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# TAX ALLOCATION DISTRICTS

Presentation on behalf of the  
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# What is a Tax Allocation District?

- A Tax Allocation District or “TAD” is a tool used to provide public financing for infrastructure and other redevelopment costs in blighted, less desirable or underutilized areas.
- Increased property tax revenues resulting from new development are used to finance redevelopment costs, including debt service on revenue bonds.
- Known as ‘tax increment financing’ (TIF) in other states. Used in all 50 states and the District of Columbia.

## How does a TAD work?

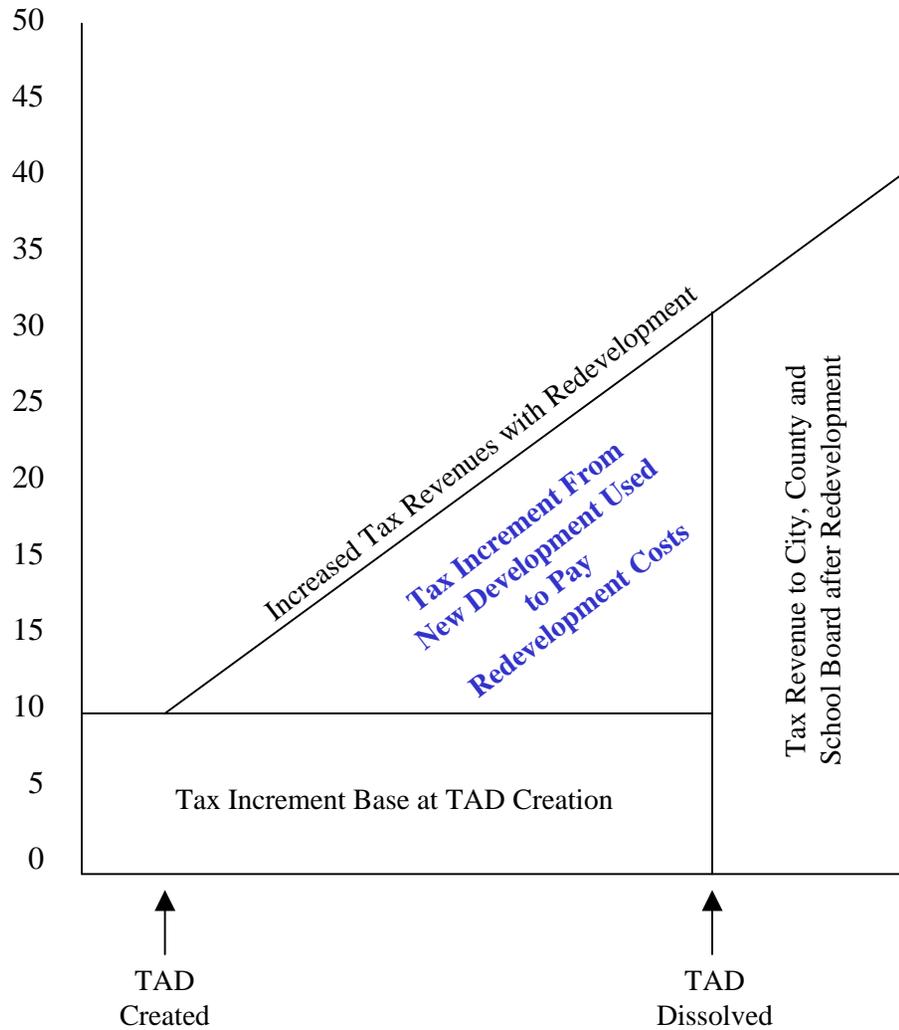
- City identifies then designates a redevelopment area and adopts a redevelopment plan.
- Board of Education and County consent to include their respective increments from the TAD.
- Base tax digest is established for the TAD.
- Increased property tax revenues resulting from new development are placed into a “special fund” to pay redevelopment costs, including debt service on TAD bonds.
- City, County and School District receive increased tax revenues once bonds are retired.



# How is the TAD Increment created?



Property Tax Revenue  
(in millions)



## What types of properties or areas are eligible for inclusion in a TAD?

- Urbanized or developed area with blighted, substandard buildings, infrastructure.
- Underutilized area within urbanized or developed area that has open parcels, aging structures, environmental problems.
- Developed area that is less desirable than it would be if redeveloped or adversely affected by environmental factors.

## How is a TAD created?

- Adopt local bill and hold referendum (first time only).
- Identify eligible area and prepare redevelopment plan.
- Advertise and hold public hearing.
- Adopt redevelopment plan, create TAD, designate a redevelopment agency.
- Obtain County consent.
- Obtain Board of Education consent.
- Obtain state certification and set up special fund.

# How may the tax increment be used?

- To pay Redevelopment Costs:
  - Capital and soft costs of redevelopment (public or private).
  - Land assembly.
  - Debt service on TAD bonds.
  - Capitalized interest.

## How does a developer obtain reimbursement from TAD funds?

- Costs must be eligible redevelopment costs.
- Direct reimbursement from increment as it accrues in the Special Fund.
- Reimbursement from proceeds of TAD bonds.
- Terms of reimbursement and scope of work set forth in a Development Agreement.

## How is a TAD bond issue structured?

- Scope of project/firm development commitments/construction values and schedule.
- Feasibility, market absorption studies.
- Projected increment.
- Sizing of bond issue/determination of net proceeds.
- Usually unrated, tax-exempt.
- Conservatively sized.
- TAD Bonds are marketed to sophisticated (institutional) investors.

## What are the advantages of creating a TAD to effect redevelopment?

- Not a property tax abatement.
- Not a property tax increase.
- Significant leverage.
- Recognized financing instrument.

# What are the protections for the Issuer of TAD bonds?

- City is the Issuer of TAD Bonds.
- 10 percent limit on TADs.
- No pledge of general fund revenues. No ‘general fund’ exposure to the City, County or the School District in creating or consenting to a TAD.
- Conservative bond structuring.
- Continued growth in TAD area even after bonds are sold.

# How is a TAD different than an Enterprise Zone?

- When an enterprise zone is created, property taxes are fully abated for the first five years and then gradually increased for the next five years.
- Conversely, when a TAD is created, property owners continue to pay property taxes at the full millage rate levied by the City, County and School District.
- With a TAD, the local government entities continue to receive the same amount of property taxes collected when the TAD was created.
- Any incremental increase in property tax revenues resulting from growth in property values within the TAD is deposited into the special fund for payment of redevelopment costs.

# Does a TAD cause an increase in property taxes?

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- No. The property tax millage rate stays the same as before the TAD was created. In fact, the additional tax revenues received as a result of the increased value of newly developed or redeveloped property can relieve the tax burden on other properties.
- For example, if a vacant lot is developed into a retail center with loft housing, which has significantly higher value than the previous use, the new tax revenues will lessen the burden on other property owners.
- In addition, the new development in the TAD may stimulate other development in the surrounding area, adding more new property taxes to the City, County and School Board.
- New retail development also generates increased sales tax revenues (LOST and SPLOST), which further benefits existing taxpayers.

# Do other states use this kind of development incentive?

- In the 1960s and 1970s, federal and state governments began cutting economic development programs that could be used to revitalize communities.
- Today, all 50 states and Washington, D.C. use some kind TIF as a popular tool to attract new business, invest in infrastructure improvements, and rebuild blighted areas.
- Illinois has over 400 TIFs – 120 in Chicago alone. The TIF program has been credited with providing the catalyst for the dramatic renaissance of downtown Chicago.
- Portland, Oregon has created ten TIFs, including the Gateway Regional Center, a project that includes transportation improvements, new housing, mixed-use development, and public facilities in a 653-acre area covering three neighborhoods.
- Kansas City, Missouri also has used TIFs successfully both to facilitate site-specific developments and to stimulate development in large blighted areas. The Midtown Market Place project involved demolishing over 140 blighted properties within a 22-acre site and rebuilding a mixed-use development with office, retail, and residential elements.

## How have TADs been used by cities and counties in Georgia?

- Since passage of the Redevelopment Powers Law in 1985, cities and counties in Georgia are beginning to use TADs to stimulate economic redevelopment.
- As of early 2007, a total of 23 TADs have been created in the metro Atlanta region from Acworth to Ellenwood.

## Do all TADs have similar characteristics?

- No. Each local government determines what kind of redevelopment is best suited for TAD designation.
- Some TADs have been used to finance infrastructure for specific development projects – **Atlantic Station, Camp Creek, Acworth, Clayton County Ellenwood, Princeton Lakes.**
- Other TADs have been created to finance costs for multiple projects in large area – **Westside Atlanta, Eastside Atlanta, Smyrna Atlanta Road Corridor, Marietta City Center South Renaissance , Perry/Bolton Atlanta.**

## 2006/2007 TAD Activity

- ◆ City of East Point - Corridors
- ◆ City of Gainesville – Midtown Gainesville
- ◆ City of Holly Springs – New Town Center
- ◆ City of Kennesaw –Due West
- ◆ **City of Marietta – Franklin Gateway**
- ◆ City of Smyrna – Atlanta Road Corridor
- ◆ City of Woodstock – Downtown Woodstock
- ◆ The City of Union City and Augusta-Richmond County are considering the creation of TADs during 2007.