TAD GOALS AND HOW TO ACHIEVE THEM

Presented for:

SIDEBAR CONFERENCE
DEVELOPMENT AUTHORITY BOARD MEMBER TRAINING

April 2021

Presented by:
Geoff Koski
President
BleaklyAdvisoryGroup
Now d/b/a
KB ADVISORY GROUP

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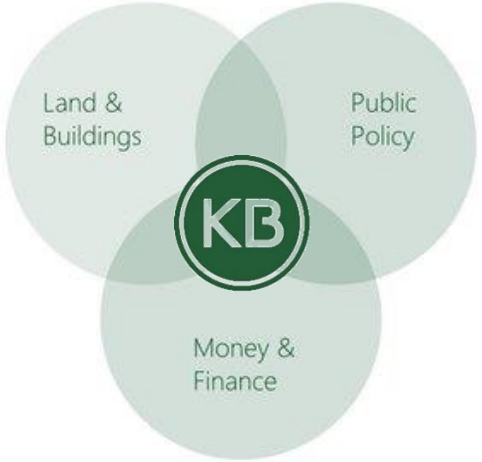
Grounded in Real-World Conditions, Backed up by Insightful Research and Analysis

Our goal is to help clients maximize the benefits of their economic development and real estate activities within five core capability areas:

1. **Real Estate Markets**
2. **Development Economics**
3. **Public Financing/Tax Increment Financing**
4. **Economic Impacts**
5. **Housing Analysis**



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Recent Work

ECONOMIC AND FISCAL IMPACT ANALYSIS
Atlantic Yards Office Development on Atlantic Station, the City of Atlanta, and Fulton County, Georgia

Prepared for
the Hines Group
by
Bleakly Advisory Group, Inc.

October 2019

Hines

BleaklyAdvisoryGroup

DOUGLASVILLE REDEVELOPMENT PLAN
TAX ALLOCATION DISTRICT #1
DOWNTOWN AND NORTH SIDE

JUNE 2019

PREPARED FOR:

DOUGLASVILLE
GEORGIA

PREPARED BY:

BleaklyAdvisoryGroup

TAX ALLOCATION DISTRICT NUMBER 1
CITY OF SOUTH FULTON
EASTSIDE TAD
&
TAX ALLOCATION DISTRICT NUMBER 2
CITY OF SOUTH FULTON
WESTSIDE TAD

REDEVELOPMENT PLAN

OCTOBER 14, 2020

Prepared for:
City of South Fulton, Georgia

Prepared by:

BleaklyAdvisoryGroup

LINCOLN PROPERTY COMPANY

BleaklyAdvisoryGroup

ECHO STREET WEST

Economic Impact Analysis

February 2020

Cumberland CID Economic Impact Update

Executive Summary

Prepared by Bleakly Advisory Group

December 10, 2019

CUMBERLAND
COMMUNITY IMPROVEMENT DISTRICT

BleaklyAdvisoryGroup

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Tax Allocation District - TAD

Presentation Contents

- TAD 101
- TAD Examples
- TAD Food for Thought
- Discussion

A sample of the 90+ Cities/Counties who have approved TAD

- 49 states and the District of Columbia use tax increment financing (TIF)—called TAD in Georgia.
- Funded more than $1 billion in redevelopment since 1999.

- **Duluth**
- **Gwinnett County (5)**
- **Lawrenceville**
- **Woodstock**
- **Atlanta (10)**
- **Savannah**
- **Gainesville**
- **Augusta**
- **Athens**
- **Smyrna**
- **Fayetteville**
- **Clayton County**
- **East Point**
- **College Park**
- **Albany**
- **Marietta**
- **LaGrange**
- **Rome**
- **Flowery Branch**
- **Lawrenceville**
- **Kingsland**

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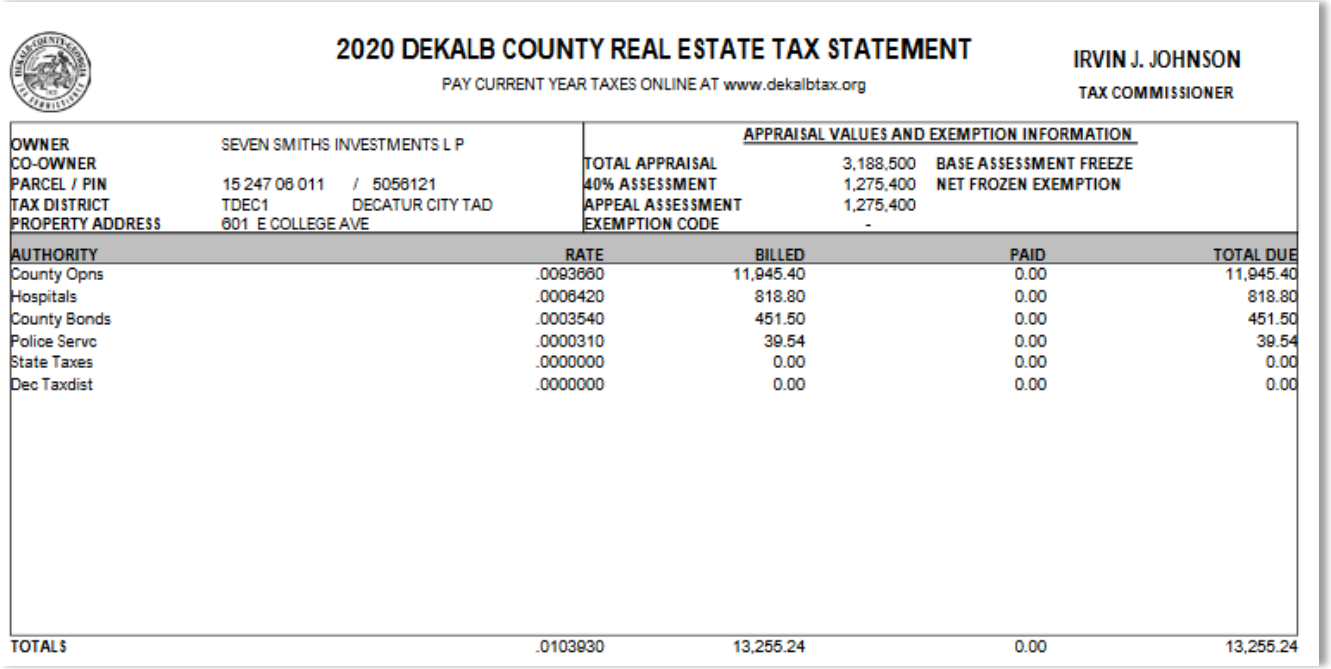
- **A Tax Allocation District (TAD) is a mechanism to recirculate current or future tax revenues within a designated site or district back into that district to incentivize or catalyze investment and development.**

- **TADs are "invisible" to property owners. All the action takes place behind the scenes in the County Assessor's office.**



2020 DEKALB COUNTY REAL ESTATE TAX STATEMENT

PAY CURRENT YEAR TAXES ONLINE AT www.dekalbtax.org

IRVIN J. JOHNSON
TAX COMMISSIONER

OWNER	SEVEN SMITHS INVESTMENTS L P	APPRAISAL VALUES AND EXEMPTION INFORMATION	
CO-OWNER		TOTAL APPRAISAL 3,188,500	BASE ASSESSMENT FREEZE
PARCEL / PIN	15 247 06 011 / 5056121	40% ASSESSMENT 1,275,400	NET FROZEN EXEMPTION
TAX DISTRICT	TDEC1 DECATUR CITY TAD	APPEAL ASSESSMENT 1,275,400	
PROPERTY ADDRESS	601 E COLLEGE AVE	EXEMPTION CODE -	

AUTHORITY	RATE	BILLED	PAID	TOTAL DUE
County Opns	.0093660	11,945.40	0.00	11,945.40
Hospitals	.0006420	818.80	0.00	818.80
County Bonds	.0003540	451.50	0.00	451.50
Police Servc	.0000310	39.54	0.00	39.54
State Taxes	.0000000	0.00	0.00	0.00
Dec Taxdist	.0000000	0.00	0.00	0.00
TOTALS	.0103930	13,255.24	0.00	13,255.24

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TAD: Where/Why?

Locations where property values are stagnant/ declining due to condition of buildings/ lack of investment

"Valuable" locations in a community that are growing at a less than optimal rate due to high site development costs or a lack of public infrastructure

Create new mixed-use or higher-density nodes to diversify the types of residential and employment centers

Finance public improvements in order to stimulate or manage growth

A City can use TAD funds to in several ways:

- Fund area-wide infrastructure and investment to make an area more marketable;
- Fund eligible elements of specific projects in order to help that project remain financially feasible.
- TADs can provide the 8% to 15% of "but for" funding needed to make difficult redevelopment projects feasible.

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Example TAD Typologies

Area-wide		Traditional TIF/Bond
Project-Specific	Infrastructure	PAYGO
	Incentive	

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A TAD can be created to:

- **help a district or area (multiple parcels) achieve a broad redevelopment vision**

  Or

- **A TAD can be created to help a single project**

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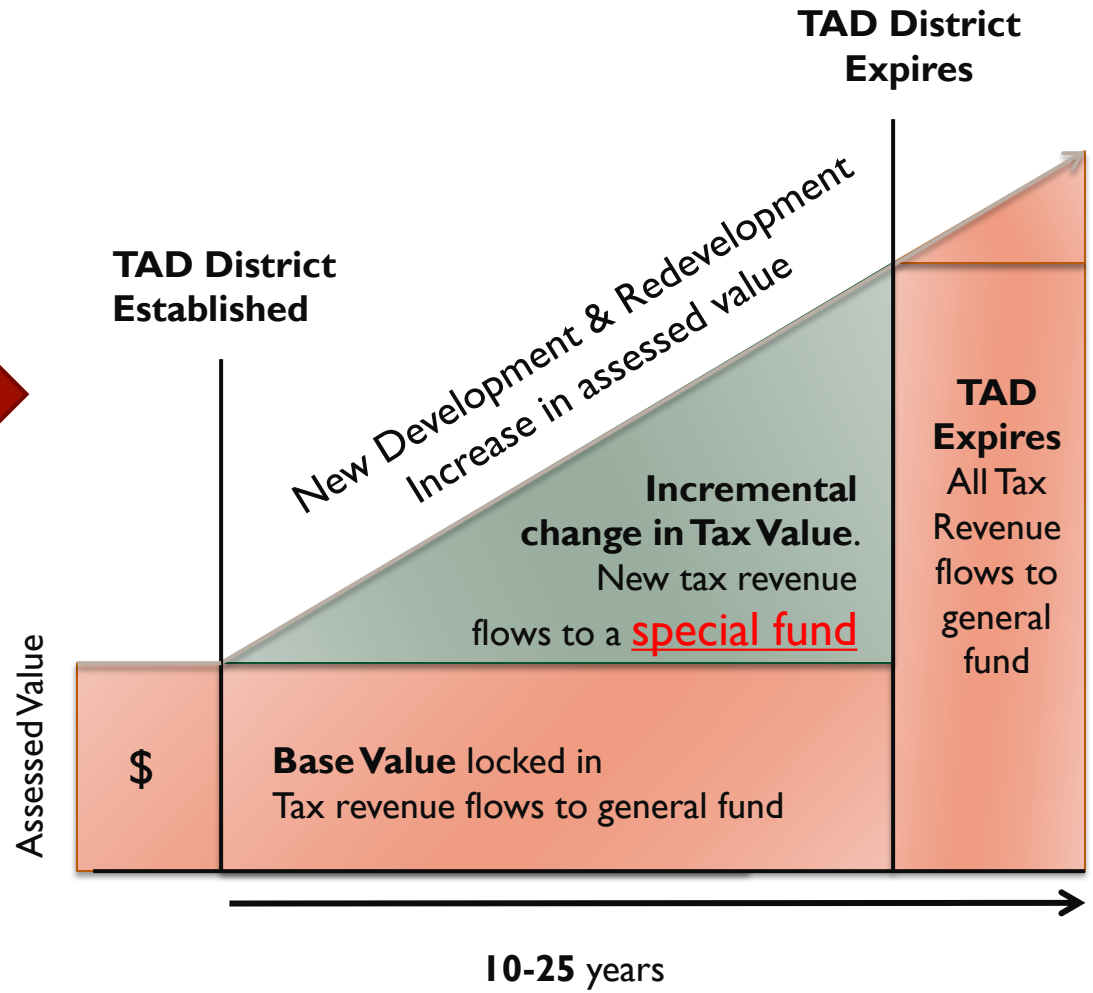
TAD 101

- **TADs are authorized in Georgia under the Redevelopment Powers Act, Chapter 44, Title 36 of the Georgia Code**
- **Future property taxes from new development and future growth are used fund redevelopment infrastructure (often to pay off TAD bonds)**
- **TADs and TAD incentives are NOT:**
  - **property tax abatements granted by local development authorities**
  - **special service districts**
  - **urban renewal**



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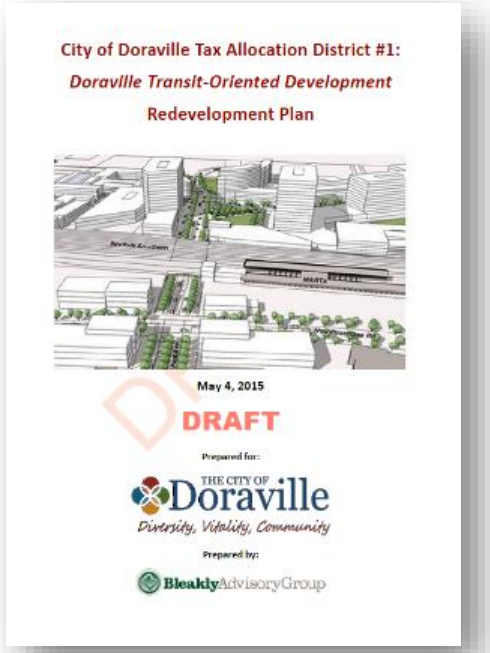
2018 Georgia Code
Title 36 - Local Government
Provisions Applicable to Municipal Corporations Only
Chapter 44 - Redevelopment Powers
§ 36-44-2. Legislative findings and purpose

Universal Citation: GA Code § 36-44-2 (2018)

It is found and declared that economically and socially depressed areas exist within counties and municipalities of this state and that these areas contribute to or cause unemployment, limit the tax resources of counties and municipalities, and create a greater demand for governmental services and, in general, have a deleterious effect upon the public health, safety, morals, and welfare. It is, therefore, in the public interest that such areas be redeveloped to the maximum extent practicable to improve economic and social conditions therein in order to abate or eliminate such deleterious effects. To encourage such redevelopment, it is essential that the counties and municipalities of this state have additional powers to form a more effective partnership with private enterprise to overcome economic limitations that have previously impeded or prohibited redevelopment of such areas. It is the purpose of this chapter, therefore, to grant such additional powers to the counties and municipalities of this state, and it is the intention of the General Assembly that this chapter be liberally construed to carry out such purpose.

TAD 101

- The **Redevelopment Powers Law** enables cities and counties to designate "**Redevelopment Areas**" by local adoption of an approved Redevelopment Plan.
- A TAD consists of specific identified tax parcels within a Redevelopment Area where cities and counties may offer TIF.
- A TAD can contain one, a few, or many individual tax parcels
- TADs usually have a finite life and can be dissolved by the local government at any time as long as no debt obligations are outstanding.
- A maximum of 10% of any jurisdiction's tax digest can be included within all of its TADs



The three-way test for TAD

Georgia Code § 36-44

A **'blighted or distressed area'** is an area that is experiencing one of more conditions of blight as evidenced by:

- *[…]* structures, buildings, or improvements that by reason of dilapidation; deterioration; age; obsolescence […] are detrimental to the public health, safety, morals, or welfare;
- substandard, vacant, deteriorated, or deteriorating structures, […] the predominance of a defective or inadequate street layout, or transportation facilities; […]
- Evidence of pervasive poverty […]
- Adverse effects […] impairing the redevelopment of the area; or
- conditions which […] impair the sound growth of the community and retard the provision of housing accommodations or employment opportunities;

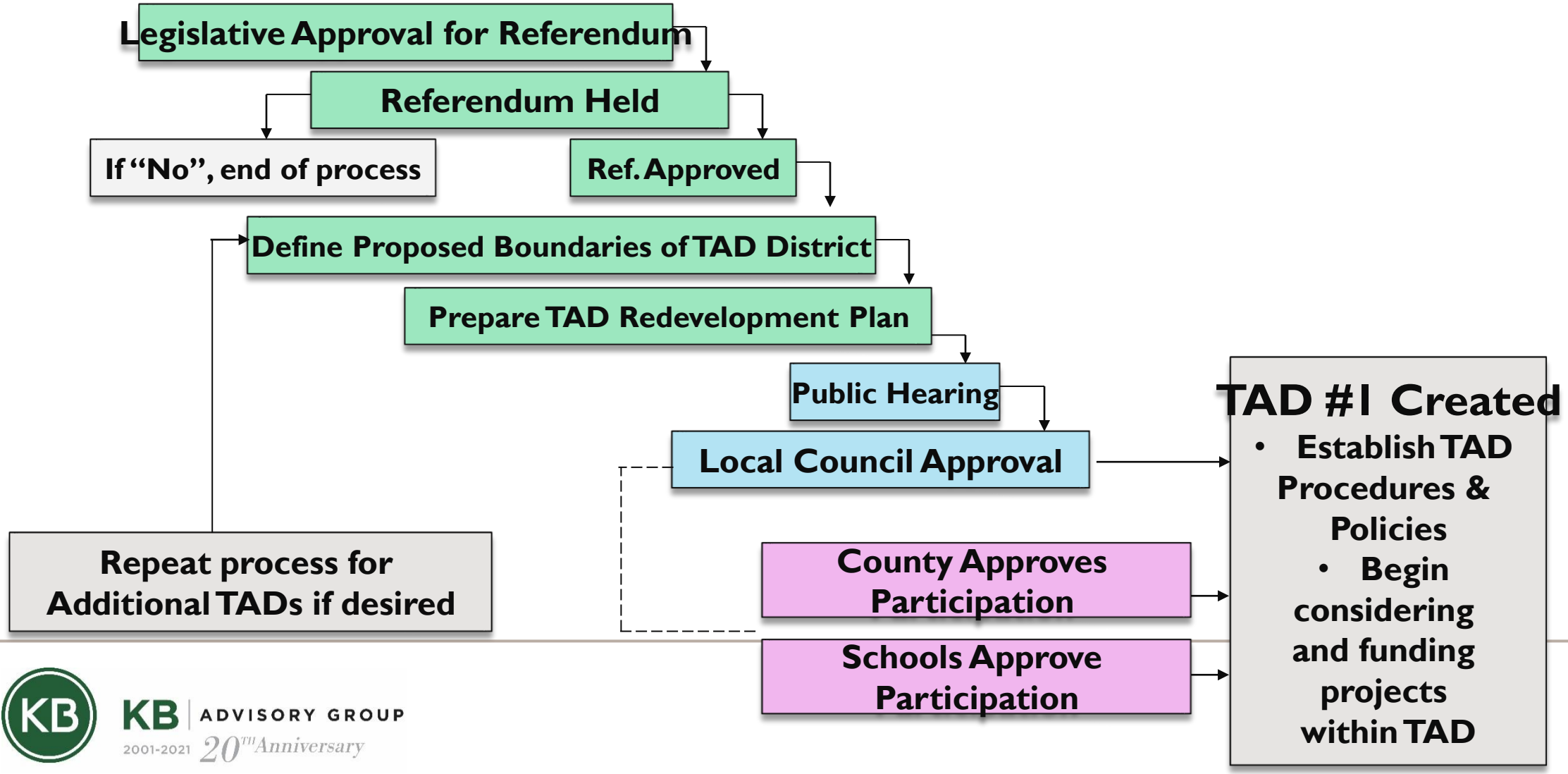
A **'deteriorating area'** is an area that is experiencing physical or economic decline or stagnation as evidenced by two or more of the following:

- The presence of a substantial number of structures or buildings that are 40 years old or older and have no historic significance;
- High commercial or residential vacancies *[…]*;
- The predominance of structures or buildings of relatively low value *[…]*;
- Declining or stagnant rents or sales prices *[…]*;
- *[…]* a shortage of safe, decent housing that is not substandard and that is affordable *[…]*;
- Deteriorating or inadequate utility, transportation, or transit infrastructure; and

An **'area with inadequate infrastructure'** means an area characterized by:

- Deteriorating or inadequate parking, roadways, bridges, pedestrian access, or public transportation or transit facilities incapable of handling the volume of traffic into or through the area, either at present or following redevelopment; or
- Deteriorating or inadequate utility infrastructure either at present or following redevelopment.

TAD In Georgia: Timeline of Key Steps



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Show me the money

- **Money begins to flow into a TAD fund AFTER the new development is complete and on the tax rolls.**
- ***How can we get some of that that money up front?***
- **Establish how much new property tax will be generated every year**
- **Method 1: Issue a TAD Bond secured by the future cash flow. Complicated, expensive, good for BIG projects.**
- **Method 2: Apply for Bank Financing secured by the future cash flow. Moderate costs, good for medium projects**
- **Method 3: Pay-as-you-go ("PAYGO"). Property tax is collected and partially or fully rebated up to an agreed limit.**
  - **Developer or Owner can then internalize rebate into operating proforma**
  - **Alternatively, Developer or Owner can capitalize TAD rebate revenue stream through a lender.**
  - **Benefits to owner are functionally similar to a tax abatement**

TAD Example

- TAD funding is typically used for site improvements, public infrastructure, utilities, parking decks, etc., which have a public benefit.
- Bonds or any form of TAD financing are revenue bonds, repaid from increased property taxes in district - City is not required to provide guarantees but may do so to reduce financing costs.
- TADs can work much like typical leasehold interest financing issued by local development authorities – but have more flexibility to finance multiple large and small projects within in a given district.

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TAD Example
Duluth, Georgia

- Used all the tools for implementation
  - Planning, Design & Vision
  - TAD & Abatements
  - Public Finance
  - PPP & Development agreements
  - Land Acquisition & Assembly
  - Parks & Plazas
  - Transportation & Infrastructure
  - Organizations
  - Programming & Mgmt.

A City can use TAD funds to incentivize private developers directly – by offsetting project costs, or indirectly by investing in public improvements that increase value.

TAD Example
East Point, Georgia

- East Point created an 814-acre TAD along Camp Creek Parkway in 2001.
- The issuance of an $8.0 million TAD bond to pay for water and sewer infrastructure enabled development of the Camp Creek Marketplace and Duke Realty's adjacent industrial park.
- The TAD digest grew from $4.8 million when certified to $98 million by 2016.

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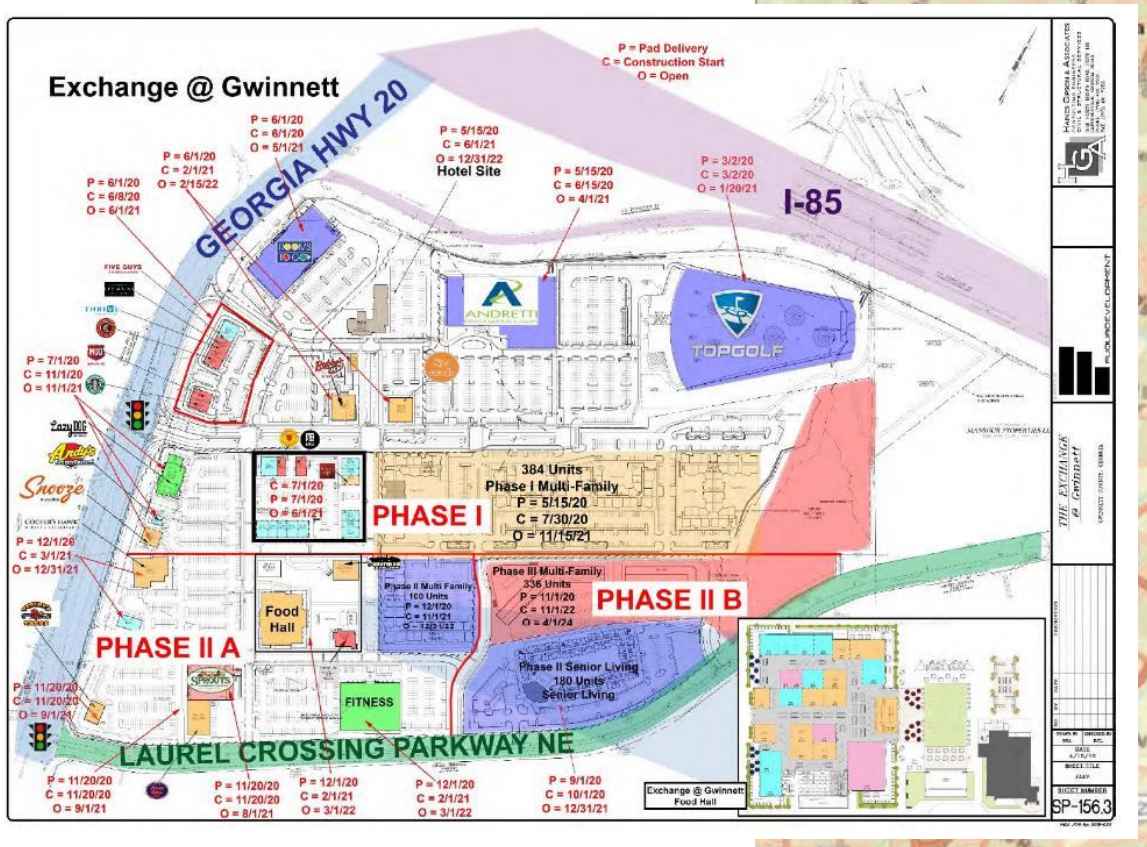
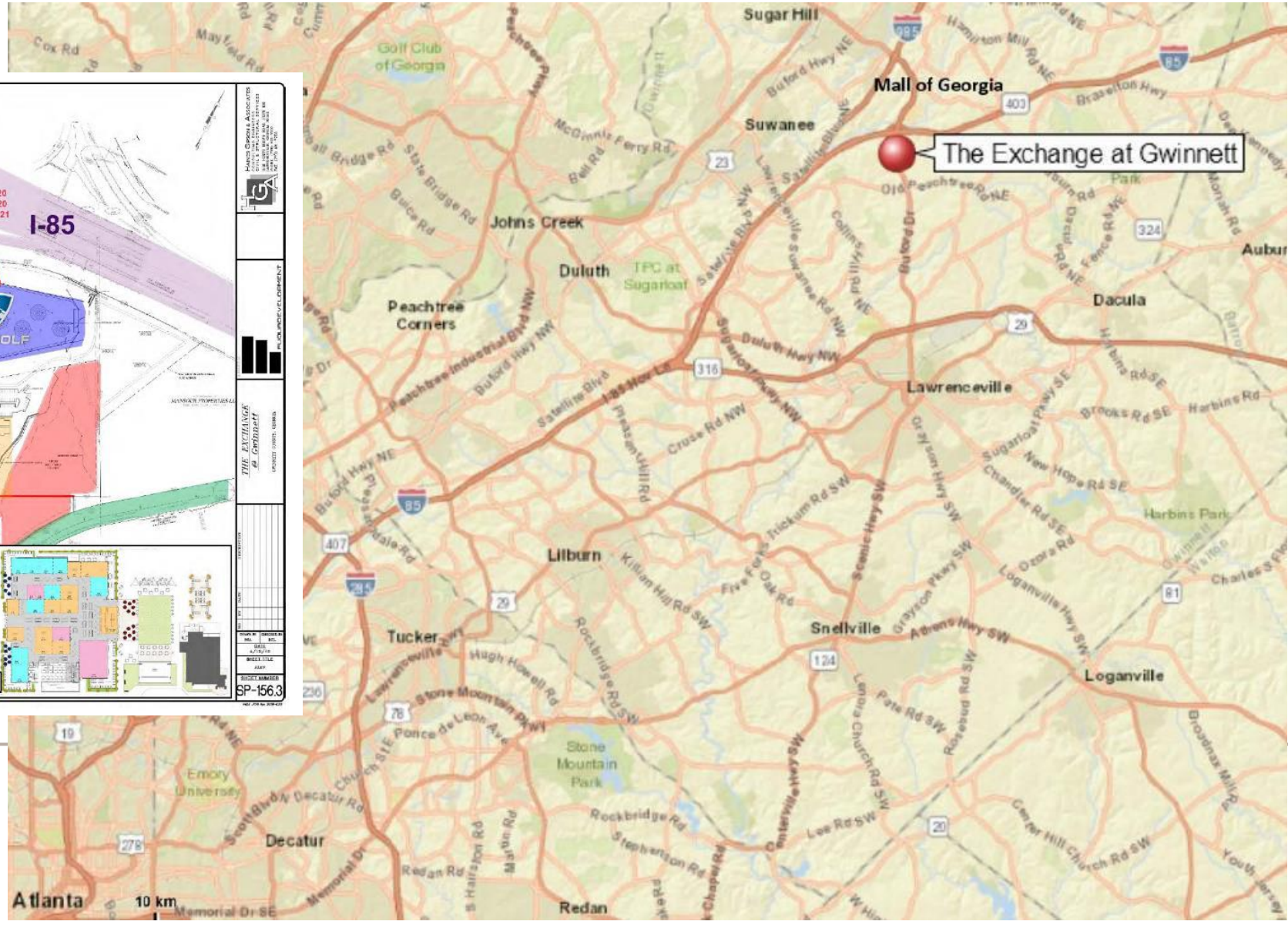
TAD Example
Gwinnett County, Georgia





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TAD Example
Gwinnett County, Georgia

PROPERTIES INCLUDED IN GWINNETT COUNTY TAD #6*				
Parcel I.D.	Owner	Acreage	Fair Market Value	Assessed Value
R7145 077**	I-85/GA20 Ventures Inc.	3.376	$ 136,032	$ 54,412
R7146 004	WB Holdings-Gwinett LLC	11.71	$ 1,050,000	$ 420,000
R7146 004B	WB Holdings-Gwinett LLC	52.02	$ 1,144,400	$ 457,760
R7146 030	Mansour Properties LLC	21.85	$ 2,061,900	$ 824,760
R7146 002	Mansour Properties LLC	14.11	$ 2,635,200	$ 1,054,080
R7146 029	Mansour Properties LLC	0.62	$ 129,600	$ 51,840
Total	-	103.69	$ 7,157,132	$ 2,862,852

* Excusive of right of way on I-85 interchange, GA Highway 20 and Laurel Crossing Parkway

** Includes 3.376 acres of total 25.01 acres in the Redevelopment Area, subject to future parcelization

Source: Gwinnett County GIS/Tax Assessor, BAG

SUMMARY GWINNETT TAX ALLOCATION DISTIRCT #6	
Number of Parcels	6
Total Acres	103.69
Current Appraised (Market) Value	$7,157,132
Current Taxable Digest TAD #6	$2,862,852
Current GwinnettCounty Tax Digest	$31,163,669,210
TAD #6 as Percent of Gwinnett County Tax Digest	0.01%

Source: BAG, Gwinnett County Tax Assessor and GA Department of Revenue

Redevelopment Plan
Gwinnett County Tax Allocation District #6:
The Exchange at Gwinnett

October 21, 2019

Prepared for:
Gwinnett County, Georgia

Prepared by:

Bleakly Advisory Group

DENTONS

REDEVELOPMENT PLAN

GWINNETT COUNTY TAX ALLOCATION DISTRICT #6:
THE EXCHANGE AT GWINNETT

Presentation to:
The Gwinnett County Board of Commissioners

December 10, 2019

TAD Example
Gwinnett County, Georgia

Georgia Code Chapter 36 Title 44

An area with 'inadequate infrastructure' means an area characterized by:

- *(i)Deteriorating or inadequate parking, roadways, bridges, pedestrian access, or public transportation or transit facilities incapable of handling the volume of traffic into or through the area, either at present or following redevelopment; or*
- *(ii)Deteriorating or inadequate utility infrastructure either at present or following redevelopment.*

The Exchange at Gwinnett will require extensive new infrastructure:

- Site preparation
- Internal circulation system for cars trucks and pedestrians
- Upgraded sewer and water capacity

REDEVELOPMENT COSTS TO BE REIMBURSED FROM TAD #6		
Potential TAD Expenditure	Estimated Allocation	Potential TAD Funds
1. On-site costs	59.3%	$ 15,264,699
2. Off-site costs	2.4%	$ 630,000
3. Soft costs	22.7%	$ 5,838,000
4. Building upgrades	15.5%	$ 3,994,122
Total TAD Funding	100.0%	$ 25,726,821

Source: Fuqua Development

TAD: Food For Thought

BE CREATIVE

- **PAYGO is working around the state as a flexible, low risk incentive to lever projects without the need for bonds**
- **A TAD PAYGO for 15-20 years could be a key incentive for affordable housing since it subsidizes (lowers) operating cost over the term of the deal making units more affordable**
- **Project's should be evaluated on the basis of their total revenue impacts – not just property taxes on real estate**

- **Works well in mixed-use**

TAD in the Days of Covid-19

- The ability to close the project financing gap, once things normalize, will be more critical than any time since Great Recession
- TADs can help jump start a local economy/local investment. Accelerate a stagnant or depressed tax base
- Can help potentially used to help owners attract and retain retail tenants, which will increase sale tax collections, without those collections going to the TAD fund
- Can use TAD to help owners re-position properties in response to Covid
- The big "pay-off" comes in the later years – no time to wait now

Questions?

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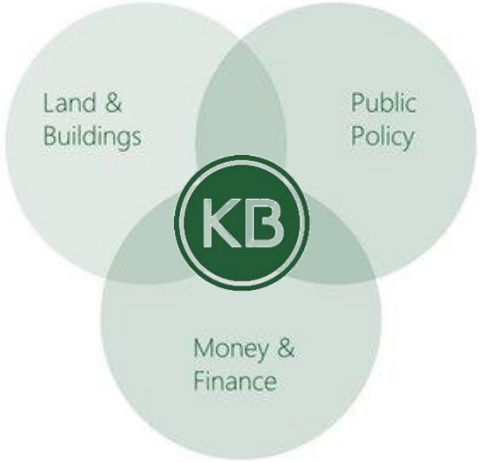

Let's Talk!

Email: Geoff@kbagroup.com

@GeoffKoski

www.kbagroup.com

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