



TAD GOALS AND HOW TO ACHIEVE THEM

Bleakly Advisory Group

Presented by: Geoff Koski, President

Ask Me Anything

March 28, 2019



- Bleakly Advisory Group, Inc. is an Atlanta, Georgia based market and economic consulting firm
 - Founded in 2001
 - Six-member professional team
- Our practice covers six areas in both public and private sectors:
 - Market Analysis
 - Real Estate Economics
 - Development Consulting
 - Financial Analysis
 - Development Incentives
 - Housing Analysis



Ken Bleakly, Founder
Geoff Koski, President

www.bleaklyadvisory.com
404.845.3350

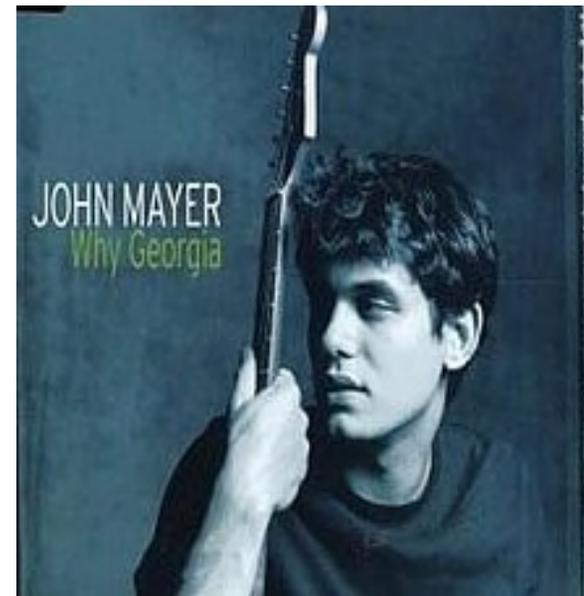
A SAMPLE OF THE 80+ CITIES/COUNTIES WHO APPROVED TAD

- 49 states and the District of Columbia use tax increment financing (TIF)—called TAD in Georgia.
- Funded more than \$500 million in redevelopment since its start in 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



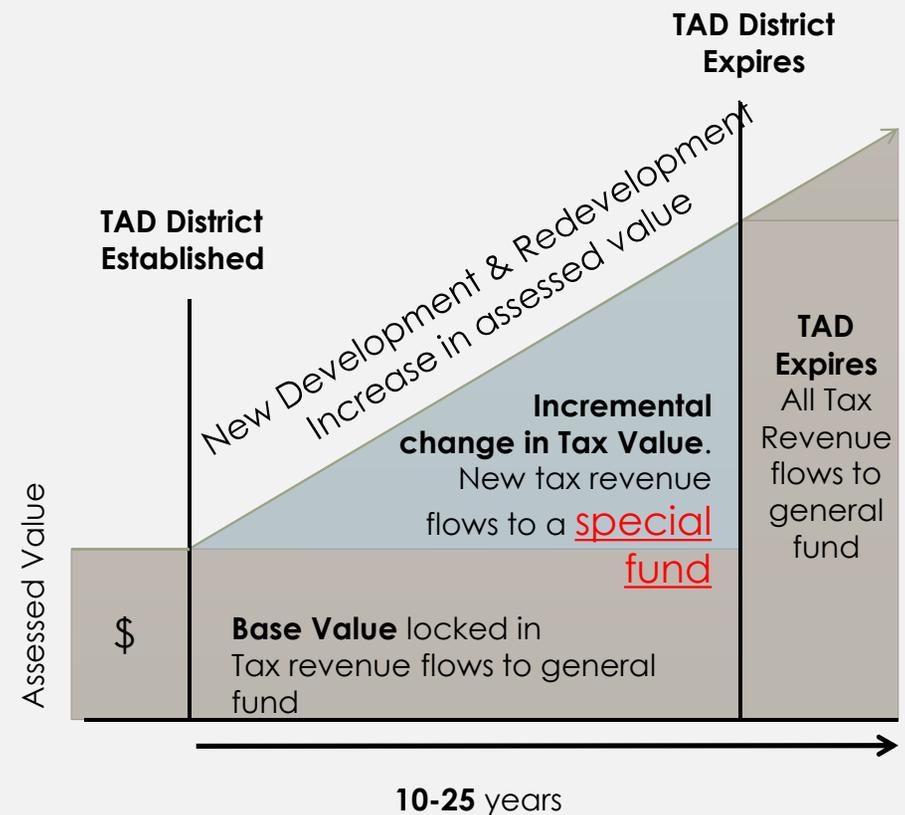
WHY TAD?

- Locations where property values are stagnant or declining due to the age and condition of buildings
- Concentrations of poverty due to a lack of investment or jobs
- “Valuable” locations within the community that are growing at less than an optimal rate due to high site development costs or a lack of public infrastructure
- Need for additional tools to help finance public improvements in order to stimulate or manage growth
- Desire to create new mixed-use or higher-density employment nodes to diversify the types of residential and employment centers that currently exist



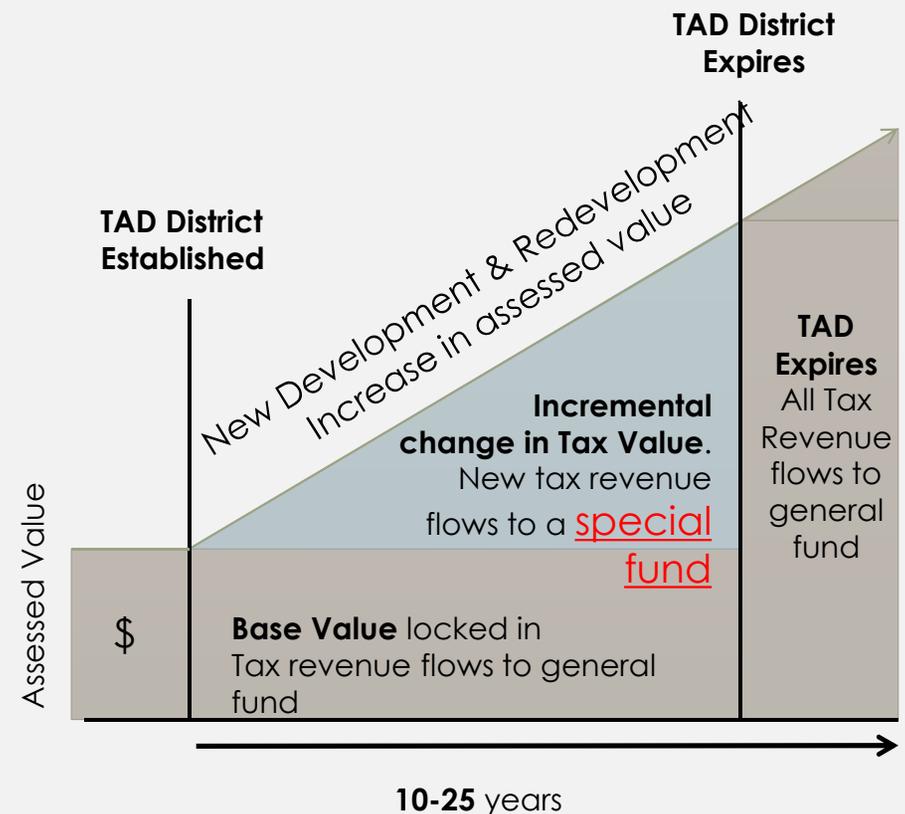
TAX INCREMENT FINANCING / TAX ALLOCATION DISTRICTS 101

- 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



TAX INCREMENT FINANCING / TAX ALLOCATION DISTRICTS 101

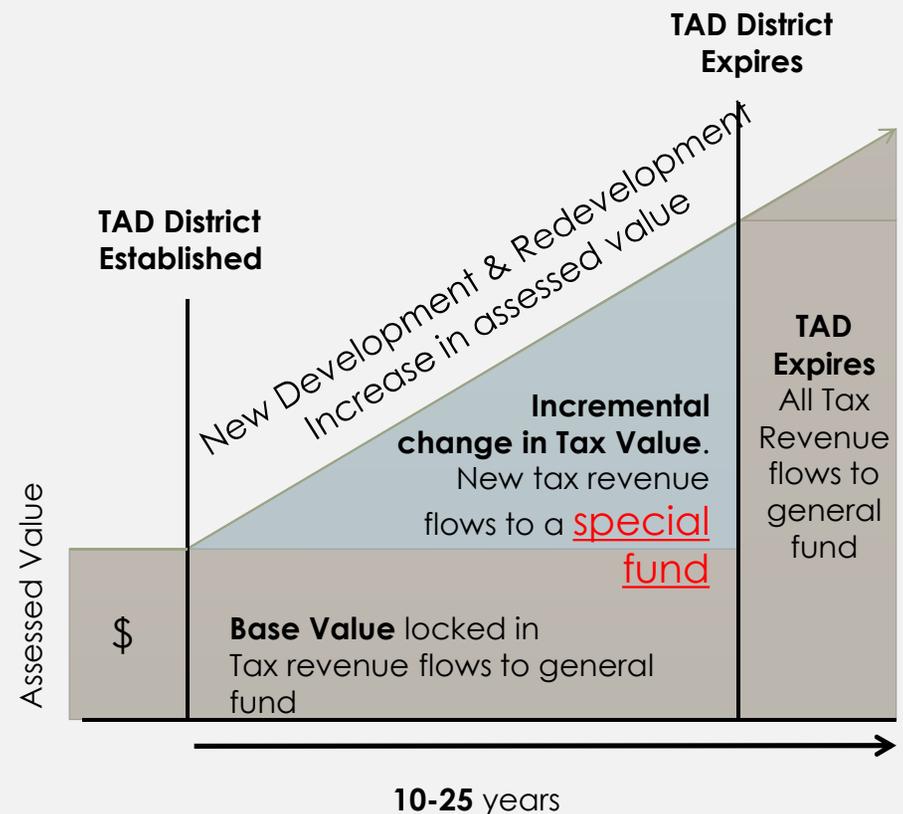
- The Redevelopment Powers Law enables cities and counties to designate “Redevelopment Areas” by local adoption of an approved **Redevelopment Plan** under guidelines specified in State law – where TAD incentives can be offered
- A TAD, consists of specific identified tax parcels within a designated **Redevelopment Area** where cities and counties may offer TIF to stimulate investment
 - A TAD can only be established within a Redevelopment Area
 - 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



Bleakly Advisory Group
 A maximum of 10% of any jurisdiction's tax digest can be included within one or more TADs

TAX INCREMENT FINANCING / TAX ALLOCATION DISTRICTS 101

- The “**BUT FOR**” - The local government has an obligation to demonstrate that the **Redevelopment Area** qualifies under the statutory definition of need and that TAD incentives are necessary to achieve local objectives due to such factors as:
 - High development costs
 - Property assembly issues
 - High market risk & competition from greenfield areas
 - Inadequate public infrastructure
- Local Redevelopment Areas/Plans are NOT subject to State oversight or approval (but must be “certified” by the Georgia Department of Revenue to establish a base year for financing purposes)



THE THREE WAY TEST FOR TAD

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

- The presence of structures, buildings, or improvements that by reason of dilapidation; deterioration; age; obsolescence; inadequate provision for ventilation, light, air, sanitation, or open space; overcrowding; conditions which endanger life or property by fire or other causes; or any combination of such factors, are conducive to ill health, transmission of disease, infant mortality, high unemployment, juvenile delinquency, or crime and are detrimental to the public health, safety, morals, or welfare;
- The presence of a predominant number of substandard, vacant, deteriorated, or deteriorating structures, the predominance of a defective or inadequate street layout, or transportation facilities; or faulty lot layout in relation to size, accessibility, or usefulness;
- Evidence of pervasive poverty, defined as being greater than 10 percent of the population in the area as determined by current data from the U.S. Bureau of the Census, and an unemployment rate that is 10 percent higher than the state average;
- Adverse effects of airport or transportation related noise or environmental contamination or degradation or other adverse environmental factors that the political subdivision has determined to be impairing the redevelopment of the area; or
- The existence of conditions through any combination of the foregoing that substantially 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:

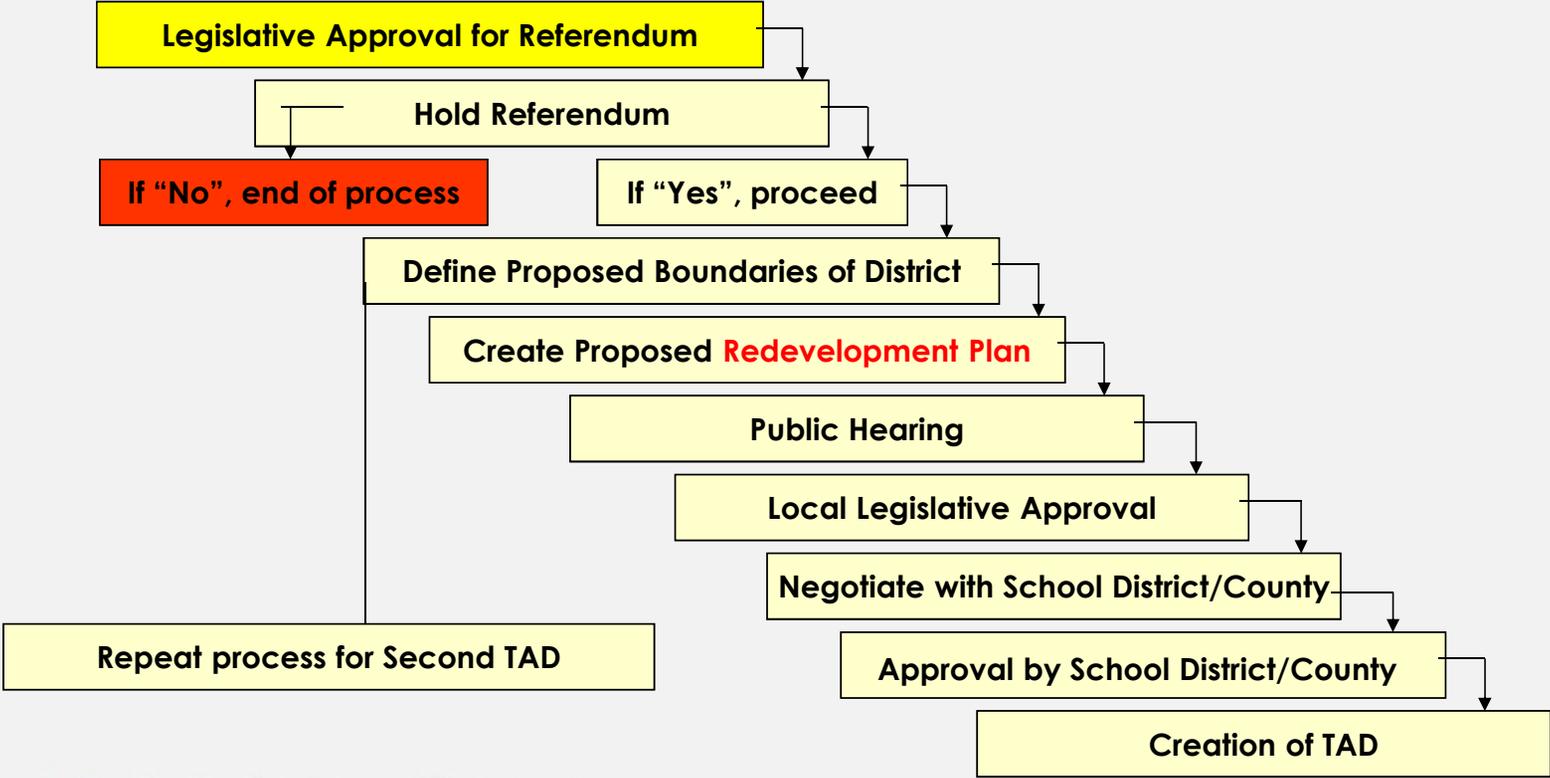
- The presence of a substantial number of structures or buildings that are 40 years old or older and have no historic significance;
- High commercial or residential vacancies compared to the political subdivision as a whole;
- The predominance of structures or buildings of relatively low value compared to the value of structures or buildings in the surrounding vicinity or significantly slower growth in the property tax digest than is occurring in the political subdivision as a whole;
- Declining or stagnant rents or sales prices compared to the political subdivision as a whole;
- In areas where housing exists at present or is determined by the political subdivision to be appropriate after redevelopment, there exists a shortage of safe, decent housing that is not substandard and that is affordable for persons of low and moderate income;
- 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



TAD HOW?

- TADs can provide the 8% to 15% of “but for” funding needed to make difficult redevelopment projects feasible.
- 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.
- TAD funding is typically used for site improvements, public infrastructure, utilities, parking decks, etc., which have a public benefit.

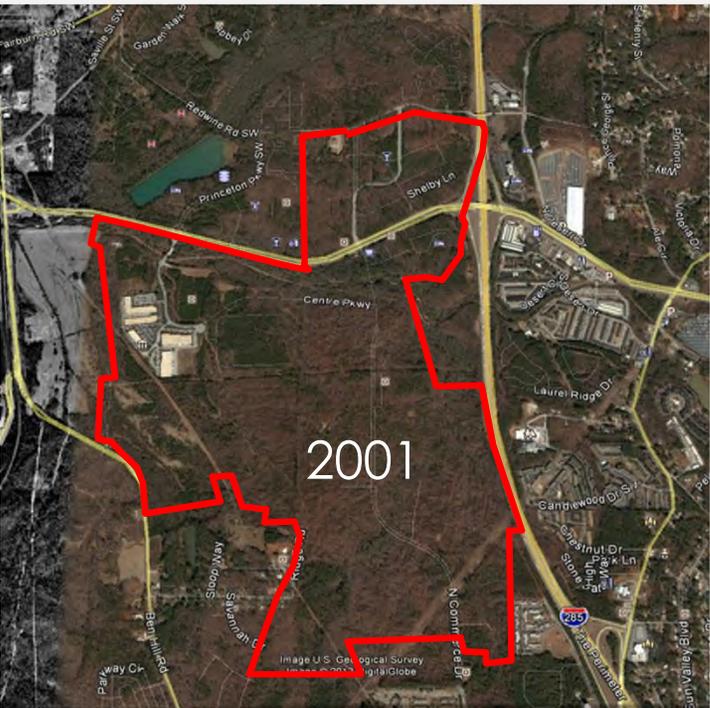


A City can use TAD funds to incentivize private developers directly – by offsetting project costs, or indirectly by investing in public



TAD EXAMPLES: EAST POINT - CAMP CREEK MARKETPLACE

- 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



TAD EXAMPLES: DULUTH

- Duluth has used TAD plus other incentives to attract \$170 million in ongoing investment within its Downtown Area, including the redevelopment of a vacant shopping center on Buford Highway and re-use of the former City Hall.
- Have not typically used TIF. Rather: “PAYGO”
- Other “PAYGO” examples:
 - Smyrna
 - Gainesville
 - Fayetteville
 - LaGrange

INITIAL TAD ASSESSMENT

ESTIMATED TAD POTENTIAL OF [REDACTED] MIXED USE DEVELOPMENT

Estimated Construction Cost			\$ 142,320,000
Estimated Market Value by Component	Per Unit/SF/Room	Total	
Townhomes	\$365,000	\$ 5,110,000	\$ 5,110,000
Multifamily	\$185,000	\$ 40,330,000	\$ 40,330,000
Office	\$ 200	\$ 24,000,000	\$ 24,000,000
Grocery/Other Retail	\$ 200	\$ 10,000,000	\$ 10,000,000
Hotel	\$125,000	\$ 12,500,000	\$ 12,500,000
Structured Parking			
Total FMV			\$ 91,940,000
Assessed Value (40%)			\$ 36,776,000
Existing Assessed Value			\$ (1,512,719)
Incremental Assessed Value			\$ 35,263,281
[REDACTED] Millage			\$ 605,823
[REDACTED] @.017180			\$ 822,375
[REDACTED] Schools @ .023321			\$ 1,428,198
Total M&O Millage: @.040501			\$ 1,428,198
Financeable Property Taxes at 110% DCR			\$ 1,298,362

Pay As You Go Financing	
Financeable Property Taxes at 110% DCR	\$ 1,298,362
10 Year "Pay As You Go" TAD Amount	\$ 12,983,619
15 Year "Pay As You Go" TAD Amount	\$ 19,475,429
20 Year "Pay As You Go" TAD Amount	\$ 25,967,239
TAD Bond Financing	
Bondable Property Taxes at 120% DCR	\$ 1,190,165
Semiannual Payment	\$ 595,083
Bondable Amount at 6% for 25 Years	\$ 15,311,345
Capitalized Interest 24 Months	\$ 1,837,361
Debt Reserve	\$ 1,684,248
Issuance Cost @3%	\$ 459,340
Net TAD Bond Proceeds	\$ 11,330,395

Option:

- Receive TAD funds in annual increments over agreed upon term of years.
- Apply these funds to on-going costs or debt service associated with the financing of the development.
- Also can use this funding commitment to secure bank financing for a portion of the infrastructure costs.

QUESTIONS?



- Bleakly Advisory Group, Inc. is an Atlanta, Georgia based market and economic consulting firm
 - Founded in 2001
 - Six-member professional team
- Our practice covers six areas in both public and private sectors:
 - Market Analysis
 - Real Estate Economics
 - Development Consulting
 - Financial Analysis
 - Development Incentives
 - Housing Analysis



Ken Bleakly, Founder
Geoff Koski, President

www.bleaklyadvisory.com
404.845.3350