



Impact fees losing impact as development slows

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Most local governments are looking for ways to create new streams of revenue, but in Cherokee, county officials decided to reduce fees for developers in hopes of spurring new growth.

So-called impact fees are added as a way to offset the cost of building new roads, schools, sewers or other needs created by growth. In the 2009 budget year, before Cherokee cut the fees by 90 percent, they were generating about \$751,000.

But as growth slowed, so did the collection of fees, and in many places, they're now having very little impact on a county's bottom line. So in July 2009, Cherokee County commissioners voted to cut them in hopes of jump-starting new development.

The result? At least 10 businesses chose to build in Cherokee because of the lowered fees, according to county officials.

"It was the right thing to do," said Chairman L.B. "Buzz" Ahrens. "Capital projects are not going to get the funding, but what you really want are people on the ground, you want jobs, you want activity."

In 1990, state law was changed to allow local governments to charge impact fees. The idea is that new construction creates the need for new schools, roads and sewers, and developers -- rather than taxpayers -- should have to absorb at least part of the cost. They also can be used to encourage development in certain areas and steer it away from others.

In 2000, Cherokee County became the first Georgia county to impose impact fees for comprehensive improvements, initially charging \$1,832 per house. Cherokee County collected \$2.4 million in impact fees in 2003, county officials said then. Before the fees were reduced, the county was charging about \$2,100 per home.

Fees for commercial sites are based on use, impact or more typically by square feet, said Jeff Watkins, director of planning and zoning.

Watkins said several developments were spurred by the reduced impact fee, including a Dollar General, a Food Lion and an Advanced Auto Parts. Officials say the new jobs are worth the loss in fees.

In Georgia, local governments must meet a series of requirements before they secure approval from the Georgia Department of Community Affairs. The money can be spent only on libraries, recreation, water supply, roads and bridges, public safety, wastewater treatment or stormwater management, and cannot be used to offset regular upkeep.

Some counties, such as Cobb, have chosen not to adopt impact fees and instead negotiate improvements on a case-by-case basis.

To promote growth during the past year, Cobb allowed homebuilders to pay water and sewer fees, which run \$3,500 to \$5,000, after the home was sold. That provision expired in September and didn't prove to be much of an incentive, said Rob Hosack, community development director.

The city of Kennesaw charges \$699 per residential unit, which goes toward parks and recreation. There's no plan to change that fee, said spokeswoman Pam Davis, and in fact the city on April 1 will introduce a new fee on commercial construction.

The amount will vary based on the size and use of the building, and the money will go toward the Police Department, Davis said.

The new fee was passed in February 2010, but council members wanted to delay the implementation until the economy was better, Davis said.

"The last thing any city wants to do at this point and time is discourage development," she said.

In Acworth, the impact fee is \$685 and goes toward parks and recreation. Mayor Tommy Allegood said there's been no conversation about changing the fee because he doesn't think it will be an incentive to builders.

Neither Gwinnett nor DeKalb has impact fees, although DeKalb is authorized to collect them. City leaders in Roswell and other areas say impact fees aren't deterring growth -- the economy is.

Sandy Springs Mayor Eva Galambos said the impact fees are generating such little revenue, getting rid of them is an idea not worth discussing. A year ago, the city cut in half permit fees in order to stimulate development, a move that's shown minor success.

Galambos said she supports impact fees because she believes developers should help pay for the infrastructure needs triggered by construction.

"They are very, very needed," she said. "Impact fees depend to a great extent on how many people you're going to put on the road, and our roads are our biggest problem."

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