



What is the Redevelopment Powers Act?

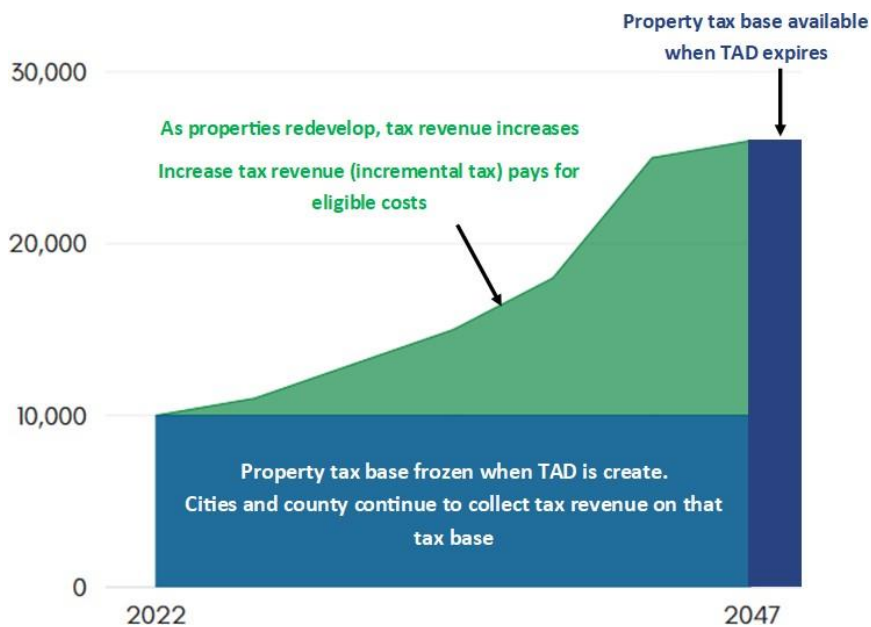
Understanding Tax Allocation Districts and Tax Increment Financing

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.

If a new development did not pay taxes, the TAD would fail because the new developments are the primary source of the increase in property tax collections within a TAD.

Will my property taxes go up?

The property tax rate within a TAD does not increase simply by 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 or a loan.

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 or loan?

A TAD Bond or Loan 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 or loan are at risk. As a result, interest rates on TAD bonds and loans 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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Does the Redevelopment Powers Act grant any additional eminent domain powers to the Cities or County?

No. There are no additional eminent domain powers attached to the Redevelopment Powers Act. In fact, the State of Georgia passed restrictive eminent domain legislation in 2006 that expressly forbids economic development activities as a viable use for eminent domain. A fact sheet on this legislation can be found by [clicking here](#) and a summary is below:

The Landowner's Bill of Rights and Private Property Protection Act (HB1313)

HB1313 requires any exercise of eminent domain by non-elected housing and development authorities be for public use. Public benefit from economic development shall not constitute a public use. HB1313 defines public use as:

- Possession, occupation or use of land by the general public or state or government entities
- Use of land for public utilities
- Opening of roads/channels of trade and travel
- Acquisition of property where title is clouded
- Acquisition of property where unanimous consent is received (friendly condemnations)
- Remedy of blight

HB1313 defines economic development as economic activity to increase the tax revenue, tax base, or employment or to improve general economic health. Blight, or blighted property, is determined on a property by property basis, not on the basis of area and must be an urban or developed property. The property must also meet two of six dangerous conditions listed below:

- Uninhabitable, unsafe or abandoned structures
- Inadequate provision of ventilation, light air or sanitation
- Imminent harm to life or property caused by natural catastrophe where property owner has not taken reasonable efforts to remedy the problem after being notified by the relevant government agency
- Superfund site due to environmental contamination
- Repeated illegal activity on the individual property of which the property owner knew or should have known
- Maintenance of the property below code for a year after notice of the code violation

Are there any projects currently in the works that could benefit from a TAD?

No. If the referendum passes on November 2, the earliest a Tax Allocation District could be formed would be January 1, 2023. This is because a designated Redevelopment Agency is required to develop a Redevelopment Plan for the district with public input and public hearings. This process typically takes about a year.

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