

About Redevelopment Powers LaGrange, Hogansville & Troup County, Georgia

What are Redevelopment Powers?

Redevelopment districts, (also called TADS), are

- Districts with specified boundaries and development plans approved by the local government in open public hearings, and, allowed in:
 - an “urbanized area” as determined by the U.S. Bureau of the Census
 - an area presently served by sewer which is also either-
 - a “blighted or distressed area”
 - a “deteriorating area” with declining value, employment or rising poverty
 - an “area with inadequate infrastructure”

Why have Redevelopment Powers

- Give LaGrange, West Point and Hogansville and Troup a competitive edge in recruiting economic development – particularly retail - in a very competitive financing market and development region
- Creates jobs
- Keeps sales tax dollars home for local projects
- Builds long-term value in the community

What does it mean?

- Bonds may be issued to fund:
 - Public facilities and infrastructure
 - Transportation & Pedestrian improvements
 - Environmental facilities
 - Historical and cultural facilities, etc

Revenue bonds are issued, (so who’s at stake?)

Redevelopment districts are also called TAD’s, or Tax Allocation Districts.

- Only property tax revenues generated by increased values inside the district are used to pay debt service
- No obligation for bonded debt service required by City or County or property owners
- Bond investors are ultimately at risk

Are there any examples of Redevelopment Districts in Georgia?

- At least 27 in Georgia with no TAD failures.
 - Atlantic Steel TAD (Atlantic Station)
 - Westside Redevelopment Area and TAD (Atlanta)
 - Eastside Redevelopment Area and Tax Allocation District (Atlanta)
 - City Franklin/Gateway Redevelopment Area
 - Midtown Gainesville Redevelopment Area and Tax Allocation District

What are Redevelopment Powers?

Redevelopment Powers, if approved by local voters, can be used to create a Tax Allocation District (TAD). A specific district is established for the purpose of catalyzing investment by financing certain redevelopment activities in underdeveloped or blighted areas using public dollars. Redevelopment costs are financed through the pledge of future incremental increases in property taxes generated by the resulting new development. Typically, upon creation, TADs have vacant commercial and residential properties, blighted conditions and numerous vacant buildings or are in need of significant environmental remediation.

How is a TAD created?

The Georgia Redevelopment Powers Law was enacted in 1985 to give additional powers to local municipalities in order to facilitate the redevelopment of blighted or economically depressed areas. One of the powers granted to local governments in this law was to issue tax allocation bonds to finance infrastructure and other redevelopment costs within a tax allocation district. Local referendum on Redevelopment Powers will be held during Primary elections to establish districts.

In order for an area to be designated a TAD, the government must verify that the area is in need of redevelopment. However, the area is not required to be blighted, which is a requirement in many states. These findings are reported in a Redevelopment Plan, which demonstrates why the area needs to be redeveloped and how the municipality/county plans to revitalize the area. The Plan provides the redevelopment agency with the powers to improve dilapidated facilities and to use tax increment financing to achieve the goals of the Redevelopment Plan. The municipality/county adopts enabling legislation which approves the Redevelopment Plan and establishes the base value (certified by the Department of Revenue) for the district. The other local taxing entities, Troup County School District, County, Cities, are consenting jurisdictions that have the option to participate in the TAD.

What is the difference between a district created by a Redevelopment Area and a TAD or Tax Increment Financing?

The Redevelopment District is the geographic area in which tax increment financing (TIF) can be used. The terms Redevelopment Area and TAD, are used interchangeably in Georgia, but most other areas refer to their TADs as TIF districts. TIF is or economic development tool used in a TAD to incentivize development that wouldn't otherwise occur.

What is tax increment?

Tax increment is the difference between the amount of property tax revenue generated when the TAD is established (the 'base' year) and the amount of property tax revenue generated after the TAD designation. When a TAD is created, the State Department of Revenue sets the base value for the district. Any growth in property values resulting in increases in property taxes above the base are collected in a special fund and used for redevelopment costs inside the Redevelopment Area (TAD). Only property taxes generated by the incremental increase in the values of these properties are available for use by the TAD, the base revenues certified by the DOR continue to go to the taxing authorities. If a taxing authority does not consent, they also get the increment.

What is a bond? What is a TAD bond?

A bond is long-term debt similar to home mortgage, but for a larger project and greater amount of money. A TAD bond is the mechanism through which funding is created to incentivize new development in designated underserved areas. TAD bonds are issued to "monetize" the projected future increases in property tax revenues, so that funding is available to subsidize a portion of development costs up front. The TAD bonds are repaid over the life of the TAD with new property tax revenues generated by higher property values as a result of new development.

What can TAD funds be used for?

The Redevelopment Powers Law outlines the possible uses for TAD funds. In Georgia, TAD funds can be used for grants for capital costs, which include: construction of new buildings; public works or improvements; renovation, rehabilitation, demolition, or expansion of existing buildings; acquisition of equipment; and clearing and grading of land. The Redevelopment Plan for each district specifies the permissible uses of the funds that support the goals outlined in the Plan. TAD funds must be spent on uses consistent with the Redevelopment Plan for the TAD as approved by Commission or Council. Funds must be allocated to projects and spent within the boundaries of the district, as set forth in the Redevelopment Plan.

Are you allowed to use funds derived from one TAD to assist with another area?

The Redevelopment Powers Law stipulates that the increment generated in a TAD derived from increases in property taxes must be spent within the TAD from which it came.

Who controls or manages TAD funds?

The designated redevelopment agency, in association with the initiating taxing authority, controls the all TAD accounts.

Who monitors the TAD process and provides ongoing compliance?

The designated redevelopment agency manages and administers the TADs within the City or County.

When does a TAD terminate?

Typical TADs exist for 25-30 years, depending on the term of the bond and the life of the district as stipulated in the Redevelopment Plan. However, any TAD may be terminated earlier if all bonds are paid off and the initiating council or board votes to terminate the district.

How does a TAD differ from an Enterprise Zone?

Property taxes are abated in Enterprise Zones for a period of five years, then are gradually increased over the following five years. In a TAD, property owners pay normal property taxes based on values, but the incremental increase in property taxes is deposited into a special fund for payment of redevelopment costs.

Is there a limit to the number or size of TADs that may be created?

According to the Georgia Redevelopment Powers Law, the local taxing authority cannot create a new TAD if the total taxable value of the existing TADs plus the proposed TAD is greater than 10 percent of the tax digest (total value of taxable property) for the City/County. If the limit is met, no new TADs can be created until one is completed.

Do other cities and counties provide this type of financing?

Tax increment financing has been utilized in the United States since 1958; it is a national best practice. Currently, 49 states and the District of Columbia have enabling legislation for tax increment financing. There are at least 27 TADs in Georgia.

Note: state and local laws differ considerably across the country.

Why is there a need for TADs?

Tax increment financing is a widely used economic development tool that offers local governments a way to revitalize their communities by expanding the tax base, offsetting, in part, federal and state funds that are no longer available. TADs can act as a catalyst to attract further private investment into physically or economically distressed areas. TADs help local governments attract private development and new businesses which create jobs, attract customers, generate sales tax, that in turn generates additional private investment. Essentially, the creation of a TAD generally leads to an increase in tax revenues above what already exists.

Why would local jurisdictions choose to forgo receiving increased property tax revenues in TADs?

Local jurisdictions do not forgo receiving increased property tax revenue, but choose to invest their future tax revenues in new development. TADs are established in slow- or no-growth areas where a disproportionately low amount of property tax revenues is generated. Typically, areas designated as TADs don't pay their fair share of property taxes, forcing higher-wealth areas to carry the cost of services for these areas. TADs are essential for catalyzing development that would otherwise not occur.

After a TAD is created, participating public school districts, cities and counties continue to receive the pre-TAD base amount of property tax revenues. Increases in property tax revenues resulting from new development attracted to the area are used to pay certain redevelopment costs; this is the subsidy used to draw new projects to the area.

All taxing jurisdictions choose whether or not they want to participate and the terms of their participation in TADs. Sometimes, payments in lieu of taxes (PILOT) mechanisms have been provided as allowed under state law to reduce the demand on the City, County and School Board by earmarking additional dollars to offset real or perceived service demands as projects go vertical. School boards can choose to participate or not. For example, the Atlanta Board of Education and the Fulton County Board of Commissioners have acknowledged the effectiveness of this economic development tool by consenting to the inclusion of their property tax increment in every TAD to date inside the City of Atlanta, with the exception of Princeton Lakes.

Property tax values increase in TADs as redevelopment occurs. This gradual growth over the life of the TAD results in a windfall for participating jurisdictions when the districts is dissolved and all property tax revenues revert to the taxing entities.

How are increases in service costs, such as public safety and waste management, funded if property tax revenues to taxing jurisdictions remain level over the life of a TAD?

Areas that are eligible for designation as TADs generally aren't paying their fair share of taxes: high-wealth areas carry the cost of services for low-value distressed and underdeveloped areas. In fact, the tax digest within areas designated as TADs in Georgia is 44 percent of the average value of the host jurisdiction*, on average.

TADs are typically established in areas with a declining tax base resulting from disinvestment and blight, where the demand for some city services such as solid waste collection and police patrol is greater. The creation of a TAD generally leads to a decreased need for many city services (translating to decreased costs for these areas) as well as increased revenues for the jurisdiction, including personal property taxes, sales taxes, user fees and impact fees. Once the district is dissolved, the incremental growth in real property taxes reverts back to the taxing jurisdictions, creating a windfall of new revenue and expanding their tax bases.

* Livable Communities Coalition, *Survey and Analysis of Tax Allocation Districts in Georgia* (October 2007) 2.

Will property tax millages be raised?

According to the Redevelopment Powers Law, the City cannot create a new TAD if the total taxable value of the existing TADs plus the proposed TAD is greater than 10 percent of the tax digest (total value of taxable property) for the City.

How is displacement resulting from gentrification within TADs addressed?

Although the greatest contributor to gentrification is stagnant wages, which prevent families from keeping pace with increasing cost of living, the impact of gentrification can be mitigated in TADs. TADs help fund residential projects which include affordable housing components, allowing people to affordably live near expensive jobs centers, thus reducing congestion and improving air quality. Additionally, TAD monies are used to fund housing rehabilitation programs, which can help low- and moderate-income homeowners to remain in their communities despite rising property values. Furthermore, TADs provide low-income residents with new job opportunities and better access to goods and services.

State and local taxing jurisdictions can take alternative initiatives to reform the property tax system or introduce other local exemptions to address this issue.

How many affordable units have been funded in TADs to date?

In Atlanta, for example, since the first TAD bond issue in 2005, more than 200 affordable condominiums and 160 affordable apartments have been constructed with Eastside TAD assistance. Affordable housing requirements currently exist for projects receiving funding in the BeltLine, Campbellton, Eastside, Hollowell/ML King, Perry Bolton, Stadium, and Metropolitan Parkway TADs. Generally, developers of TAD-funded residential projects in these districts are required to set aside 20 percent of units for people earning 80 percent of the area median income (AMI). An affordable housing program has been implemented only in the Eastside TAD to date, as this is the only district in which funds have been allocated to developers for this purpose.

What are the opportunities for public input?

Prior to TAD creation, the Redevelopment Plan is available for public review and comment. Some local policies require the implementation of community advisory boards to review projects and make recommendations to the Redevelopment Agency. Furthermore, any community advisory boards and Redevelopment agency Board of Directors meetings are opening to the public. Further opportunities are provided during taxing authorities consent meetings, and the public hearings by the initiating taxing authority.

How much TAD funding is available for private developments?

The amount of TAD funding available to developers varies depending on which taxing jurisdictions are participating in that district and the terms of their participation. Funding generally can range from 4 percent to 10 percent of a development's total private project costs. The amount of funding allocated is determined based on the projected increased property value that will result from the new development as determined by a bond underwriter's review of a project proforma.

How will projects be chosen for TADs?

Projects are considered for TAD funding based on several factors, including but not limited to financial feasibility, compliance with TAD Policies, and alignment with the goals of the Redevelopment and the local governments economic and comprehensive development plans.

Can TAD funding be used in conjunction with other economic development incentives?

TAD funds are generated by growth in property taxes, so any program that freezes or abates property taxes, such as the PILOT programs, Urban Enterprise Zone or the State Property Tax Freeze, is not compatible with the TAD program. Incentive programs involving income tax credits or deductions or tax-exempt bonds can be layered with TAD funds.

How does someone apply for TAD funding?

A final process will be approved by the initiating authorities and the designated redevelopment agency. The following is a summary of the TAD application process works in other areas of Georgia:

1. Applicant meets with Redevelopment Agency (RDA) for discussion(s) of conceptual project overview
2. RDA determines the project's eligibility and compliance with TAD Policies
3. Applicant completes and submits the TAD application and application fee during specified application period
4. Projects are presented to any community advisory boards, which make recommendations to the RDA Board in support of or against projects
5. RDA Board must approve conditions of the Development Agreement and bond amount
6. Developers of approved projects will enter into a "Development Agreement" with the City/County and RDA
7. City Council or County Commission approves bond ordinance which includes bond documents and bond amount

Tax Allocation Bonds are sold and the proceeds from the capital are distributed by RDA to the developers as outlined in the bond documents (usually on a reimbursement basis)