

TASKS - IMPACT FEE STUDY COMMITTEE
(Basic questions to consider and specific tasks to accomplish)

Questions:

1. To what extent (if at all) does new residential and nonresidential growth create a need for additional capital improvements which would not otherwise be needed in the absence of that growth?

The evidence presented to the committee indicates that often new growth does create a need for additional capital improvements which would not otherwise be required. However, the evidence also suggests that other taxing “inequities” exist. For example, it may be that agricultural land contributes more tax revenue than it demands in services. Also, the average cost of a new single family home in Oconee County is much higher than in most Georgia counties and therefore may suggest that Oconee does not fit the typical mold. Unlike a tax, however, a “fee” under Georgia law must relate to the cost of the service provided and must be equitable..

Generally, new growth, whether residential or nonresidential, increases the demand for services. Some of that demand may be met with existing excess system capacity, but at some point the existing facilities will no longer have capacity to serve existing and new development without seriously degrading the services. Many facilities, especially public safety facilities, need to be constructed and in place well before all the growth they will serve has arrived. For this reason, the cost to build these facilities is born by the existing tax base, rather than by the development that has created the increased demand for service. Examples have been provided to the Committee demonstrating this relationship. There is a delay between the funding of a project and the increase in tax digest value (or sales tax receipts) due to new growth. In the end, existing funding methods (property and sales tax) can and do meet the need for capital project funding, through tax increases or the introduction of a SPLOST program, but the growth that is demanding the capital projects pays very little toward those costs. According to the examples provided to the Committee, new growth does not pay as much as half of those costs, and often less than 5%.

The only way to answer this question specifically for Oconee is to perform the study which is required by Georgia regulations prior to implementing the next steps. The results of that study should answer this question and may in fact show that Oconee does not fit the typical scenario.

2. To what extent are any such additional capital improvements funded by property taxes, fees, sales taxes or other revenue sources directly resulting from the new growth as compared to being funded by revenues derived from citizens who previously resided in Oconee County?

As noted in answer #1, only the study required by law can make this determination for Oconee County.

3. What fees are currently paid by development projects such as rezone fees, preliminary plat/site plan fees, building permit fees, plan review fees, water and sewer fees, etc. for both commercial and residential projects? What services do these fees pay for?

Taxes and fees are defined separately.

A tax is a payment usually collected annually for general government services. The amount is often based on the value of real property, (ad-valorem or property tax) or the value of goods sold, (sales tax). Taxes are not usually earmarked for a specific service at the time of collection but are instead allocated through the annual budget process, except that Special Purpose Local Option Sales Taxes (SPLOST) are allocated to eligible general categories such as roads, parks, schools, etc. by referendum. Taxes are usually paid by everyone (with some special exemptions like homestead exemption) and not just by the development community. A preliminary analysis (based on somewhat “anecdotal” evidence) of property taxes compared to budgets for the Board of Commissioners, (BOC) and Board of Education, (BOE) would seem to indicate that the fair market value of a new home being built in Oconee County would need to average at least \$309,000.00 in order to meet a “break even” point for services vs. revenues (see attached). However, this analysis is not scientific and probably does not take into account all relevant factors. A complete analysis as required by the impact fee regulations would be required to determine this (included in consultant’s proposal).

A fee is a charge which is paid for a specific service and is “earmarked” for such at the time paid. It is usually a fixed amount depending on the specific service. For example, subdivision plan review fees cover a portion of the cost for the county to review subdivision construction plans for compliance with code. Other examples would include parking fees, rezone fees, utility connection and capacity fees, and building permit fees. These fees are normally collected at the time service is provided and only paid by those receiving the service. A large portion of such fees collected by Oconee County are directly related to services provided in relation to real estate development and building construction which are mostly provided by the Planning, Code Enforcement, Utility, Public Works and Health Departments. These fee schedules are attached and are for the most part self-explanatory. Based on our review of these fee schedules and input from the foregoing departments, it appears that most of these fees cover a portion of but not all of the cost of reviewing the rezone plans, construction plans, soil studies and building plans etc. These fees also cover at least part of the cost of performing field inspections.

Water and sewer fees are not quite as self-explanatory. The water fees are separated into meter fee, (based on cost by meter size) tap fee, (based on line capacities) and water availability, (based on storage, treatment and transmission costs).

Sewer fees also include a tap fee, (based on line capacities) and a capacity fee which is simply the cost of the treatment plant divided by the number of gallon per day that the plant can treat, (cost per gallon) multiplied by the number of gallons per day of effluent that the user is projected to generate. Based on real world experience in Oconee County, these projections have proved very accurate for water and sewer.

If a developer chooses to develop a property which is not currently served by water (or sewer in some cases) that developer is responsible for extending the water or sewer line at his/her expense. However, Oconee County has implemented a policy (+/- year 2000) designed to help developers recoup at least some of their cost for installing lift stations, gravity sewer lines and

waterlines. This policy is called the front footage assessment. The county simply will charge future users of the water line, (lift station and/or gravity sewer line) an assessment equal to the per foot cost incurred by the developer who originally installed the line, times the number of linear feet that the new project's road frontage fronts on the water line (usually one half per side of the road). For lift stations the assessment would be based on capacity. The county then refunds this to the original installing developer according to policy.

4. Would impact fees provide for a more equitable distribution of cost burden for new capital facilities between existing and future citizens?

As noted in answer #1, the study required by law would provide a detailed answer to this question for Oconee County. However currently, all taxpayers in the county would be assessed to pay for capital improvements only needed to serve new development.

5. What is the range of impact fees which have been adopted by other cities or counties in Georgia? What would the resulting cost increase be on the average new home price if the high, middle and low end of said impact fee ranges were adopted in Oconee County, (\$ and %)? Same question for commercial office and retail space.

No two counties are alike, and any impact fee adopted by Oconee County would reflect the facilities selected and the percentage of the maximum allowable fee the Board of Commissioners adopts. Fees in Georgia commonly average around \$2,000 a house (less than 1% of the purchase price of a \$300,000 home); nonresidential rates vary considerably.

6. Are there any cases in Georgia where it has been shown that impact fees have resulted in suppression of economic development, decrease in growth rate or redirection of economic development outside of the subject jurisdiction?

Under "normal" economic conditions, we have not found a case where this has occurred. Evidence presented suggests that local governments adopting impact fee programs consider this and often reduce the scope of the impact fees between the original concept development stage and final adoption, for the specific purpose of protecting their economic development momentum.

That being said, we must also recognize that we cannot say that it has never happened. Furthermore, these are not "normal" economic conditions. If the county decides to take the step of performing the aforementioned study required under Georgia regulations, and if that study indicated that a limited impact fee program would be equitable, the adoption of any such program should probably be timed to coincide with a significant economic upturn in the housing and real estate market.

Tasks:

1. Invite representatives from State government agencies and from other jurisdictions with impact fees (or visit them) to learn about their experiences, (good and bad) and gain insight into the subject.

2. Look at 3 similar counties, including one who adopted fees, one who decided not to adopt fees, and one who decided to adopt but has delayed doing so. Find out why each made its decision.
3. Prepare a three part summary for the BOC to consider: Part 1 being answers to the specific questions listed above, Part 2 listing the specific negative impacts experienced by actual local governments in Georgia which have adopted impact fees, and Part 3 listing the specific positive impacts experienced by actual local governments in Georgia which have adopted impact fees.

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