



### ***What is the Redevelopment Powers Act?***

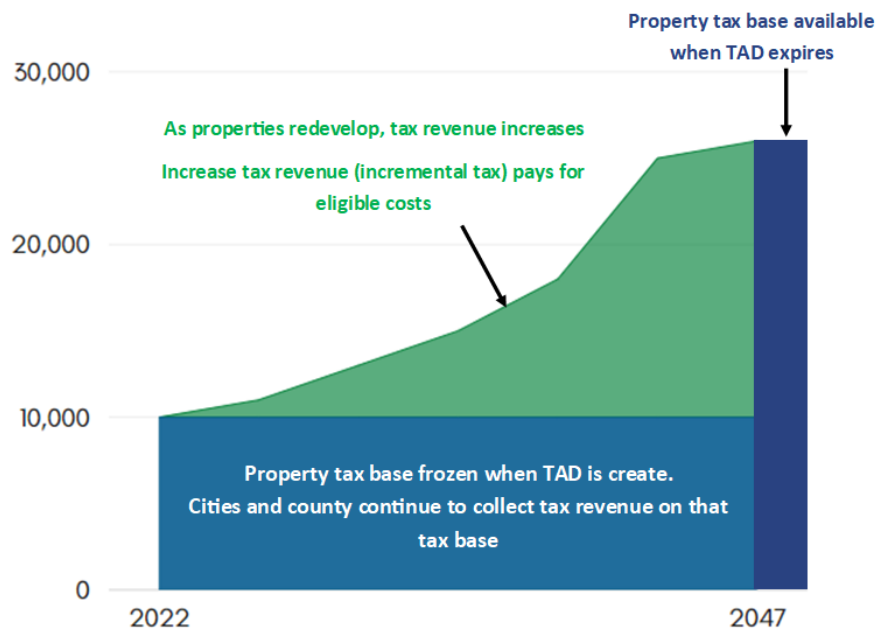
#### Understanding Tax Allocation Districts and Tax Increment Financing

#### **What is a Tax Allocation District?**

Georgia's Redevelopment Powers Law gives local governments (cities and counties) the authority to sell bonds to finance infrastructure and other redevelopment costs within a specially defined area called a tax allocation district (TAD). The bonds are secured by a tax increment which is the increase in the property tax revenues resulting from redevelopment activities occurring. As public improvements and private investment take place in a TAD, the taxable value of property increases. The city/county collects those revenues and puts the increase in revenues due to new investment into a special fund to pay off bonds or loans that financed the public improvements in the district.

#### **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 Georgia Department of Revenue sets a base value for the district. Any growth in property tax revenues resulting from increases in property values above the base values are collected in a special fund and used for eligible redevelopment costs in the TAD. Only property taxes generated by the **incremental increase** in the values of these properties are available for use by the TAD. The remaining base value funds continue to flow through to each of the various taxing authorities (City, County, School). See example below:



For more information, please contact the Economic Development Office at (706) 965-1066.

**Is this a property tax reduction for developers?**

No. All property owners, including developers that invest into the TAD, continue to pay tax on the full assessed value of the property within the district throughout the lifespan of the TAD. The TAD simply allocates the Tax Increment of the District to a special fund that can be used to further improve the district with eligible redevelopment costs. This special fund acts as a method to fund public infrastructure within a TAD through the incremental taxes produced within the TAD.

**Will my property tax rate go up?**

The property tax rate within a TAD does not increase as a result of simply being located within a TAD and follows the rates set forth by the various taxing authorities (City, County, School) during their regular budgeting cycle. As investment occurs, the assessed value of the properties, particularly the ones being redeveloped within the TAD, will increase. This increase in assessed value is what generates the extra funding that is used to finance eligible redevelopment costs within the TAD.

**What is Tax Increment Financing?**

Tax Increment Financing (TIF) is a method by which the Tax Increment is used to pay for a long-term debt, typically a bond.

**What is a bond? And what is a TAD Bond?**

A bond is long-term debt like a 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 areas that follow an approved Redevelopment Plan. TAD bonds are issued to monetize the projected future increases in property tax revenues, so that funding is available to subsidize a portion of eligible development costs up front. The TAD bonds are repaid over the life of the TAD with new property tax revenues (tax increment) generated by higher property values as a result of new development.

**What would happen to taxpayers if there was a default on a TAD bond?**

A TAD Bond is a revenue bond that does not have a general obligation of the local government. Therefore, there is no risk to the taxpayers in the unlikely event of a default. Only the investors who finance a TAD bond are at risk. As a result, interest rates on TAD bonds are typically higher than those of general obligation bonds.

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### **If the November Referendum passes, how would a TAD be Created?**

The first step is to designate a TAD boundary and to prepare a Redevelopment Plan that will act as the business plan for the operation of the district. This Plan identifies parcels within a district that have suffered from disinvestment and addresses potential solutions to encourage investment within the proposed district. The plan is discussed at two public hearings and then must be approved by a resolution of the initiating jurisdiction.

Upon approving the creation of a TAD, the initiating jurisdiction will typically ask the other taxing jurisdictions (City, County, or School) to review the plan and determine if they want to consent to commit their portion of the future property tax increments to the TAD by formal approval of the Redevelopment Plan. The terms of consent are usually spelled out in an intergovernmental agreement between the taxing jurisdictions. Once the resolution is passed, the taxable value in the TAD is certified as the base value of the district.

### **How long does a TAD stay in effect and can it ever be dissolved once it is created?**

The length of the TAD is determined by the Redevelopment Plan and approved in the resolution passed by the local government. In most but not all cases, TADs are initially approved for 30 years so they can be effectively used to secure bond financing. A TAD may be terminated earlier if all bonds are paid off and the initiating council or board votes to terminate the district.

Once a TAD is terminated, the full assessed value of the property taxes returns to normal for all appropriate taxing jurisdictions.

### **What input does the public have into the formation of a TAD?**

The Redevelopment Plan that acts as the business plan for the operation of the district must be discussed at two public hearings prior to the resolution of the initiating jurisdiction. Public input is invited during this process to help inform the direction of the TAD and what types of development the community would like to see occur within the District.

### **What are the eligible uses of Tax Increment Funding?**

In general, eligible redevelopment activities are any activity, project, or service necessary or incidental to achieving the development or revitalization of a redevelopment area or a portion thereof designated for redevelopment by a redevelopment plan or the preservation or improvement of historical or natural assets within a redevelopment area or a portion thereof designated for redevelopment by a redevelopment plan. A comprehensive list of eligible redevelopment costs for TIF can be found under [O.C.G.A 36-44-3](#) under Paragraph 5, Subsections A-L.

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