



Dear DeKalb Stakeholders and Chamber Members,

The DeKalb Chamber of Commerce advocates for businesses primarily at the local level and as needed at the state and federal levels. The Chamber uses the following four measurements in considering positions on issues:

We believe in:

1. Maintaining and growing opportunities for existing and future DeKalb County businesses
2. Reducing the cost of doing business
3. Managing growth and supporting infrastructure improvements so that the marketability of the area is maintained and improved
4. Supporting policy that builds, attracts and retains a trained and trainable workforce

As it relates to the recent Tax Allocation District (TAD) proposal at the former GM Doraville Plant, the Chamber believes this initiative meets our four measurement requirements and has worked hard to bring the principal parties together to discuss the overall project. The goal has always been to educate all parties so that each can make informed decisions about the future of this project. While we will continue to make the Chamber available to facilitate discussions, we recognize that it is up to the key stakeholders to make sound decisions for the communities and businesses that have entrusted them to lead their respective organizations.

Your partner in Business,

A handwritten signature in black ink, appearing to read 'Katerina Taylor'.

Katerina Taylor, President and CEO  
DeKalb Chamber  
(1) Enclosure TAD FAQ

# Tax Allocation Districts Frequently Asked Questions

## 1. What is a TAD?

A Tax Allocation District (TAD) is established for the purpose of catalyzing investment by financing certain redevelopment activities in underdeveloped or blighted areas using public dollars.

Redevelopment costs are financed through the pledge of future incremental increases in property taxes generated by the resulting new development. Typically, upon creation, TADs have vacant commercial and residential properties, blighted conditions and numerous vacant buildings or are in need of significant environmental remediation.

## 2. How is a TAD created?

The Georgia Redevelopment Powers Law was enacted in 1985 to give additional powers to local municipalities in order to facilitate the redevelopment of blighted or economically depressed areas. One of the powers granted to local governments in this law was to issue tax allocation bonds to finance infrastructure and other redevelopment costs within a tax allocation district.

In order for an area to be designated a TAD, the government must verify that the area is in need of redevelopment. However, the area is not required to be blighted, which is a requirement in many states. These findings are reported in a Redevelopment Plan, which demonstrates why the area needs to be redeveloped and how the municipality plans to revitalize the area. The Plan provides the redevelopment agency with the powers to improve dilapidated facilities and to use tax increment financing to achieve the goals of the Redevelopment Plan. The local jurisdiction adopts enabling legislation which approves the Redevelopment Plan and establishes the base value for the district. The other local taxing entities, DeKalb Schools and DeKalb County, are consenting jurisdictions that have the option to participate in the TAD.

## 3. What is the difference between a tax allocation district and tax increment financing?

The TAD is the geographic area in which tax increment financing (TIF) can be used. These terms are used interchangeably in Georgia, but most other municipalities refer to their TADs as TIF districts. TIF is or economic development tool used in a TAD.

#### **4. 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 base value is set for the district. Any growth in property tax revenues resulting from increases in property values above the base value are collected in a special fund and used for 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.

#### **5. What is a bond? What is a TAD bond?**

A bond is long-term debt similar to 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 underserved areas. TAD bonds are issued to "monetize" the projected future increases in property tax revenues, so that funding is available to subsidize a portion of development costs up front. The TAD bonds are repaid over the life of the TAD with new property tax revenues generated as a result of new development.

#### **6. What can TAD funds be used for?**

The Redevelopment Powers Law outlines the possible uses for TAD funds. In Georgia, TAD funds can be used for grants for capital costs, which include: construction of new buildings; public works or improvements; renovation, rehabilitation, demolition, or expansion of existing buildings; acquisition of equipment; and clearing and grading of land. The Redevelopment Plan for each district specifies the permissible uses of the funds that support the goals outlined in the Plan. TAD funds must be spent on uses consistent with the Redevelopment Plan for the TAD. Funds must be allocated to projects and spent within the boundaries of the district, as set forth in the Redevelopment Plan.

TAD bond proceeds cannot be used for any operational expenses, including salaries, per IRS rules governing tax-exempt bonds. Therefore, TAD bond proceeds cannot be redirected to the City's General Fund for operational costs. TAD funding is limited to projects that would not be economically feasible without public subsidy. The existence of a project within a TAD does not automatically entitle a developer to receive TAD proceeds.

#### **7. Are you allowed to use funds derived from one TAD to assist with another area?**

The Redevelopment Powers Law stipulates that the increment generated in a TAD derived from increases in property taxes must be spent within the TAD from which it came.

#### **8. When does a TAD terminate?**

Typical TADs exist for 25-30 years, depending on the term of the bond and the life of the district as stipulated in the Redevelopment Plan. However, any TAD may be terminated earlier if all bonds are paid off and the municipal board votes to terminate the district.

#### **9. Why is there a need for TADs?**

Tax increment financing is a widely used economic development tool that offers local governments a way to revitalize their communities by expanding the tax base, offsetting, in part, federal and state funds that are no longer available. TADs can act as a catalyst to attract further private investment into economically depressed areas. TADs help local governments attract private development and new businesses which create jobs, attract customers, and in turn generate additional private investment. Essentially, the creation of a TAD generally leads to an increase in tax revenues above what already exists.

#### **10. Why would local jurisdictions choose to forgo receiving increased property tax revenues in TADs?**

Local jurisdictions choose to invest their future tax revenues in new development. TADs are established in slow- or no-growth areas where a disproportionately low amount of property tax

revenues is generated. Typically, areas designated as TADs don't pay their fair share of property taxes, forcing higher-wealth areas to carry the cost of services for these areas. TADs are essential for catalyzing development that would otherwise not occur.

After a TAD is created, participating public school districts, cities and counties continue to receive the pre-TAD base amount of property tax revenues. Increases in property tax revenues resulting from new development attracted to the area are used to pay certain redevelopment costs; this is the subsidy used to draw new projects to the area.

All taxing jurisdictions choose whether or not they want to participate and the terms of their participation in TADs. In some instances, payments in lieu of taxes (PILOT) have been provided as allowed under state law to reduce the demand on the City, County and School Board by earmarking additional dollars to offset real or perceived service demands as projects go vertical.

Property tax values increase in TADs as redevelopment occurs. This gradual growth over the life of the TAD results in a "return" for participating jurisdictions when the districts are dissolved and all property tax revenues revert to the taxing entities.

#### **11. How are increases in service costs, such as public safety and waste management, funded if property tax revenues to taxing jurisdictions remain level over the life of a TAD?**

TADs are typically established in areas with a declining tax base resulting from disinvestment and blight, where the demand for some city services such as solid waste collection and police patrol is greater. The creation of a TAD generally leads to a decreased need for many city services as well as increased revenues for the jurisdiction, including personal property taxes, sales taxes and impact fees. Once the district is dissolved, the incremental growth in real property taxes reverts back to the taxing jurisdictions, creating a "return" of new revenue and expanding their tax bases.

#### **12. Will property taxes be raised?**

A redevelopment agency does not have the authority to levy or increase property taxes. It is important to note that the increased tax revenue from the sale, development, or rehabilitation of property reflects a rise in property value and not an increase in tax rate.

### **13. How is displacement resulting from gentrification within TADs addressed?**

Although the greatest contributor to gentrification is stagnant wages, which prevent families from keeping pace with increasing cost of living, the impact of gentrification can be mitigated in TADs. TADs help fund residential projects which include affordable housing components, allowing people to affordably live near expensive jobs centers, thus reducing congestion and improving air quality. Additionally, TAD monies are used to fund housing rehabilitation programs, which help low- and moderate-income homeowners remain in their communities despite rising property values. Furthermore, TADs provide low-income residents with new job opportunities and better access to goods and services.

### **14. Can TAD funding be used in conjunction with other economic development incentives?**

TAD funds are generated by growth in property taxes, so any program that freezes or abates property taxes, such as the Urban Enterprise Zone or the State Property Tax Freeze, is not compatible with the TAD program. Incentive programs involving income tax credits or deductions or tax-exempt bonds can be layered with TAD funds.