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Fiscal Analysis of Proposed Lease of Atlanta City Detention Center to Fulton County

Key Takeaways

- The City of Atlanta currently pays at least $14 million each year to operate and maintain the Atlanta City Detention Center (ACDC).
- A proposed intergovernmental agreement envisions detaining people in Fulton County custody at ACDC. A fiscal analysis indicates that the city's net revenue from this agreement may be as low as $2.1 million in the first year, or as high as $8.4 million, depending on a variety of assumptions explained below.
- Across scenarios, the analysis consistently shows that the city will not be making as much money from this agreement as it currently pays to operate and maintain ACDC.
- By continuing to operate and maintain rather than close the detention center, the city incurs both direct costs and opportunity costs every year. Selling the land and building to a private owner could yield an estimated one-time amount of **$50 to $100 million** and an estimated **$527,000 in property taxes each year**.
- A 2020 City Task Force developed four options for repurposing ACDC. Given the potential savings associated with no longer operating ACDC as a detention center, the city could break even on three of the four repurposing options the Task Force recommended in as little as two to six years.

Overview

On August 15, 2022, the Atlanta City Council approved Ordinance 22-O-1632 authorizing the Mayor or his designee, on behalf of the City, to enter an intergovernmental agreement (IGA) with Fulton County and the Fulton County Sheriff to lease up to 700 beds at ACDC to the County, for a term of a period not to exceed four years.

This report offers an examination of publicly available data that has been compiled to show the related costs–current, probable, and opportunity–associated with the proposed lease of the Atlanta City Detention Center to Fulton County. All costs associated with a transaction that reverses years of progress made by the city to find cost-effective, proven solutions to protect community safety and reduce mass incarceration should be thoroughly interrogated and readily available to decision-makers and the public.

Current Cost of ACDC and Fulton County Jail

The City of Atlanta currently pays between **$14 and $16 million annually** to operate and maintain ACDC.[1] Because the City—working with many partners for many years—has successfully reduced the number of people it detains for low-level offenses, the average daily population at ACDC is less than 50 people.[2] Therefore, the average cost to detain people at ACDC is extremely high: **over $750 per person per day** or over $280,000 per person in detention per year.[3]

Fulton County currently pays about **$103 million annually** to operate and maintain its jail facilities.[4] The average number of people in Fulton County jail each day ranges from 2,900 to 3,600.[5] Therefore, the average cost to keep people in custody at Fulton County jail is about **$78 to $97 per person per day**, depending on the number of people jailed, or $28,600 to $35,500 per person per year.

Analysis of expected costs and revenues from the proposed intergovernmental agreement between the city and county

An intergovernmental agreement has been proposed to incarcerate people at ACDC in the custody of Fulton County jail. The agreement stipulates that:

- The county will pay the city **$50 per person per day** for up to 700 people in Fulton County custody who would then be detained at ACDC.

- The city will receive **65% of the fees** generated from charging people in custody for phone calls and for commissary food and supplies.

- People in Fulton County's custody will be transferred to ACDC on a staggered timeline: first, the County will transfer women from its Union City annex and then it will transfer no more than 100 additional people per month up to the total of 700 people.

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[1] City of Atlanta's FY22 Adopted Budget for the Department of Corrections and Community Services shows an annual cost of $13.95 million (p. 207); Atlanta City Council Resolution 22-R-4403 cited an annual cost of $16 million.
[2] The average number of people detained daily is less than 30 according to a 2020 City Task Force Report and less than 50 according to the City Council Resolution cited above.
[3] The cost per day and cost per year are based on the most conservative assumptions regarding the numbers above; namely, this assumes the minimum annual cost to the city and maximum number of people detained.
[4] Fulton County has not published a full budget book for FY22 online. Therefore, the County's FY21 Adopted Budget was used. Within the Sheriff's Department, the Jail Detention Officer Program, Jail Operations, and Law Enforcement-Transfer programs are centrally jail-related and, therefore, their full costs are included in this analysis. Based on the program description provided in the budget, the Law Enforcement-Operations program does not directly involve the jail, and, therefore, its costs are excluded. The following programs involve both jail- and non-jail-related functions: Court Services, Sheriff Administration-Warehouse/Fleet, Sheriff Administration-Training, Sheriff Administration-Executive, and Sheriff Administration overall. Based on the program descriptions provided, this analysis estimates that approximately 20% of Court Services costs are jail-related, 50% of warehouse/fleet costs, and 67% of other sheriff administration costs and, thus, includes those percentages in the analysis.
[5] A 2021 presentation by Sheriff Labat put the daily population at 2,942 whereas more recent reported numbers are closer to 3,600 people.

Based on those terms, the following analysis indicates that the agreement may generate an **estimated $10.8 million in gross revenue** (i.e., revenue before taking into account expenses) for the city in Year 1 and an estimated $13.6 million in years 2 – 4 of the agreement.[6]

Assumptions	**Year 1 Estimate**	**Years 2 – 4 Estimate**
In first year, staggered relocation: ● Up to 350 people[7] in first month ● Up to 100 more in second month (= 450 total) ● Up to 100 in third month (= 550 total) ● Up to 100 in fourth month (= 650 total) ● Possibly fully occupied at 700 people in months 5 – 12	$9,994,083	-
Provided all agreed-upon beds are filled every day = 700 people x $50 per day x 365 days per year	-	$12,775,000
Assuming (1) commissary purchases by people in Fulton County Jail total about $4.5 million a year[8] and (2) 19% of people in Fulton County custody will now be at ACDC[9]: $4.5M x .19 x .65 of fees	$556,000	$556,000
Assuming (1) Fulton County makes about $1.9 million in fees from telephone calls by people in its custody each year[10] and (2) 19% of people in Fulton County custody will now be at ACDC: $1.9M x .19 x .65 of fees	$234,650	$234,650
Expected Gross Revenue for City of Atlanta	**$10,784,733**	**$13,565,650**

The table above estimates gross revenue without taking into account Atlanta's costs for the agreement. Understanding the expected costs is critical to calculate how much revenue the city will actually receive from the agreement.

[6] The agreement anticipates Fulton County will house people in its custody at ACDC for no more than four years, but specifies that, if Fulton County continues to utilize ACDC after that period, the City's revenue rates will rise sharply.

[7] Assumes 350 women detained at Union City will be transferred to ACDC in the first month (on 9/27/22, Sheriff Labatt reported around 350 women were currently held at the Union City annex; the intergovernmental agreement stipulates that all individuals currently housed in Union City will be transferred to ACDC until they are diagnosed with or suffering from serious medical conditions).

[8] The Fulton County FY22 Adopted Budget Booklet shows that the county anticipated revenues of $4.5M from "inmate commissary purchases at the Fulton County Jail and Alternative Dispute Resolution activity administered by Superior Court." The budget does not specify what share of these revenues come from each source.

[9] Provided the population in Fulton's jail facilities is about 3,600, moving 700 people to ACDC would be 19% of the population.

[10] According to an Atlanta Journal-Constitution article, Fulton County made at least $1.5 million from these fees in 2013, which is $1.9 million in 2022 (using a standard inflation calculator).

Unfortunately, there is very little information publicly available on the city's expected costs. Based on existing information, the city's costs from the proposed agreement may be **as low as $2.4 million or as high as $8.6 million in the first year.**

The agreement currently provides the following details about the city's responsibility.

- **Operating Costs:** the agreement states that the City will provide "normal maintenance services for all Fulton County detainees housed at ACDC" which will include "all administrative type services, detainee library, educational services, and other related miscellaneous and incidental detainee services."
- **Facility Renovation and Capital Costs:** the intergovernmental agreement states that "the city will incur substantial costs related to making initial accommodations for Fulton County detainees."

No further details on the expected operating costs or the renovations that will be needed to adapt ACDC to serve Fulton County's uses have been publicly provided. Therefore, the following analysis considers both lower- and higher-end estimates for these costs, as shown below.

Assumptions	**Year 1 Estimate**	**Years 2 – 4 Estimate**
Operating costs		
• Assuming a *very minimal cost*: $5 per person in jail per day[11]	$1,154,250	$1,277,500
• Assuming a *higher cost* that more fully represents ACDC's typical share of non-personnel operating expenses[12]: $16 per person in jail per day	$3,693,600	$4,088,000
Capital/facility renovation costs		
• Assuming a *very minimal cost* derived from ACDC's existing capital budget[13]:	$1,300,000	$650,000[14]

[11] Number of people per day based on assumptions explained above regarding (1) staggered relocation of people in Fulton County custody over the course of the first five months on the agreement and (2) the county using and paying for all agreed-upon beds every day of the year in years 2 – 4.

[12] Atlanta's FY22 Adopted Budget shows that about 20% of the Corrections Department budget is allocated to non-personnel operating expenses. Above the cost per person in Fulton County custody per day was estimated to be a minimum of $78, using the most conservative assumptions, of which 20% would be $16.

[13] Atlanta's FY22 Adopted Budget shows appropriations to the Corrections Department from the Capital Finance Fund of $1.26M and from the Capital Asset Finance Fund of $37k. Since the Department's existing capital budget is to use the building in accordance with how it has been used for several years and to serve only a very small number of people in detention, assuming the same amount will be needed for facility renovations and capital projects to accommodate people from Fulton County jail provides a minimal base cost for this work.

[14] Assume capital costs decline by half in subsequent years once initial changes are made to accommodate people from Fulton County jail.

• Assuming a *higher cost* based on typical capital projects for the Fulton County Sheriff's Department[15]:	$5,000,000	$2,500,000
Minus a one-time payment to "ease the burden" of making initial accommodations for moving people from Fulton County Jail[16]	-$50,000	-
Estimated Costs to Atlanta		
Assuming *minimal expenses*	**$2,404,250**	**$1,927,500**
Assuming *higher expenses*	**$8,643,600**	**$6,588,000**

Subtracting the estimated costs from the expected gross revenue indicates that Atlanta's expected net revenue from the agreement **may be as low as $2.1 million in the first year or as high as $8.4 million**.

In subsequent years, Atlanta's net revenue is likely to be higher, provided that Fulton County uses and pays for all 700 beds every day in years 2 to 4. If Fulton County's use fluctuates, perhaps using only half of the available beds in years 2 to 4, then the City's net revenue will be lower, ranging from an estimated **$590,00 to $5.3 million** depending on whether the city's expenses are minimal or are higher.

	Expected Net Revenue to Atlanta	
	Year 1 Estimate	**Years 2 – 4 Estimate**
Assuming minimal expenses, full use of beds	**$8,380,483**	**$11,638,150**
Assuming higher expenses, full use of beds	**$2,141,133**	**$6,977,650**
Assuming minimal expenses, 350 beds used each day in years 2 - 4	**-**	**$5,250,650**
Assuming higher expenses, 350 beds used each day in years 2 - 4	**-**	**$590,150**

Across scenarios, the analysis clearly indicates that, regardless of how many beds Fulton County uses or the expenses that Atlanta realistically incurs from the agreement, **the city will not be making as much money from this agreement as it currently pays to operate and maintain ACDC. That is, the agreement will offset but not cover those costs.**

[15] Fulton County's FY21 Adopted Budget Book shows capital spending of $3.5M for the sheriff jail video system and $4.9M to retrofit the jail security locks. While the county will only be housing about 20% of the people in its custody at ACDC, initially suggesting a lower amount required for capital projects, the county will be moving into a new-to-it space that has been unused for several years. Thus, assuming that Atlanta may have to pay up to the typical full annual cost of capital projects for Fulton County Sheriff could be reasonable.

[16] Listed in intergovernmental agreement.

Analysis of Direct Costs and Opportunity Costs from Continuing to Operate ACDC

By continuing to operate and maintain, rather than close ACDC, Atlanta is incurring both direct costs – **$14 to $16 million each year** as discussed above – and a variety of opportunity costs based on what the city could choose to do with the land and building instead.

The most straightforward analysis of the opportunity cost is simply based on selling the land and buildings to a private owner. This could yield:

- An estimated one-time amount of **$50 to $100 million**[17]
- An estimated **$527,000 in property taxes each year**, assuming the sale was to a private owner that paid taxes at the normal millage rate[18]

Perhaps a more important opportunity cost analysis would be based on the alternative uses of the property recommended by the *2020 Reimagining ACDC Task Force Report*. This report proposed and extensively described four options for transforming ACDC. The task force also provided cost estimates for each option along with a related real estate market analysis.[19]

The fiscal analysis shown in the table below compares the development cost for each of the report's option to the estimated annual revenue from three of the four options (the fourth option is beyond the scope of this review).[20] The analysis indicates that:

- If the savings Atlanta accrues by no longer operating ACDC as a detention center are included, the city could break even on the redevelopment in as little **as two to six years**.
- If potential savings from closing ACDC ($14 million annually) are excluded, then the project could take anywhere from 7 to 20 years to break even, depending on the redevelopment option chosen.

Regardless, the City of Atlanta could consider subsidizing any amount of the redevelopment cost using part of its $171 million Fiscal Recovery Fund allocation from the 2021 American Rescue Plan Act. This would enable the project to recoup the initial cost more quickly and begin earning a profit.

	Scenarios from Task Force *(option names and brief descriptions from Task Force report)*

[17] A detailed real estate analysis is beyond the scope of this analysis. The estimated amount is based on (1) the appraised value of the land and building and (2) the asking price of the property historically, converted to 2022 dollars. The appraised value of the land and building is about $51.5 million. According to a 2018 report, he property's asking price was $40 million in 2010, when the city was desperate to sell, and $85 million; converted to 2022 dollars, this is $54.7 - $116.2 million.

[18] The property tax estimate uses the appraised value and Atlanta's current millage rate ($51.5M *(10.23/1000) = $527k per year) but assumes no improvements to the property, potentially a conservative assumption.

[19] The 2020 Final Feasibility Report described each option and associated costs in detail. A related real estate market analysis analyzed how much square footage might be appropriate to devote to different uses and the price per square foot expected for each use.

[20] The fourth option envisioned demolishing ACDC and re-developing the site as a park, memorial, urban farm, or seed bank. This option offers important community value but is less economically focused and, therefore, excluded from this analysis.

	Option 1: Equity Platform *(limited construction cost, shorter development period, split tenancy between Center for Equity and other tenants)*	**Option 2: Downtown Anchor** *(incorporate all desired programmatic uses, catalytic project for area, larger cost of time and money)*	**Option 3: Center for Equity Campus** *(demolish existing structure, fresh start with multi-phased development, incorporate all desired programmatic uses)*
Total development costs[21]	$40,050,000	$65,440,000	$108,080,000
Expected annual revenue from leasing space *(leasable sq. ft. varies by option)*[22]	$5,944,745	$5,283,155	$5,384,150
	Years until city breaks even on development costs		
Excluding realized savings from no longer operating ACDC as a jail	6.7	12.4	20.1
Including realized savings	2.0	3.4	5.6

[21] Total cost from Final Feasibility Report linked above.

[22] The final feasibility report did not recommend specific square footage allotments (only total available). Therefore, this analysis uses the square footage recommendations and anticipated revenue per square foot from the accompanying real estate market analysis. Based on that analysis, this estimate assumes 150,000 sq. ft. for affordable housing (~150 units); 29,000 sq. ft. for daycare; 25,000 sq. ft. for art and cultural space; 15,000 sq. ft. for commercial kitchens; and 5,000 sq. ft. of recreational space. The remaining space (varying based on the total leasable space in each scenario) is then allocated to be leased as office space. The average price per square foot is based on the midpoint value per square foot of each use category, according to the 2020 real estate analysis. This estimate assumes no increase in rental price per square foot (potentially a conservative estimate) but does assume full occupancy.