change of tenant) and no impact fee is collected.
- A structure is occupied by a new use, different from the previous use of the building. This might happen, for example, when a hardware store is replaced by a sporting goods store. An impact fee is collected on the incremental increase between what would be owed by the two uses. In this example, the impact fee owed by the hardware store would be calculated, and the fee owed by a clothing store of the same size would be calculated. The applicant would owe the difference between the two uses—the incremental increase—not a full fee as if it were a new use.

There is one exception to the ‘change of use’ example:

- A tenant space in a shopping center is vacated by one business and occupied by another. The ‘shopping center’ land use category is unique in that no change in land use occurs, even if the tenants are very different, such as a jewelry shop and a clothes store. No impact fee is collected.

In the end, the key is to identify whether or not an increase in the demand for services has occurred. If so, an impact fee is owed; if not, no fee is owed.

## ■ Population and Employment Forecasts

In order to accurately calculate the demand for expanded services for the City of Dunwoody, new growth and development must be quantified in future projections. These projections include forecasts for population, housing units, and employment to the year 2030.<sup>1</sup> These projections provide the base-line conditions from which the level of service calculations can be produced. Also, projections are combined to produce what is known as ‘day/night’ population. This is a method that combines resident population and employees in the city to produce an accurate picture of the total number of persons that rely on certain services, such as law enforcement on a 24-hour basis.

Accurate projections of population, housing units, and employment are important in that:

- Population data and forecasts are used to establish current and future demand for services standards where the Level of Service (LOS) is per capita based.
- Dwelling unit data and forecasts relate to certain service demands that are household based, such as libraries and parks, and are used to calculate impact costs in that the cost is assessed when a building permit is issued. The number of households—defined as occupied housing units—is always smaller than the supply of available housing units. Over time, however, each housing unit is expected to become occupied by a household, even though the unit may become vacant during future re-sales or turnovers.
- Employment data is combined with population data to produce ‘day/night’ population figures. These figures represent the total number of persons receiving services, both in their homes and in their businesses, particularly from 24-hour operations such as fire protection and law enforcement.

*Population, housing and employment forecasts quantify the future demand for public facilities.*

### The Forecasts

Residential demand for future services is based on population size expressed as either numbers of residents or number of dwelling units. Nonresidential demand for services is based on number of employees. In many cases, demand for services may be a combination of residential and nonresidential forecast figures. The population, dwelling unit and employment forecasts used for this assessment report have been

<sup>1</sup> The impact fee program shares the horizon year of the 2010 *City of Dunwoody Comprehensive Plan*.

drawn from the current *Comprehensive Plan*, with intervening years projected based on observed annual rates of change between figures provided in the *Plan*.

The first table on the next page presents the forecasts for population, dwelling units, 'value added' employment, and 'day/night' population. This table is accompanied by graphs that visually depict the forecasts. The vertical dashed line on each graph is the 2011 figure for each forecast—this will be the base year for impact fee calculations.

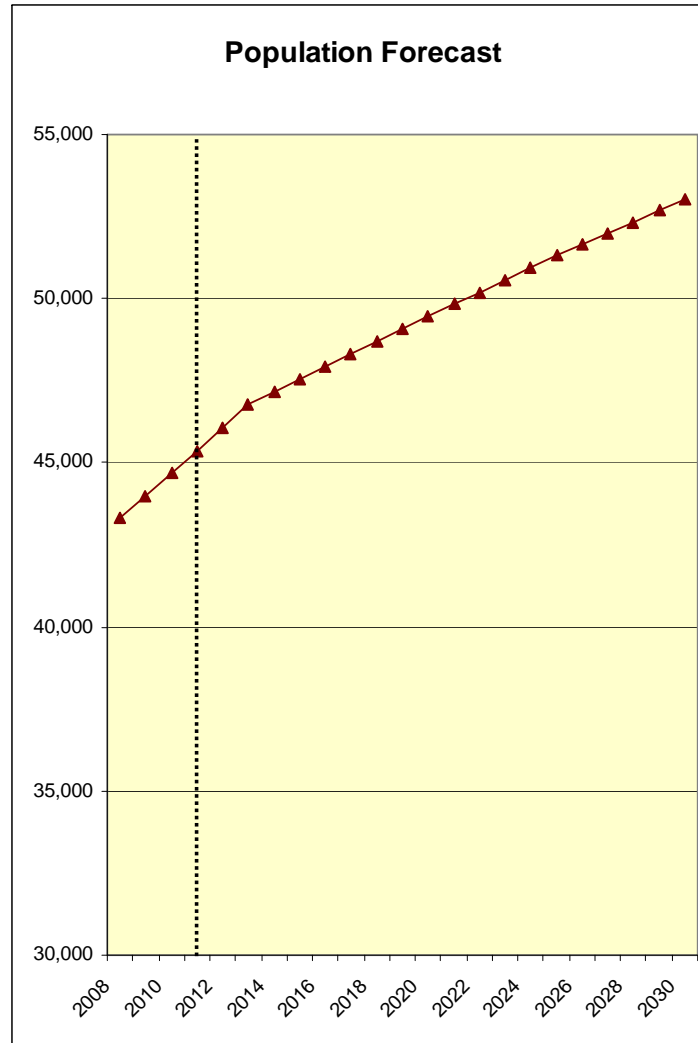
'Value added' employment is a sub-set of total employment in the city, and represents the number of employees in non-transitory jobs. Basically, 'value added' employment excludes construction sector employment.

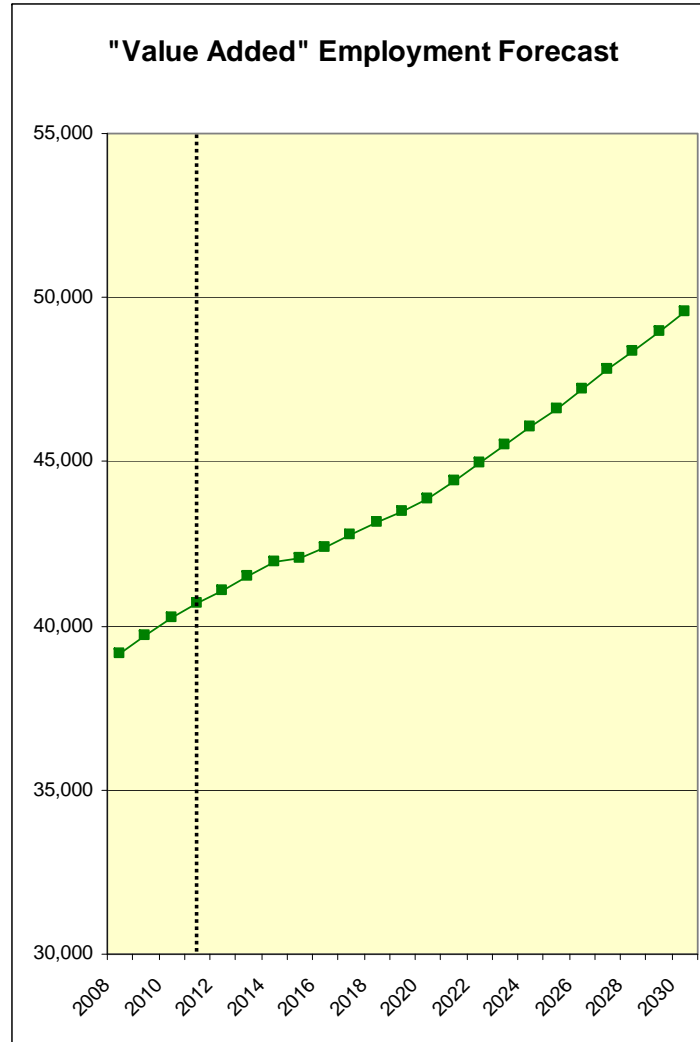
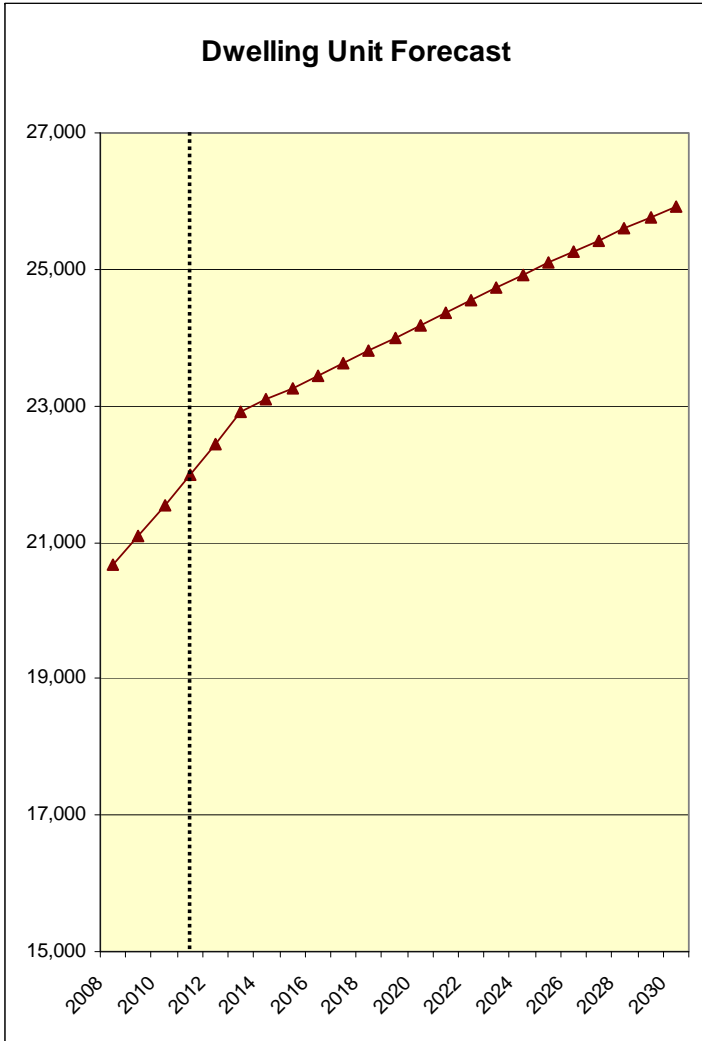
The 'day/night' population is a combination of the resident (population) projections and 'value added' employment estimates, and is used to determine level of service standards for facilities that serve both the resident population and business employment. The police department, for instance, protects someone's house whether or not they are at home, and protects stores and offices whether or not they are open for business. Thus, this day/night population is a measure of the total services demanded of a 24-hour provider facility and a fair way to allocate the costs of such a facility among all of the beneficiaries.

*'Day/Night Population' is  
the combination of  
residential population and  
employment in a given year.*

**Forecasts - City of Dunwoody, GA**  
**2008 - 2030**

	Population	Dwelling Units	"Value Added" Employment	Day/Night Population
2008	43,322	20,667	39,162	82,484
2009	43,995	21,096	39,701	83,697
2010	44,679	21,535	40,248	84,927
2011	45,374	21,982	40,673	86,046
2012	46,079	22,439	41,102	87,181
2013	46,795	22,905	41,535	88,330
2014	47,167	23,084	41,974	89,141
2015	47,543	23,264	42,063	89,606
2016	47,921	23,446	42,417	90,338
2017	48,303	23,630	42,773	91,076
2018	48,687	23,814	43,133	91,820
2019	49,074	24,000	43,495	92,570
2020	49,465	24,188	43,861	93,326
2021	49,831	24,367	44,401	94,232
2022	50,200	24,547	44,947	95,147
2023	50,572	24,729	45,500	96,071
2024	50,946	24,912	46,059	97,005
2025	51,323	25,096	46,626	97,949
2026	51,658	25,260	47,205	98,863
2027	51,995	25,424	47,791	99,786
2028	52,334	25,590	48,384	100,718
2029	52,675	25,757	48,985	101,660
2030	53,019	25,925	49,593	102,612







The final table in this section presents the forecasted growth for different service area populations in the city. Police protection, for example, is provided to a city-wide service area; the service area population is the city-wide day/night population. Park and recreation services, for another example, are also provided to the entire city, but the service area population is the residential population, measured in number of dwelling units.

**Service Area Forecasts**

**2011 - 2030**

	City-wide Dwelling Units (Library, Parks)	City-wide Day/Night Population (Fire Protection, Police)
<b>2011</b>	<b>21,982</b>	<b>86,046</b>
2012	22,439	87,181
2013	22,905	88,330
2014	23,084	89,141
2015	23,264	89,606
2016	23,446	90,338
2017	23,630	91,076
2018	23,814	91,820
2019	24,000	92,570
2020	24,188	93,326
2021	24,367	94,232
2022	24,547	95,147
2023	24,729	96,071
2024	24,912	97,005
2025	25,096	97,949
2026	25,260	98,863
2027	25,424	99,786
2028	25,590	100,718
2029	25,757	101,660
<b>2030</b>	<b>25,925</b>	<b>102,612</b>
<b>Net Increase, 2011-2030:</b>		
	<b>3,943</b>	<b>16,566</b>

*Service area forecasts extend to the planning horizon of the Comprehensive Plan.*

By 2030 new dwelling units in the city will represent an increase of about 18% over the 2011 estimate. Also by 2030, new day/night population will represent an increase of just over 19%. The policy implication of these figures is that while all new capital projects funded by impact fees set at the current level of service would be 100% impact fee eligible, the capital projects themselves will represent an increase of between 18 and 19 percent over the current inventory. For example, for every 100 acres of park land that currently serves the residents, an additional 18 acres could be purchased with impact fee funding. For every 1,000 square feet of police facility space the City could pay for 190 additional square feet with impact fees. (Library and parks impact fees are charged only to residential land uses; public safety categories—including police and fire—are charged to residential and nonresidential land uses alike.)

## ■ Assessment of Specific Impact Fee Categories

In this section a series of recommendations is presented concerning the public facility categories of fire protection/EMS and police protection, and for parks & recreation, libraries, road improvements, and stormwater facilities. These recommendations are based on operational control, available data, degree of facility planning already underway, and service area considerations. For each category those four general conditions must be met to be reviewed before recommendation for inclusion in the impact fee program. In more detail, the conditions are:

1. **The capital facilities are controlled by the City.** Facilities must be under City control, either through ownership or intergovernmental agreement, such that the existing capacity is guaranteed to be available to the existing and future development in the city. In cases where the City makes a financial contribution toward a capital facility owned by another jurisdiction or group, such as a library board, the agreement must be long-term and subject to City audit. The portion of that financial contribution that goes toward capital facility expansion resulting in increased system capacity could be impact fee eligible.
2. **Valid and current data exists concerning the current capacity of the facilities.** In order to calculate impact fees the current level of service will be calculated. This level of service must have some reasonable relationship to the current capacity of the facilities.
3. **There is a plan for future expansion of the capital facilities, or excess system capacity exists.** The impact fees are based on the cost to meet future demand through capital projects. Future demand can be met through existing excess system capacity, or through the provision of new system capacity through capital improvements. DIFA is a 'projects-based' type of enabling legislation for impact fees. This means that specific projects intended to provide the capacity to serve new growth must be identified, for at least the next five years of the impact fee program, and more generally for the planning horizon of the *Comprehensive Plan* (2030). If excess system capacity exists, the value of the capital facility providing the excess capacity can be used to calculate a 'recoupment' figure; the portion of the facility value that provides the excess capacity can be 'recouped' through impact fees.
4. **A service area or areas is established.** By law, at least one service area must be identified for each impact fee facility category. For some services, such as police protection, the use of a single city-wide service area would seem obvious. Each facility category, however, needs to be examined and

*Conditions for inclusion in impact fee include: ownership, data availability, plans in place and established service areas.*



realistic service areas considered. Facilities that are inter-related warrant consideration as single service areas. An example is the parks system, where park acreage and facilities are provided to all the residents of the city, without restriction. In this case a park does not just serve the immediate area, but is available to everyone without exclusion. Separate service areas would be appropriate if different levels of service are provided in different areas. (More information on service areas appears in a later section of this document, 'Service Area Considerations.')

The following sections discuss each impact fee eligible public facility category in detail.

## Fire Protection/EMS

In the City of Dunwoody fire protection and emergency medical services are provided by DeKalb County, both directly and through mutual-aid agreements, to all portions of the city. Fire protection facilities could be included in the impact fee study, based on the following criteria:

1. **Inventory of existing facilities.** An inventory of the current fire stations, as well as the heavy vehicles and ambulances, is available.
2. **Plans for capital improvements.** Whether the service remains a county one or is taken over by the City, future growth will require additional fire protection capability. If the City took over the system, an impact fee based on the current level of service (LOS) would result in funding available for a 19% increase in station space, ambulances and heavy vehicles that serve the city.

If the County continues to provide the service, it would be the County's responsibility to maintain the current level of service as the city grows. In this case, through an intergovernmental agreement, the City could fund enhancements to the County's services through impact fees, such as additional fire or emergency equipment, over and above the LOS provided by the County.

**Service area:** The County Fire Department serves the city from a series of fire stations, three of which are located within the city.<sup>2</sup> As growth occurs, it is expected that additional capacity will be required, in order to continue to provide a consistent



<sup>2</sup> It is also believed that the County has a mutual aid agreement with Sandy Springs, which would cover a portion of the city.

level of protection throughout the city. Multiple stations do not necessarily mean that multiple service areas must be adopted. Each station does not act alone; instead, the stations operate as a network to provide fire protection services. Stations do not all serve the same types of land uses, nor do they have the same apparatus. It is the strategic placement of personnel and equipment that is the backbone of good fire protection. In the event of a fire alarm one station will respond, with the second station providing back up. This is the essence of good fire protection planning. It is therefore recommended that this be a single service area.

**Level of service:** For planning purposes, ISO ratings are used as indicators of the current and desired levels of service. ISO ratings depend, in part, on availability of water and response times—two things that can be affected by actions outside the control of the Fire Department. Drought, road congestion, and patterns of new development can impact the insurance ratings. In order to translate fire protection level of service into a measure that can be used in impact fee calculations, it is suggested that the square footage and number of heavy vehicles be used as units of measure.

**Recommendation:** It is recommended that fire protection and EMS be included for further study at the current LOS as a City system, that square footage, ambulances and heavy vehicles be used as LOS units of measure, and that a single service area be adopted. As part of this recommendation it is also recognized that the City may instead opt to use impact fees for City enhancements to the county system. As part of any such obligation should be structured such that the capital projects being funded directly serve the city.

## Police Department

The City Police Department provides primary law enforcement to the city. Police Department facilities should be included in the impact fee study, based on the following criteria:

1. **Inventory of existing facilities.** An inventory of Police Department facility space is available.
2. **Plans for capital improvements.** It is expected that future expansions or replacement of the facility will be required as the city continues to grow. An impact fee based on the current level of service would result in funding available for a 19% increase in square feet of facility space.

**Service area:** The Police Department is understood to serve the entire city. For this reason, a single city-wide service area for primary law enforcement functions is recommended.





**Level of service:** For planning purposes law enforcement level of service is often based on the number of uniformed officers serving the city, or a combination of officers and call responses. While this is a convenient measure for the purposes of staffing and budget planning, it is not an acceptable method for establishing level of service in the context of impact fees. The number of uniformed officers may fluctuate based on budget levels, employee recruitment and retention, and working conditions. In addition, personnel are not capital facilities, and are not impact fee eligible. The bottom line is that an accurate picture of the current need is difficult to attain, based on number of officers. Instead, the size of facilities and equipment inventory should be used to calculate the level of service.

**Recommendation:** It is recommended that the Police Department be included for further study at the current level of service, that square footage of administrative space and units of eligible equipment be used as the LOS unit of measure, and that a single city-wide service area be adopted for law enforcement services.

It should be noted that 911 emergency communications could also fall within this public facility category. In other words, any capital funding obligation from the City to any outside service provider, or the establishment of a city-owned 911 service, could be included in the impact fee calculations.

## Parks and Recreation

The City currently operates park and recreation services throughout the city. The desired level of service shown here is drawn from the *Comprehensive Plan*; this may change as the City undertakes a Parks & Recreation Plan. In either case, parks and recreation facilities should be included in the impact fee study, based on the following criteria:

1. **Inventory of existing facilities.** An inventory of parks & recreation facilities is available.
2. **Plans for capital improvements.** As the city continues to grow it is anticipated that future park projects will be required in order to adequately serve that growth. Parks acreage and facilities that serve new growth can be impact fee eligible.

**Service area:** The City provides parks and recreation services throughout the city without any restriction based on place of residence. A city-wide service area is recommended.

**Level of service:** Often future capital planning for parks and recreation systems is based on the National Recreation and Parks Association (NRPA) standards for level



of service evaluation, and refined for local usage patterns. It is recommended that parks acreage, as well as number of park facilities (ball fields, playgrounds, etc.), should be used as LOS units of measure.

The *Comprehensive Plan* establishes a desired level of service for parks acres of at least 3.6 acres per 1,000 population. This is an increase over the LOS (3.0855 acres per 1,000) that is projected for the 'base year' of 2011. Based on the desired LOS, there is a current deficiency of about 23 acres of park land. Impact fees can be used to fund the purchase of an additional 28 acres of land to serve future residents. In all, a total of 51 acres of park land would need to be purchased to attain and maintain the desired level of service.

**Recommendation:** It is recommended that parks and recreation be included for further study based on the current LOS for recreation facilities and 3.6 acres per 1,000 population for park land, that park acres and facilities be used as the LOS units of measure, and that a single service area be adopted.<sup>3</sup> As part of this recommendation it is also recognized that the level of service standards may change as the Parks & Recreation Master Plan is formulated.

## Library

DeKalb County provides library service to the city through the Dunwoody Branch and its associated performance space. There is no anticipation of establishing a separate library system owned and operated by the City. But there is an expectation that the City could financially participate in the County's library system for enhancements directly serving the city. For that reason, library facilities should be included in the impact fee study, based on the following criteria:

3. **Inventory of existing facilities.** An inventory of library facilities is available.
4. **Plans for capital improvements.** As the city continues to grow it is anticipated that future library capital projects will be required in order to adequately serve that growth. These projects may be facility space construction and/or collection materials purchases. As a County system, the cost to maintain the current LOS would be the responsibility of the County. However, the City may wish to enhance the level of service provided by the County within the city itself and, through intergovernmental agreement, could charge impact fees to fund the increase in capital facilities.

<sup>3</sup> It should be noted that parks and recreation facilities primarily serve residents and that business use of parks is considered 'incidental.' A parks and recreation impact fee therefore would be collected only from new residential construction.



If, alternately, the City created a library system and took over the Dunwoody Library, an impact fee based on the current level of service (LOS) would result in funding available for a 18% increase in library space and collection materials.

**Service area:** The County provides library services throughout the city without any restriction based on place of residence and, vice versa, city residents can use any library in the county. A city-wide service area is recommended if the City wants to enhance the countywide LOS for city residents.

**Level of service:** It is recommended that facility square footage, as well as number of collection materials, should be used as LOS units of measure.

**Recommendation:** It is recommended that libraries be included in the impact fee study based on the current LOS, that facilities and collection materials be used as the LOS units of measure, and that a single service area be adopted.<sup>4</sup> As part of this recommendation it is also recognized that the City may opt to use impact fees for City enhancements to the county-operated system. Any such obligation should be structured such that the capital projects being funded directly serve the city.

## Road Improvements

The data requirements for transportation projects are different from those for the preceding public facility categories, but the basic concepts—current inventory, capacity, and population served—are the same. Because roads are a network, offering drivers options as to route choice without prohibition, the network must be examined as a whole, rather than as constituent parts. There are several methodologies to choose from when calculating a road impact fee. The most rigorous method is based on a computer model, usually run as part of a transportation plan. The model identifies current and future needs on the road network. A transportation plan could be derived from the model information. This plan would identify specific road improvement projects that would be necessary to reach or maintain the desired level of service. In the absence of current citywide data reasonably related to the operation of the road network, and in the absence of a detailed capital improvement plan, road facilities could be included in the impact fee study if such data were developed.

Currently, a transportation plan is being prepared for the City. If roads are to be included in a city impact fee program, the following data would need to be provided:



<sup>4</sup> Like parks and recreation fees, library fees are collected only from new residential construction.



**Service area and system capacity.** The capacity of a roadway is dependent, in part, on its connections to other roads. While the road system could be broken into service areas it is difficult to demonstrate that any one area is independent of the rest of the roadways. For this reason, roads are generally considered as a ‘network’ when transportation plans are created. Sophisticated computer models measure the effect of future improvements across the entire network, road segment by road segment. An engineer is then able to identify the areas where improvements need to be made to maintain a certain system capacity.

**Level of service.** The identification of level of service standards is essential. In road planning a letter grade system (‘A’ through ‘F’, with ‘A’ being best) is used to denote level of service. In Georgia, cities and counties typically adopt a LOS of ‘D’.

**Plans for capital improvements.** Project listings with the required level of detail necessary for impact fee calculations are not currently available. To include individual road projects, the following data is needed for impact fee calculations:

- **Road segment improvements** (widening, straightening for safety and flow). *Data needed:* Description of project (example: location, widen from 2 lanes to four lanes); existing and post-improvement capacity; traffic counts on segment prior to improvement; estimated cost of project (total cost and City’s cost); road classification (arterial, collector, local).
- **Intersection improvements** (turn lanes, widening, signalization). *Data needed:* Description of project (example: location, addition of turn lanes, type of signalization); individual intersection study including traffic counts on each road approaching the intersection (through, left-turning and right-turning movements) and existing and post-improvement capacity (through, left-turning and right-turning movements); estimated cost of project (total cost and County’s cost).

**Recommendation:** It is recommended that the City consider road projects for further study as part of an impact fee program as the required data becomes available. Importantly, only road projects that increase traffic capacity would be impact fee eligible. Even though specific road projects may be focused on increasing safety or flow characteristics, capacity may also be increased. Careful consideration should also be given to the policy implications of a road impact fee. In short, nonresidential land uses typically pay a higher total fee than residential land uses. This is explained in more detail in the next section.

### Policy Implications Specific to Road Impact Fees

On a ‘per trip’ basis, nonresidential land uses pay lower road impact fees than residential land uses, but they typically pay a higher total fee. All land uses pay the fee based on ‘per trip end’ cost, related to the actual new traffic generated on the roads. Only residential land uses pay this cost at 100%, but it is still usually lower than the total paid by nonresidential land uses. The following example shows why.

Jane leaves her house and stops at the convenience store for coffee on the way to work. She then continues from the store to work. After work, she drives home for the night. Jane has made three trips (home to convenience store, convenience store to work, and work to home); these three trips have a total of six trip ‘ends’ (a start and a finish to a trip are each a trip ‘end’).

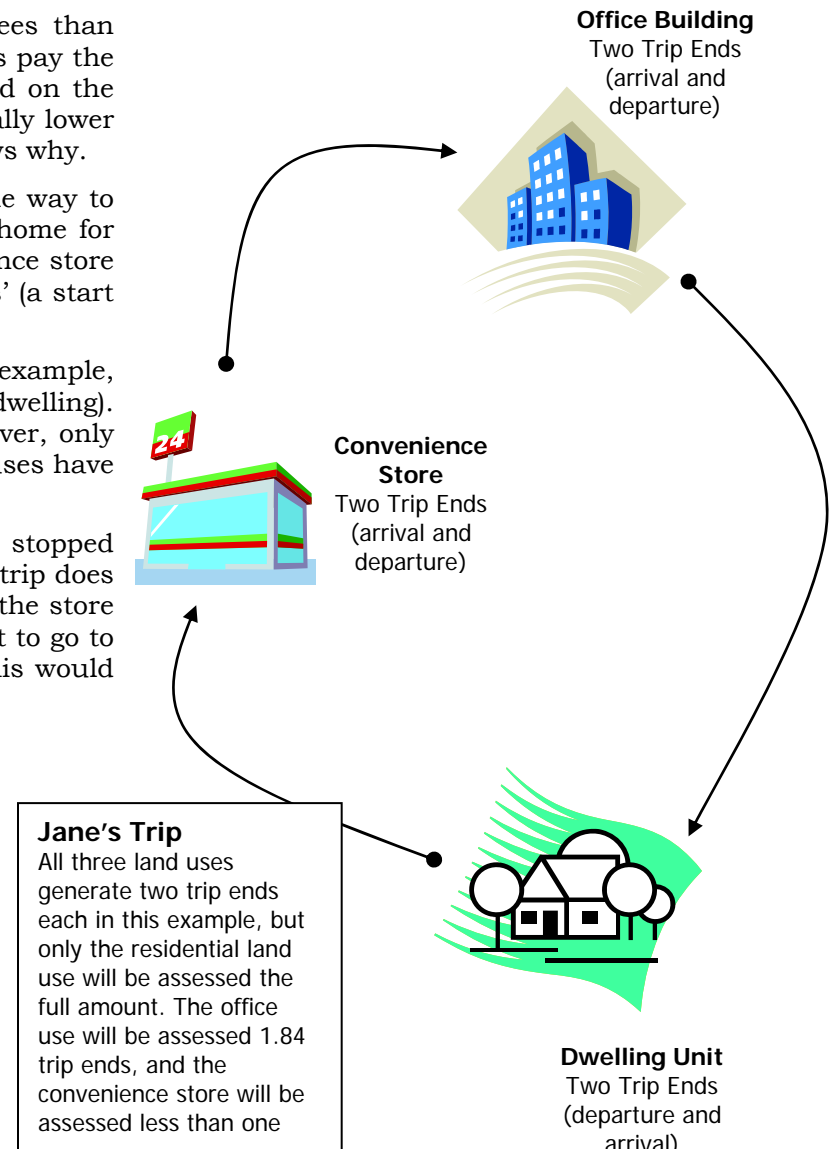
Impact fees for roads are most often charged based on trip ends. In our example, Jane traveled to three different land uses (convenience store, office, and dwelling). Each land use has two trip ends associated with it in the example. However, only the residential land use will pay for two full trip ends. Nonresidential land uses have discount rates for their trip ends, to account for ‘pass by’ traffic.

In our example, Jane was going to work—passing by the store—when she stopped for coffee. She would have been on the road anyway (to go to work), so her trip does not count against the store since it was not her final destination. Instead, the store would only be charged for ‘destination’ trips—those trips that are made just to go to the store. For example, if Jane ‘ran out’ to the store and back for milk, this would not be a ‘pass by’ trip—the store was her only destination.

Using the industry standard data, the convenience store will pay only 40% of the trip end cost, and the office will pay 92%. This means that an average of 60% of the convenience store traffic is ‘pass by’ traffic generated during the trip to another destination, while about 8% of the office traffic is ‘pass by.’ Different land uses have different discount rates.

In the end, the residential land use will pay impact fees for two trip ends, the office land use will pay for 1.84 trip ends, and the convenience store will pay for 0.8 of a trip end, even though all three land uses generated two trip ends. So each nonresidential land use pays less than the full ‘per trip’ cost.

However, the sheer number of trips generated by those nonresidential land uses dwarfs the trips generated by residential uses. To stay with our example, Jane’s dwelling unit would pay for an average trip generation of 9.47 trips, at 100% per trip. An office use would pay for



an average of 11.01 trips per 1,000 square feet, and a convenience store would pay for an average of 738 trips per 1,000 square feet. Even at the discount rate of 40% per trip cost, the store pays a higher total amount in impact fees than a dwelling unit because of the sheer total of net trips it generates, even discounting for 'pass-by' trips of those on the way to a final destination.

This is not to say that a road impact fee is not recommended, just that it is important to consider the policy implications of adopting such a fee.

## Stormwater

Stormwater impact fees have data requirements that are closer to those required for road improvements impact fee calculations than to any of the other categories considered in this report. System capacity is a key element for this category, and the service area population is not a factor in the calculation.

The City maintains a stormwater system, serving the entire city. New customers, as they connect to the distribution system, can be charged an impact fee in order for the city to recoup past capital improvement costs, as well as to potentially fund future system capital improvements. However, this depends on there being system improvements in place or planned as part of a city-wide or drainage basin system that have or will create new capacity to accommodate new development. Currently, the City's stormwater utility is focused on maintenance and revitalization of the system's current capacity. Thus, lacking capital improvement projects that create new capacity, there is no basis for an impact fee calculation.

**Recommendation:** It is recommended that the stormwater system facilities not be included in the program until such time that eligible capital projects are contemplated. In the meantime, the current funding strategy of charging a user fee should remain in place.



■ **Level of Service Considerations**

Determination of the level of service (LOS) to be adopted is a key component of the impact fee calculation. This section provides a deeper discussion of the factors involved in selecting a LOS appropriate to the city, and the effects of adopting a current LOS, or one higher or lower than the current LOS.

Level of service is the foundation for determining future demand. Future capital projects are planned to meet that demand. These future projects have a price tag attached, and the cost to supply services—the price tag—is the dollar amount assigned to future growth through impact fee collection. The LOS adopted by the City is often a combination of technical and non-technical considerations. For example, there are national guidelines available on the number of tennis courts that should be provided in a community, based on population. Local demand, however, might be low for tennis courts, even lower than the national standard. Thus the desired LOS for tennis courts may reflect consideration of several factors: the current inventory, the suggested standard, and the public demand. Engineering, jurisdictional, or other constraints may also require changes to the future provision of services.

The level of service adopted by the City does not have to be the same as the current level of service being provided. However, there are certain considerations to bear in mind when adopting a level of service higher or lower than the current LOS. (The examples that follow explore those considerations in more detail.) By State law:

*The same level of service must be provided to both existing development and new growth.*

The issue here is one of fairness; new and existing property owners will enjoy the same level of service.

It is important to note that the level of service used for impact fee calculations is not always the same as that used for planning purposes by the City. For example, fire stations are often measured in square feet for impact fee calculations, while the Fire Department bases its own planning on such criteria as response times, number of alarm calls, availability of land, mutual aid agreements, and fire insurance ratings. The Fire Department planning determines where new stations should be placed, and when they will be needed. The impact fee calculations determine what funds for the construction of those fire stations are due from new growth. These two methodologies come together in the Short Term Work Program where specific projects are listed (e.g. a new fire station) and the anticipated source of funding is shown (e.g. 80% impact fees, 20% general fund).

*The adopted level of service does not have to be the same as the current level of service.*

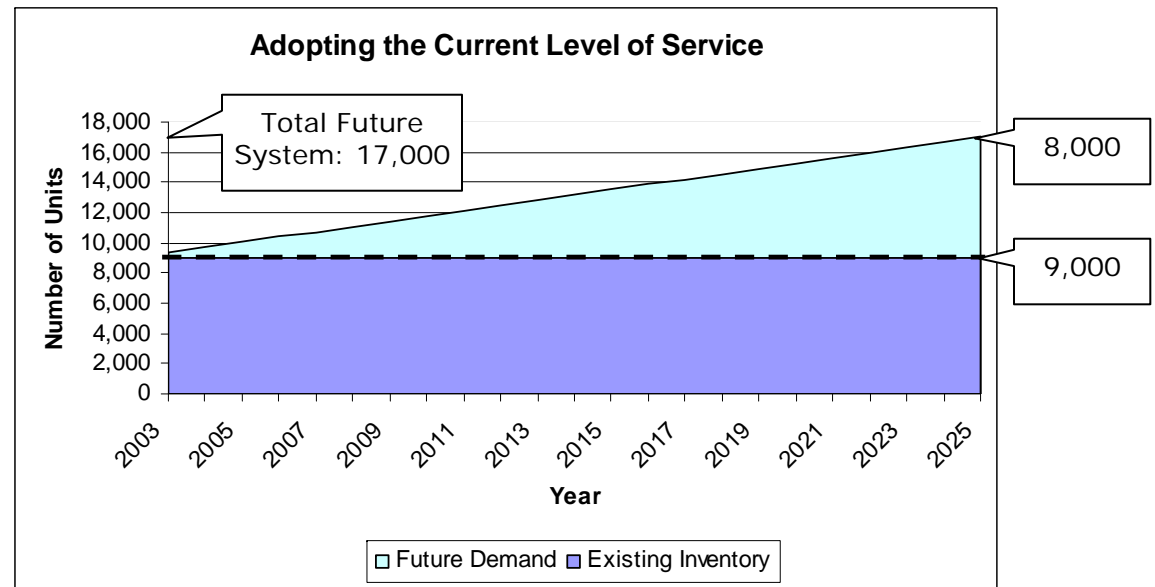
*The same level of service must be provided to both existing development and new growth.*

**Examples**

The examples below describe in detail the results of adopting an LOS equal to, higher than, or lower than the current level. For each of these situations we are using the following **hypothetical** information:

- Current population being served is 45,000.
- The existing inventory is 9,000 units. (For the purpose of this example we will consider this as square feet, though it could be library books, fire trucks, jail space, or some other unit of measure.)
- Population will grow steadily to 85,000 in 2025.

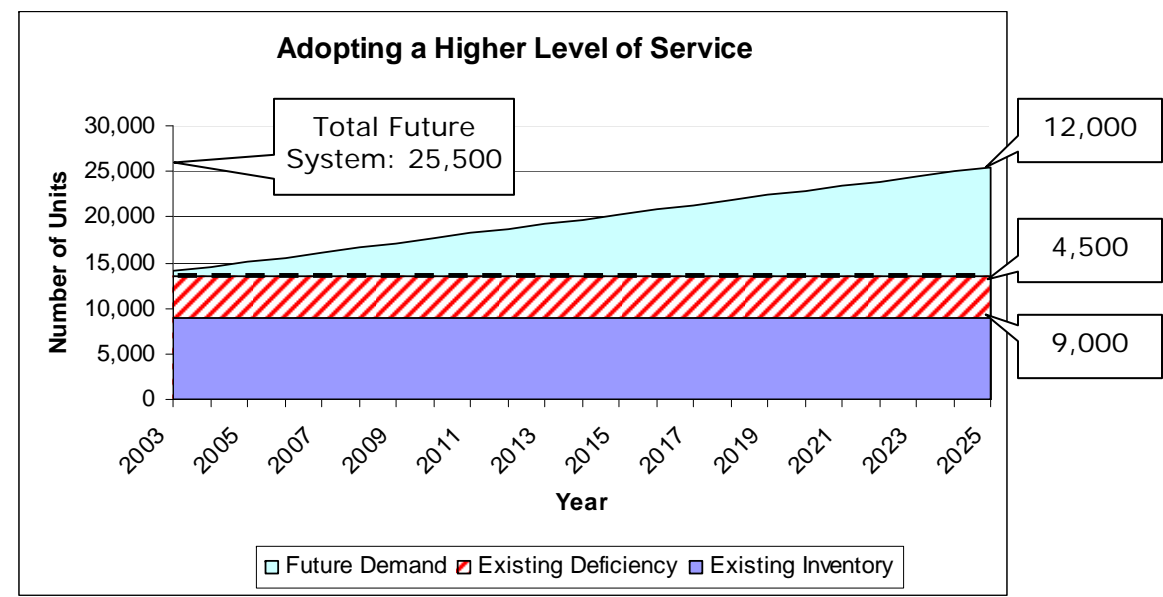
**Adopting the Current Level of Service.** First, let us consider the situation where the current level of service is adopted. By dividing the existing inventory by the current population we get a level of service measure of 0.2 (square feet) per capita. Given the 2025 population figure we know that 8,000 new square feet will be demanded by the new growth of 40,000 people (40,000 x 0.2). We know this since the adopted level of service (0.2 square feet per capita) has to be provided to both existing development and new growth. The current population already has this level of service provided to it, since we are adopting the current LOS. The 2025 population figure, multiplied by the adopted LOS, produces the total future demand figure of 17,000 (85,000 people x 0.2), of which 9,000 will continue to serve today’s population and 8,000 will be needed to serve the population increase in the future. This can be seen graphically in the chart at right. The darker color represents the existing inventory; the lighter color is the increase in square footage demanded as the population grows. The heavy dashed line is the adopted level of service, and in this case it is the same as the current inventory level.



**Adopting a Higher Level of Service.** Next, let us consider the situation where the adopted level of service is higher than the current LOS. For this example we will use the same information as above. Let us say that following an assessment of the current service provision it was determined that the current LOS is inadequate to serve today’s population. Further, we determine that 13,500 square feet is needed to serve the current population, rather than the current 9,000 square feet available, resulting in a desired level of service of 0.3 square feet per capita. (The higher square footage, divided by the current population, produces the LOS.) Adoption of a higher-than-current level of service results in a current deficiency. The result is that 4,500 additional square feet are needed to serve the current population at the higher level of service (13,500 needed minus 9,000 existing). But the cost to make up the deficiency—the 4,500 square feet we need today—is not impact fee eligible. It must be funded through some source other than impact fees since it serves the current population, not the future growth. However, at the higher level of service that has been adopted, by 2025, a total of 25,500 square feet will be needed to meet total demand (85,000 people x 0.3), of which 12,000 will be needed just for new growth. (Compare this to the previous example where 8,000 square feet is needed for new growth using today’s level of service.)

*The cost to meet an existing deficiency is not impact fee eligible.*

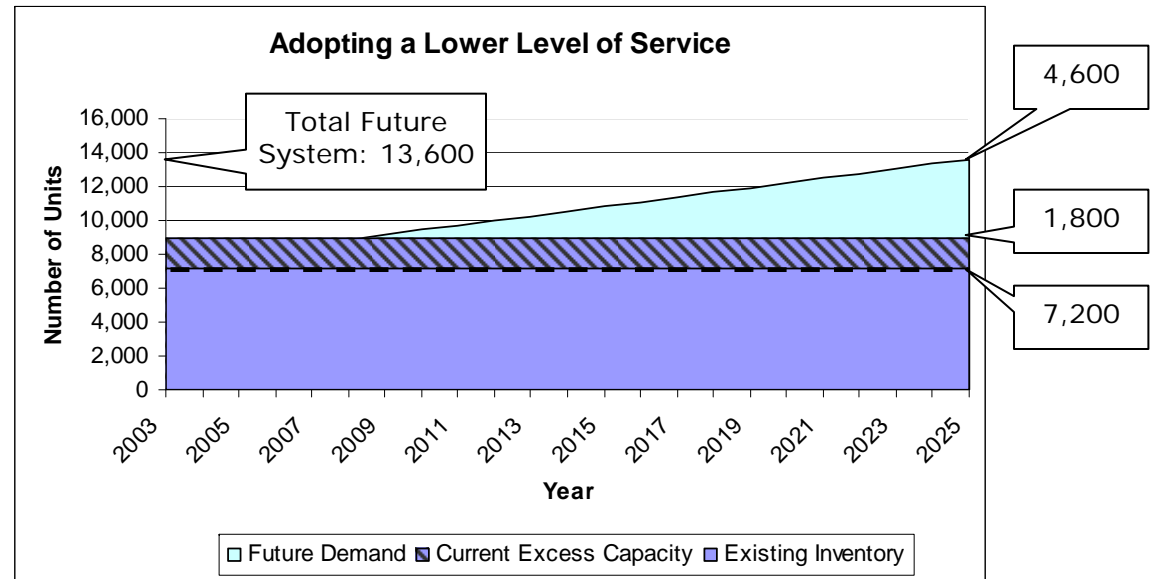
The chart to the right displays the situation where a higher-than-current level of service is adopted. As before, the dark color is the existing inventory, the light color is the square footage demanded by new growth, and the heavy dashed line is the adopted level of service. The ‘hatched’ area represents the existing deficiency. Together, the existing inventory (dark area) and the existing deficiency (hatched area) fully serve the needs of today’s population (13,500 square feet). Note that the LOS line is above the existing inventory level.



**Adopting a Lower Level of Service.** The final situation that could arise is a case where a level of service is adopted that is lower than the current LOS. Continuing our exercise, we might determine that the existing 9,000 square feet is more than enough to serve the current population—excess capacity exists in the system. Let us say that an evaluation reveals that only 7,200 square feet are required to serve the current population. In this case, there is 1,800 square feet of excess capacity (9,000 existing minus 7,200 needed). The adopted level of service is the required square footage (7,200) divided by the current population (45,000). This results in an adopted LOS of 0.16 square feet per capita. By 2025, a total of 13,600 square feet will be required to serve the total future population (85,000), of which 6,400 will be needed for new growth (40,000 new people x 0.16). However, 1,800 of those square feet already exist as excess capacity, leaving only 4,600 new square feet to be added to the current inventory of 9,000. The capital value of the current excess capacity—in this case expressed in square feet—can be recouped through impact fees. The excess capacity will be used to provide service to new growth, and thus the cost to provide that service is an impact fee eligible capital improvement, regardless of when the capital facility was constructed.

*The capital value of excess capacity can be recouped through impact fees.*

In the following chart, the lower-than-current level of service adoption is shown. Again, the dark color is the existing inventory, the light color is the net new square footage demanded by new growth, and the heavy dashed line is the adopted level of service. The 'hatched' area is part of the existing inventory, and represents the excess capacity to be recouped through impact fee collection from new growth. Together, the net new square footage (light area) and the excess capacity (hatched area) fully meet the demand created by new growth (6,400). Note that the LOS line is below the actual existing inventory level.



### Selecting an Appropriate LOS

There are pros and cons with the adoption of a level of service different from the existing conditions that should be weighed when making the determination of which LOS to adopt. The benefit of adopting the current level of service is that no existing deficiency exists, thus no general fund or other non-impact fee monies have to be used to cover a shortfall in construction of impact fee projects. Adopting a higher LOS than the current inventory provides more capital facilities in the future to new growth than would result from adoption of the current level. The major drawback of adopting a higher-than-current level of service is that the cost to meet the resulting existing deficiency falls to the existing population, not new growth. Adoption of an LOS lower than the current level allows for the recoupment of sunk costs that were expended to provide future system capacity. But, adopting a lower LOS also results in a reduction in future facility space demanded and diminishes the level of service currently enjoyed by the existing population.

However, these pros and cons are all side-effects of the level of service determination process, and should never be the sole reason for adoption of a specific level of service. Instead, **this should be the guide for determining what LOS to adopt:**

*Is the current capital investment (be it a facility or some other capital project with a useful life of at least ten years) adequate to serve the current population?*

- ⇒ If 'yes'—this suggests adoption of the current LOS.
- ⇒ If 'yes' because the current capital investment has excess capacity—this suggests adoption of a LOS lower than the current inventory.
- ⇒ If 'no'—this suggests adoption of an LOS higher than the current inventory.

	<b>Current LOS Adopted</b>	<b>Higher-than-Current LOS Adopted</b>	<b>Lower-than-Current LOS Adopted</b>
<b>New Development</b>	Impact fee based on cost of all new facilities.	Higher impact fee to pay for increased cost of (more) new facilities.	Lower impact fee composed of cost of fewer new facilities plus cost of excess capacity.
<b>Existing Tax Base</b>	No capital costs to be paid by existing residents and businesses.	Tax revenue needed to pay for facilities required to serve existing residents and businesses.	Previous investment in excess capacity recouped from new development, returned to general fund.
<b>Effect</b>	No erosion in current services; all residents and businesses will continue to be served as now.	More facilities to be financed, but all residents and businesses will enjoy increased services.	Fewer facilities to be financed and need for new facilities delayed; existing residents and businesses will be adequately served but at a lower level than now.



## ■ Service Area Considerations

By State Law, any impact fee program must identify the geographic area being served by each of the public facility categories included in the program. A jurisdiction can be broken into several service areas, or could be considered a single service area, depending primarily on the connection between the service being provided by a facility (or set of facilities) and the location of the population that is receiving that service. The Development Impact Fee Act sets one ground rule:

*Service areas shall be designated on the basis of sound planning  
or engineering principles or both.*

Thus, service areas cannot be arbitrarily defined but must be rationally established based on the way the jurisdiction actually plans and finances its facilities and delivers services in each public facility category.

The designation of service areas serves several purposes. First, it identifies the persons who will be served and what capital facilities will serve them. This, in turn, serves to identify the persons who should be paying impact fees for those facilities. The establishment of a service area is also a 'pledge' on behalf of the local government that a consistent level of service will be provided throughout the service area to new growth and existing development alike. Different service areas can have different levels of service, however. For this reason, it is sometimes advantageous to have more than one service area.

Many governmental services are delivered through an interrelated system of public facilities that serve the entire jurisdiction collectively. Such a single system-wide service area, for instance, would include the entire city. The key to designating a single system-wide service area is that a particular service (such as police protection) is or will be provided equally to all portions of the service area by a facility or interrelated system of facilities.

In other cases, specific public facilities may be planned and financed to serve only specific geographical areas, to the relative exclusion of people located in other areas. In determining whether multiple service areas are warranted, the following considerations should be taken into account:

- **Fair and Reasonable.** Is it fair and reasonable to provide different levels of service to different groups of people in the city? Is there a legitimate reason for providing higher service in one area than another? Certainly, this is sometimes the case.

*Service areas are based on  
the way the City plans,  
finances and delivers  
services.*

*Different service areas can  
have different levels of  
service.*

- Access.** Is it practical to provide different levels of service to different portions of the city? Can the members of one service area be barred from receiving services from another area? For example, is it practical to have residency requirements for the use of library branches or softball fields? On the other hand, are areas so separated geographically or by natural features that facilities in one area cannot be reached from the other areas? Examples are North and South Fulton County, completely separated by Atlanta, and Bryant County, which is split entirely by Fort Stewart.
- Capital Planning.** Are the different levels of service in different service areas supported by future capital improvements planning? Does a new facility benefit only one part of the city, or does everyone in the city benefit (whether directly or indirectly)? For example, a new softball field could be said to serve a certain area, but it also relieves other existing ball fields from providing service. The new ball field is a direct benefit to the area it serves, and an indirect benefit to the system as a whole.
- Administration.** Is it practical to administer different service areas both in the fee collection phase as well as the fund expenditure phase of the impact fee program? Separate accounts must be maintained for each public facility category (i.e. libraries, parks). With different service areas, the finance department must keep track of sub-accounts (i.e. library impact fees from service area one, library impact fees from service area two, etc.) to be sure that funds collected in a particular service area are expended to provide service to that same service area.
- Fiscal.** Multiple service areas can require that special tax districts be established where existing deficiencies must be funded. The chart on the right compares three different ways that service areas might be applied, and comments on the fiscal requirements. Where existing deficiencies are going to be met with general funds, special tax districts would be required.

Service Area	Based on:	Description	Fiscal Considerations
Single	Adopted City-wide LOS	A single service area including the entire population served by the facility.	The funding of any existing deficiency is the responsibility of the entire existing service population.
Multiple	Adopted City-wide LOS	Multiple service areas each with the same adopted city-wide LOS; based on population served some deficiency <u>will</u> be present.	Funding for existing deficiencies in an individual service area is the responsibility of the population of that service area; would require special tax districts if paid for with general funds.
Multiple	Different Adopted LOS Standards	Multiple service areas with different adopted LOS standards; based on population served in the service area some deficiency <u>could</u> be present.	Funding for existing deficiencies in an individual service area is the responsibility of the population of that service area; may require special tax districts if deficiency exists and is to be paid for with general funds.

## ■ Exemptions

Under State law the City of Dunwoody can charge no more than the ‘fair share’ to new growth for the eligible capital facility projects necessary to serve that growth. The impact fee calculations produce a figure that is the maximum allowable fee that could be charged. This fee can be reduced in either of two ways: the City could decide to reduce the fees by a percentage ‘across the board’ for all land uses, or the City could provide exemptions for certain land uses that it wants to promote. (These two methods of fee reduction can be used together or separately.) The Development Impact Fee Act allows exemptions from impact fees under specific circumstances as follows:

A city development impact fee ordinance may exempt all or part of particular development projects from development impact fees if:

- (1) Such projects are determined to create extraordinary economic development and employment growth, or affordable housing;
- (2) The public policy which supports the exemption is contained in the city’s comprehensive plan; and
- (3) The exempt development’s proportionate share of the system improvement is funded through a revenue source other than development impact fees.

*Any exemptions granted by the City must be reimbursed from non-impact fee revenue.*

## Examples

There are virtually no examples in Georgia of affordable housing exemptions. The following examples focus on various approaches to exemptions for economic development. The first example is a general exemption covering an entire jurisdiction (Henry County) while the second example is a more focused exemption policy, tied to a specific geographic area (Fayetteville). An exemption policy for Dunwoody could follow either approach, though it is recommended that the City consider a tiered approach. Under this system, there would be a general policy for the entire city, with separate areas identified for exemptions tied to specific land uses. This would be a way to encourage redevelopment in certain areas that would be consistent with the City’s *Comprehensive Plan*.

## Henry County Exemption Statement –

Henry County recognizes that certain development projects provide extraordinary benefit in support of the economic advancement of the county's citizens over and above the access to jobs, goods and services that such uses offer in general. Henry County therefore intends to encourage extraordinary economic development and employment growth of public benefit, as more fully defined and incorporated in the County's **adopted Economic Incentives Program**. The Board of Commissioners will favorably consider waiving the development impact fee in whole or in part for such a business or development project **upon the recommendation of the Henry County Development Authority** that the business or project represents extraordinary economic development and employment growth. It is also recognized that the cost of system improvements otherwise foregone through waiver of any impact fee must be funded through revenue sources other than impact fees.

*Henry County linked exemptions to economic development incentive packages recommended by the Development Authority, based on qualifying criteria.*

## Fayetteville Exemption Statement –

The City's Economic Development Committee has determined that the City's best opportunity, taking into account the City's infrastructure and services, for extraordinary economic development and employment growth is through the **encouragement of businesses specializing in scientific research and development, business parks and tourism emphasizing the historical district of the City, called 'Main Street,' and businesses which support tourism, such as restaurants**. The City, pursuant to the public policies contained in the Fayetteville Comprehensive Plan, has determined that the encouragement of the development of the Main Street area of the City and businesses related to tourism of the Main Street area, and business specializing in research and development and business parks, will tend to create extraordinary economic development and employment growth within the City.

The following development projects shall be **partially exempt** from the payment of developmental impact fees that would otherwise be assessed, as follows:

1. Any non-residential use within the Main Street District, as geographically defined in the City's Architectural Control Ordinance, shall be granted a forty percent (40%) partial exemption from developmental impact fees.

*Fayetteville established specific exemptions granted administratively based on goals for downtown revitalization in their Comprehensive Plan.*

2. The following uses developed within the City of Fayetteville shall be granted a forty percent (40%) partial exemption from developmental impact fees:
  - i. Quality Restaurants, Institute of Traffic Engineers (ITE) Land Use Code 831, as defined in the ITE publication entitled *Trip Generation*, 5th Edition, incorporated herein by this reference.
  - ii. Research and Development Building, Institute of Traffic Engineers (ITE) Land Use Code 760, as defined in the ITE publication entitled *Trip Generation*, 5th Edition, incorporated herein by this reference.
  - iii. Business Park Building, Institute of Traffic Engineers (ITE) Land Use Code 770, as defined in the ITE publication entitled *Trip Generation*, 5th Edition, incorporated herein by this reference.
3. Uses described in Paragraph 2 above, when developed within the Main Street District, shall be granted an eighty percent (80%) partial exemption from developmental impact fees.

## ■ Annual CIE Review and Reports

As part of an impact fee program, State law requires that the program be reviewed at least once a year after adoption. This requirement is an opportunity to review facility planning, forecasts, policies, and levels of service. To complete the review, several reports are required:

1. **Short Term Work Program.** The Short Term Work Program (STWP) is a component of the City's *Comprehensive Plan*. If the City collects impact fees, the STWP must be updated annually. The STWP covers the next five years, and describes the anticipated capital improvements to be undertaken in that timeframe. Estimated project costs are included, and sources of funding are identified. For impact fee eligible projects, the percentage of funds expected from impact fees must be shown.
2. **Financial Report.** The City must provide a Financial Report—based on the City's annual audit—that shows the amount of impact fees collected, expended, encumbered, or saved for the year. The funds expended and encumbered are matched up with the projects funded.
3. **Capital Improvements Element.** The CIE itself should be reviewed annually, and updated if needed. The population and employment forecasts, any debt service calculations, and tax base forecasts should be reviewed. Any changes in the basic assumptions of the CIE should be reflected in the annual update. If projects or project costs have changed, or if City policies have changed (i.e. a change in the adopted level of service), then the CIE would need to be updated. By law, the City can charge no more than the 'fair share' of capital improvements to the new development served by those facilities. The methodology of the CIE can be used to re-calculate the impact fee amount, based on any changes made.

Importantly, impact fees are based on the 'net present value' of project costs ('net,' that is, of future inflation and construction cost increases). Inflation in the economy and in the cost of future projects should be reviewed annually to update the net present values (and thus the impact fees). For instance, as the anticipated cost of future construction increases (ameliorated by changes in the consumer price index that affect the 'discount rate'), the net present value should be recalculated to keep up with anticipated improvement costs. This annual money-management review by the City will assure that sufficient funds will be available when needed.

*The impact fee program, including the CIE and STWP must be reviewed annually.*