



ATHENS- THE TAD PROCESS

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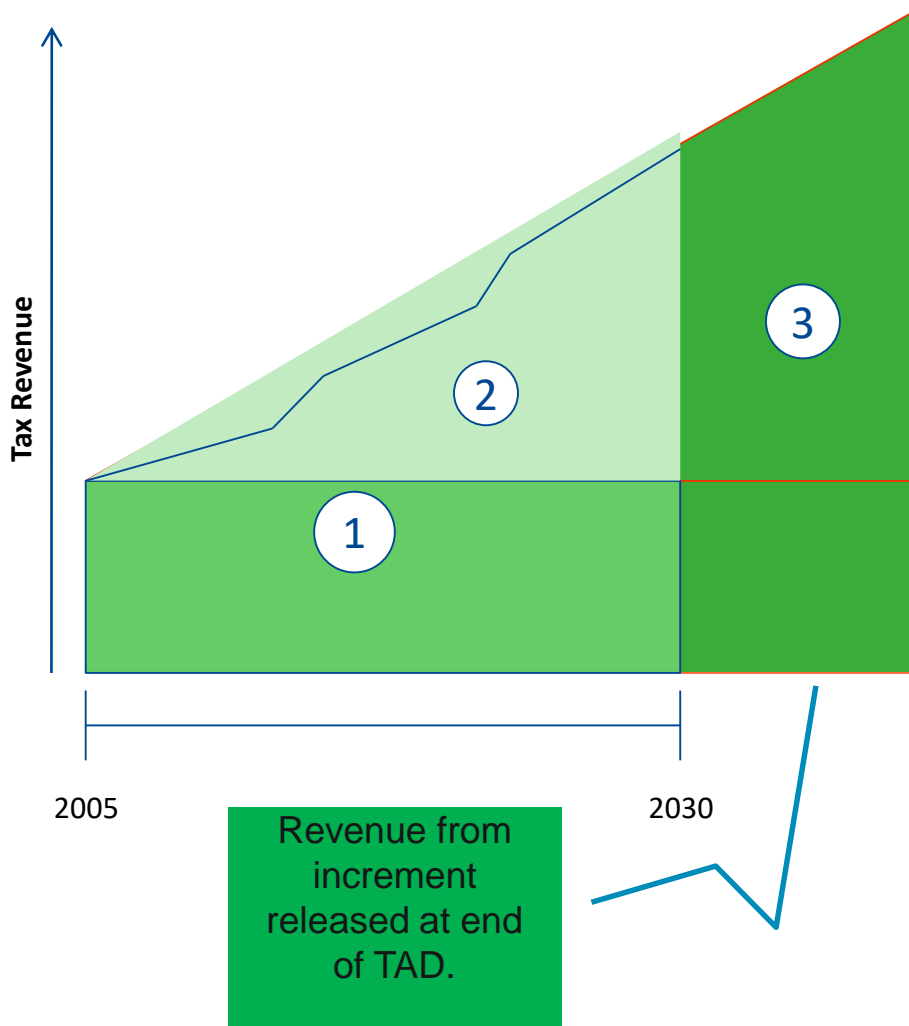
WHAT'S A TAD?



What are TIFs and TADs?

- A TAD is a “tax allocation district.”
 - In other states, TADs are called TIF districts.
 - A TAD is not a public body.
 - It is a geographic area.
 - Within the area, the local government has additional powers for redevelopment.
- TIFs or TADs are a tool for redevelopment.
 - This presentation focuses on the use of TADS in Georgia.
- They use increases in property taxes (called “positive tax increment” in Georgia) in a specific area to pay the costs of redeveloping the area.

TADs ONLY USE NEW TAX REVENUE FROM THE DISTRICT



1. Revenues from the existing tax digest are not affected by a TAD.
2. TADs draw on new revenues from taxable additions to the tax digest.
3. When the TAD is terminated, the addition of new revenues to old revenues can be a windfall to the taxing authorities.

WHY DO I NEED A TAD?



WHY TADs?

ACCORDING TO ULI,

- “Tax increment financing (TIF) can be a powerful economic development tool.”
- “Under the right circumstances, TIF can generate enough funding to make a real difference.”
- “And with the right safeguards in place, TIF encourages government and the private sector to form a partnership based on each other’s strengths.”



WHY TADs

- “Without TIF or other government programs, the only redevelopment will be for the rich, by the rich.”
- “TIF works because government looks the private sector in the eye and puts the public money where the private sector is also willing to put the private money.”

Source:ULI, “Tax Increment Financing: Tweaking TIF for the 21st Century” (<http://urbanland.uli.org/economy-markets-trends/tax-increment-financing-tweaking-tif-21st-century/>)



WHAT PURPOSE?

“The purposes for which communities create TADs tend to fall into three broad categories.

- First, they are created to encourage commercial development in largely undeveloped or under-developed commercial corridors where high infrastructure costs has inhibited quality development.
- Second, TADs have been created in order to build new town centers, redevelop downtowns, or revitalize other areas.
- Lastly, TADs have been formed to achieve multiple objectives, including the replacement of existing, lower valued development with mixed-use projects and other appropriate development.”

Source: Touchton, “The Evolution of the Use of TADs in Georgia” (July 2015) , <http://www.councilforqualitygrowth.org/the-evolution-of-the-use-of-tads-in-georgia/>.

THE BASICS



Where can a TAD be located?

- A TAD has to be an area that is
- an “urbanized area” as determined by the U.S. Bureau of the Census, or
- an area presently served by sewer, and
- that qualifies as
 - “a blighted or distressed area”,
 - a “deteriorating area”, or
 - an “area with inadequate infrastructure”



What Types of TADs Are There?

Two general types of TADS-

- “Project TAD”- for specific purpose or project
 - usually developer initiated
- “Area TAD”- to implement broader revitalization strategies
 - usually local government initiated
- most TADs in Georgia are local government initiated



How Do I Create a TAD?

- The General Assembly passes a local act authorizing the local government to exercise redevelopment powers. ATHENS ✓
- The voters within the local government approve the exercise of redevelopment powers in a referendum. ATHENS ✓
- The redevelopment agency (designated by the initiating jurisdiction) submits a Redevelopment Plan for approval by the local government.
- After publishing notice, the local government holds at least one public hearing within 60 days after the Redevelopment Plan is submitted.



How Do I Create a TAD?

- In order to use tax increments of the county (for a city TAD) or the school board, their consents must be obtained. With school taxes, also need “impact analysis.”
 - ATHENS- ONLY CONSENT NEEDED IS BY BOARD OF EDUCATION
 - local government that initiates TAD = “**initiating jurisdiction**”
 - initiating jurisdiction plus another local government or school board that consents = “**participating jurisdictions**”



How Do I Create a TAD?

- After publishing another notice, the local government adopts the Redevelopment Plan (within 45 days after hearings completed). There is no vote by general public, just by elected officials.
 - Local government finds growth and development not reasonably anticipated “**but for**” the redevelopment plan.
- The TAD’s creation date is December 31 of year Redevelopment Plan approved or of a subsequent year as determined by the city or county. By the creation date, the redevelopment agency applies in writing to the state revenue commissioner for a determination of the tax allocation increment base of the TAD (as of TAD creation date).
- TAD exists until terminated by resolution of initiating jurisdiction
 - no outside date
 - all redevelopment costs must be paid before termination



How does a TAD affect taxes?

- Property taxes are-
 - not abated
 - not increased
- just because of a TAD.
- Millage rates are not frozen within a TAD, but, for the purpose of fixing the tax millage rate to fund their annual budgets, the taxing jurisdictions have to use a taxable value for the property within a TAD that does not exceed the tax allocation increment base of the TAD until the TAD is terminated



What are the choices for the Redevelopment Agency?

- Local Government that is initiating jurisdiction
- New Public Body
 - created by resolution of two or more local governments
- Existing Public Body
 - designated by resolution of two or more local governments
- Urban Redevelopment Agency (URA)
 - under Urban Redevelopment Law
- DDA (city- within downtown area)

Note: Local government can have redevelopment powers under both Redevelopment Powers Law and Urban Redevelopment Law, but only Redevelopment Powers Law authorizes TADs.

WHAT CAN A TAD PAY FOR?



What costs does a TAD pay?

TAD revenues are used to pay “**redevelopment costs**”, including costs for-

- The construction of any building or other facility for use in any business, commercial, industrial, governmental, educational, charitable, or social activity;
- The renovation, rehabilitation, reconstruction, remodeling, repair, demolition, alteration, or expansion of:
 - any existing building or other facility for use in any business, commercial, industrial, governmental, educational, charitable, or social activity;
 - public or private housing;
 - public works or other public facilities necessary or incidental to the provision of governmental services;
 - buildings or sites which are of historical significance;
 - public art and arts and cultural facilities;
 - structures, equipment, and facilities for mass transit,
 - telecommunication infrastructure;
 - facilities for the improvement of pedestrian access and safety;



What costs does a TAD pay?

TAD revenues are used to pay “**redevelopment costs**”, including costs for-

- The preservation, protection, renovation, rehabilitation, restoration, alteration, improvement, maintenance, and creation of open spaces, green spaces, or recreational facilities;
- Improving or increasing the value of property; and
- The acquisition and retention or acquisition and disposition of property for redevelopment purposes or the use for redevelopment purposes of property already owned by a political subdivision or any agency or instrumentality thereof.



How are costs paid?

- Redevelopment costs are paid out of a special fund created by the city or county
- Payments can be made as TAD collections are made
 - “pay as you go”
- Or TAD Bonds (tax allocation bonds) can be issued by local government to “forward fund” payment of redevelopment costs
 - “pay as you use”
 - collections projected into future
- TAD Bonds are revenue bonds
 - not general obligations of local government
 - no referendum



What are the sources for repayment of TAD bonds?

- positive tax increment
- lease or other contract payments in the district's special fund
- if increment is insufficient-
 - other general funds of the TAD district
 - e.g., all property tax revenues of district
 - e.g., local government's share of LOST (from district)
 - e.g., business license fees (from district)
 - e.g., hotel/motel taxes (from district)
- proceeds of bonds or loans
 - e.g., reserve fund



What are some special features of TAD bonds?

- Pledged property taxes have “lien status” under normal property tax system
- Optional “Back-Up Assessment” often helps marketability
 - pledge of assessments from special tax district to pay shortfall in revenues available for debt service

TAD BENEFITS



What does a TAD do for a local government?

- Enables it to develop sites that are competitive for investment and job creation projects out of an area that would otherwise be a “non-starter” in terms of site selection.
- Pays for economic development/redevelopment without raising taxes.
- Public bodies don’t lose existing tax base.
- Promotes growth in areas that otherwise would not redevelop.
- Employment opportunities are created.



What does a TAD do for a local government?

- AND IF TAD BONDS ARE ISSUED-
 - TAD Bonds not general obligation debt and do not count against the G.O. bond limits for the city or county.
 - City or county credit rating not affected by TAD Bond financing, if used prudently.
- FINALLY
 - Property values will increase within the TAD, and also nearby, due to the “halo” effect.
 - “Windfall” to city or county tax revenues once TAD terminates. Growth in TAD continues.

WHAT YOU NEED TO TWEAK



Some things to think about

- You might have a threshold need for initial investments in due diligence, infrastructure or other supporting activities. Be sure you can afford this.
- TADs cause growth, and growth has its own problems; e.g., more public services such as schools might be needed.
- TAD revenues spent in TAD can't be spent elsewhere.



Some things to think about

- There could be "execution risk" with a Project TAD- What happens to the project if you lose your private sector partners?
- TAD Bonds aren't a general obligation of city or county, but if go into default, the default could still impact your project.
- Financial models for TAD Bonds should be conservative. Curing a default in payment of TAD Bonds isn't the financial responsibility of the local government, but there could be "headline risk" in case of a default.



What safeguards do I need?

- With Project TAD have a Development Agreement with your private sector partner.
 - Duties
 - Timetable
 - Remedies
 - Define basis for cost payments/reimbursements- timing, advance ratio, etc.
- Negotiate the right Redevelopment Plan provisions for special situations; e.g., assistance for schools
- Built- in Safeguard: By law, local government controls TAD collections through special fund
- Built in Safeguard: By law, no new TAD possible if it would cause value of taxable property in all TADs (including new TAD) to exceed 10% of city or county tax digest

CONCLUSION



TWEAK YOUR TAD

- Georgia's growing history with TADs provides a lot of information about how TADs work and how you can make them work for you.
- You should tap that information in order to "Tweak Your TAD!"
 - Make it fit your local situation.
 - Make it successful.

MORE INFORMATION



QUESTIONS?

If you have any questions or comments on this presentation, please do not hesitate to let me know.

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SCOPE

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