

TIFs and TADs- Questions and Answers

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What are TIFs and TADs?

- A TAD is a “tax allocation district.”
 - In other states, TADs are called TIF districts.
- 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.

Where can a TAD be located?

TADs have to be either-

- an “urbanized area” as determined by the U.S. Bureau of the Census, or
- an area presently served by sewer which is also either
 - a “blighted or distressed area,”
 - a “deteriorating area,” or
 - an “area with inadequate infrastructure”

What can I do with a TAD?

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?

1. The General Assembly passes a local act authorizing the city or county to exercise redevelopment powers.
2. The voters within the city or county approve the exercise of redevelopment powers in a referendum.
3. The redevelopment agency (city or county, or a new agency created by the local government) submits a Redevelopment Plan for approval by the city or county.
4. After publishing notice, the city or county holds at least one public hearing within 60 days after the Redevelopment Plan is submitted.
5. 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.”
 - local government that initiates TAD = “**initiating jurisdiction**”
 - initiating jurisdiction plus another local government or school board that consents = “**participating jurisdictions**”
6. After publishing another notice, the city or county adopts the Redevelopment Plan (within 45 days after hearings completed). There is no vote by general public, just by elected officials.
 - City or county finds growth and development not reasonably anticipated “**but for**” the redevelopment plan.
7. 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).
8. 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 increasedjust because of a TAD.
- For their non-TAD levies, the participating jurisdictions have to use a taxable value for the property in the TAD that doesn't exceed the tax allocation increment base.
- Millage rates may still be increased or decreased after the TAD is created.
 - no “freeze”

What are the choices for the Redevelopment Agency?

- Local Government that is initiating jurisdiction
- New Public Body
 - created by resolution of the local government(s)
 - ▶ for city or county
 - ▶ or joint (city and county)
- existing Urban Redevelopment Agency (URA)
 - under Urban Redevelopment Law
- DDA (city)

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;
- 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 can be issued by city or county to “forward fund” payment of redevelopment costs
 - “pay as you use”
 - ▶ collections projected into future
- TAD Bonds are revenue bonds
 - not general obligations of city or county
 - 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 local government finds above are 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
 - ▶ e.g., Atlantic Station

What does a TAD do for a city or county?

- 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.
- 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 be affected by TAD Bond financing, if used prudently.
- Property values will increase within the TAD, and also nearby, due to the “halo” effect.
- Employment opportunities are created.
- “Windfall” to city or county tax revenues once TAD terminates. Growth in TAD continues.

Any downside possible?

- Might need to make initial investments in due diligence, infrastructure or other supporting activities.
- Possible normal growth problems; e.g., more public services such as schools might be needed.
- TAD revenues spent in TAD can't be spent elsewhere.
- “Execution risk” with Project TAD- What happens to project if you lose your private sector partners?
- TAD Bonds not general obligation of city or county, but if go into default, project still impacted.
 - Financial models for TAD Bonds should be conservative.

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.
- Special Redevelopment Plan provisions for special situations; e.g., assistance for schools
- By law, city or county controls TAD collections through special fund
- 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

Any reason not to get redevelopment powers?

No. A city or county can obtain redevelopment powers without ever creating a TAD. If it does create a TAD, it does not ever have to issue TAD bonds. But with redevelopment powers, a city or county gains valuable powers for redevelopment anyway.

- Enter into contracts for up to 30 years.
- Acquire property, and dispose of property at a public or private sale.
- Borrow money from financial institutions, for up to 25 years, to pay redevelopment costs.

Be Prepared!

CONCLUSION

Redevelopment is already an important part of economic development. Having redevelopment powers, including TADs, is a valuable tool for redevelopment. If you have any further questions about those powers, please do not hesitate to let me know.

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MORE INFORMATION

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