



CITY OF ST. MARYS, GEORGIA
418 Osborne Road
St. Marys, GA 31558

July 24, 2015

SPECIAL CITY COUNCIL MEETING

4:30 p.m.

AGENDA

I. CALL TO ORDER

II. INVOCATION: Councilmember Jim Gant

III. PLEDGE OF ALLEGIANCE

IV. ROLL CALL

QUORUM: YES___ NO___

V. BUSINESS:

**A. TAX ALLOCATION DISTRICT BOUNDARY AND PLAN: *John J. Holman*
*(City Manager) Request review of Tax Allocation District Boundary and Plan for approval to move forward with completion of Tax Allocation District Redevelopment Plan***

VI. EXECUTIVE SESSION:

VII. ADJOURNMENT:

This is a tentative agenda and is subject to change. Please check with City Hall prior to the Meeting for any revisions.

CITY COUNCIL MEETING

July 24, 2015

TITLE: TAX ALLOCATION DISTRICT BOUNDARY AND PLAN

PURPOSE: Recommendation to complete TAD Redevelopment Plan.

RECOMMENDATION: Approval.

HISTORY/ANALYSIS: The citizens of St. Marys passed a referendum to allow the formation of TADs in the City on May 20, 2014. This authorized the City of St. Marys to form one or more TAD districts consistent with the requirements of Georgia's Redevelopment Powers Law. The first step is to designate a TAD boundary (Redevelopment Area) and prepare a TAD Redevelopment Plan to act as the business plan for the operation of the district. The plan is discussed at two public hearings and then must be approved by a resolution of the local government. Once the resolution is passed, the taxable value in the TAD is certified as the base value of the district. Upon the approving the creation of a TAD, the local government will typically ask the county and school board 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.

The St. Marys Downtown Development Authority has developed a proposed TAD boundary (Redevelopment Area) and is preparing to move forward with the TAD Redevelopment Plan.

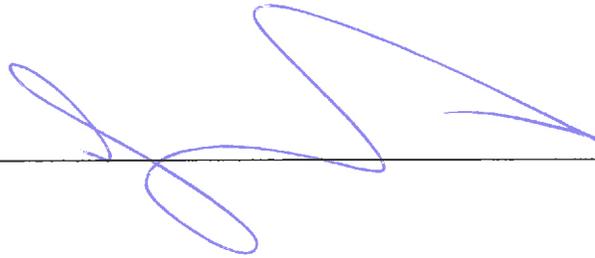
Mayor and City Council considered this matter at the regular Council meeting of July 20, 2015 and requested a joint work session with the St. Marys Downtown Development Authority to

discuss the proposed boundaries of the TAD. This work session is scheduled for July 24, 2015 at 3:00 PM.

The following attachments are provided:

- St. Marys TAD Fact Sheet.
- City of St. Marys Proposed Tax Allocation District.

**City
Manager:** _____

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BleaklyAdvisoryGroup

Frequently Asked Questions about Tax Allocation Districts in Georgia

What is a Tax Allocation District and how does it work?

Georgia's Redevelopment Powers Law was adopted by the general assembly in 1985 and gives local governments (cities and counties) the authority to sell bonds to financing infrastructure and other redevelopment costs within a specially defined area, a tax allocation district or TAD. The bonds are secured by a "tax allocation 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, putting the increase due to the new investment into special fund to pay off bonds or loans that financed the public improvements in the district.

Do I pay a higher tax rate if my property is in a TAD district?

No, the millage rate in a TAD is the same as outside the district. There is no additional assessment charge in TAD like there would be in a CID or special taxing district.

What happens to the property taxes already being collected in the TAD district when it's formed?

The taxes collected by the city, county and school system as of the date the TAD is formed continue to go to those taxing districts over the life of the TAD.

How is it decided which tax increments go into the TAD Special Fund to pay off bonds?

Georgia law allows for ad valorem taxes on real estate, personal property (i.e. business machinery and equipment) and some sales taxes to be pledged as increments to repay TAD bonds. In most cases communities only pledge tax increments on real estate when setting up TADs. As a result, local budgets often continue to receive new revenues from within TADs from personal property value growth, new business licenses, etc.

What happens if redevelopment stimulates new retail sales in a TAD district?

The increased revenue from the portion of local sales taxes collected from new retail sales such SPLOST, and ESPLOST, flows to the local governments and school districts. Some communities in Georgia have pledged LOST proceeds from new retail development to repay TAD bonds, but that is rare.

Where can cities and counties form TAD districts?

The Redevelopment Powers Law limits communities to including a maximum of 10% of the community's Tax Digest in all TADs it creates. When forming a TAD a city or county designates a specific geographic

area that has the potential for redevelopment but suffers from blight, or underinvestment, or a lack of infrastructure.

Who is using TADs in Georgia and around the Country?

In Georgia more than 50 counties and cities have had local referendums authorizing the use of tax allocation districts, with additional cities seeking approval of the General Assembly to use these powers this year. Over \$500 million in TAD bonds have been issued in the state. TADs are operational in Atlanta (10), Smyrna, Gainesville, Acworth, Albany, Macon, Augusta, Savannah, Gwinnett County (5) East Point (2), Marietta, Bulloch County (Statesboro), Clayton County, Duluth and many other Georgia cities and counties. Nationally all 50 states and the District of Columbia have some form of tax increment financing, which we call TADs in Georgia. This is the most widely used redevelopment tool in the nation with a long and successful track record.

What does the TAD referendum authorize?

The Redevelopment Powers Law requires that local communities authorize by referendum the use of tax allocation districts in their communities. Approval of the referendum gives local governments the right to form one or more TADs, but it does not form any districts or grant the incentive to a project or projects.

How is a TAD created?

If the TAD referendum passes, the local governments are authorized to form one or more TAD districts consistent with the requirements of Georgia's Redevelopment Powers Law. That is accomplished by designating a TAD boundary and preparing a TAD Redevelopment Plan to act as the business plan for the operation of the district. The plan is discussed at two public hearing and then must be approved by a resolution of the local government. Once the resolution is passed, the taxable value in the TAD is "certified" as the base value of the district.

If a City decides to create a TAD, how do the County and/or School District become involved?

Upon approving the creation of a TAD, the local government will typically ask the county and school board 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.

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. It is typical for intergovernmental agreements between cities, counties and school boards to include provisions for ending the agreement and returning tax increments in the event that expected redevelopment does not take place, bonds are not issued by a designated deadline or bonds are issued but paid off faster than expected. These types of provisions provide flexibility to dissolve TADs prior to the stated termination date if warranted.

How do private developers benefit from TADs?

Creating a TAD allows for future tax revenues generated by a redevelopment project to be used to help pay for some of the costs of building the project. Usually, TAD bonds are used to either pay for public improvements to enhance a project or to help reduce the higher costs and risks of investing within a blighted area. TADs are often used to help pay for demolition of existing buildings, expensive water or sewer upgrades, parking structures, new roads, streetscape improvements or other extra costs that otherwise make private redevelopment financially unfeasible.

How does a developer get access to TAD funds and how are taxpayers protected if the developer doesn't perform?

Once the TAD is created and the consent agreements are in place, the local government can then evaluate applications from private developers who wish to undertake redevelopment projects and access TAD funds to help defray project costs. If a local government agrees to contribute TAD funds to a project, the terms are negotiated in an agreement with the developer. The "development agreement" specifies the obligations and performance requirements of the developer in order to qualify to receive the funds, particularly if bonds are involved. Underwriters of TAD bonds require extensive development agreements to protect bondholders and ensure that projects are completed as proposed. As an added protection, TAD funds are usually released to developers in phased payments over time as construction is completed and the taxable value of the property is increased.

How effective are TADs at leveraging new private investment?

The TAD incentive generally covers between 5% and 12% of total project costs, associated with site preparation, and public infrastructure such as streets, sidewalks, utility improvements and parking decks. A 2007 comprehensive study of TADs in Georgia indicated that there has been \$5.80 of private investment for every dollar of TAD investment in a project.

How have TADs been impacted by the Great Recession?

Because of many safeguards built into the structure of the Redevelopment Powers Law and the deliberative nature of how TADs are created and underwritten, there have been no defaults of TADs as a result of the Great Recession.

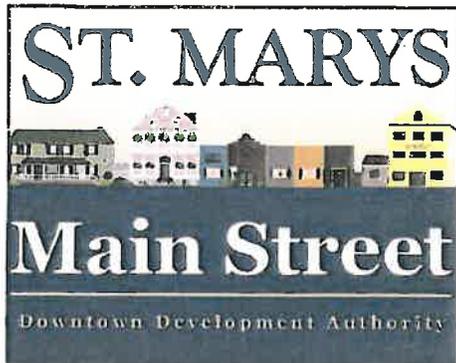
What would happen to taxpayers if there was a default on a TAD bond?

TADs are revenue bonds and not general obligations of the local government. Therefore taxpayers are not at risk in the unlikely event of a default. Investors who finance TAD bonds understand this and typically charge a higher interest rate than on municipal bonds which are guaranteed by taxpayers.

What is the "Halo Effect" related to TADs?

One of the chief benefits of TADs and tax increment financing in general is the "halo effect" that often results from implementing a successful TAD redevelopment project. The halo effect refers to the increase in investment activity and property tax digest which can occur in an area surrounding and outside of a successful TAD. Halo effects can occur either because new economic activity is attracted to an area where it did not previously exist, or major barriers to private investment (such as vacant

blighted buildings) are finally removed. Since people like to invest where other investments are occurring, property values in areas surrounding a successful TAD also tend to increase over time. Surrounding investments and resulting new taxes from the halo effect can partly offset or sometimes exceed the “loss” of tax increments dedicated to the TAD itself. Significant halo effects have been observed in and around TAD projects in Atlanta, East Point, Acworth and other jurisdictions.



What is a TAD?

Georgia's Redevelopment Powers Law was adopted by the General Assembly in 1985 and gives local governments (cities and counties) the authority to sell bonds to finance infrastructure and other redevelopment projects within a specially defined area, a tax allocation district (TAD). The bonds are secured (paid off) by a tax allocation increment which is the increase in the property tax revenues resulting from realized redevelopment. As public improvements and private investment take place in a TAD, the taxable value of property increases. The city/county/school system collects those revenues, putting the increased revenue due to 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 State Department of Revenue sets the base value for the district. Any growth in the property tax revenues resulting from increases in property values above the base values 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.

What is a bond? What is a TAD bond?

A bond is long-term debt similar to 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. TAD bonds are issued to monetize (value) 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 by higher property values in the TAD as a result of new development.

Why would local jurisdictions choose to forgo receiving increased property tax revenues in TADs?

Local jurisdictions do not forgo receiving increased property tax revenue, but choose to invest in 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 are generated. Typically, areas designated as

TADs don't pay their fair share of property taxes, forcing other areas of a community to carry the cost of services to those areas. **TADs are essential for catalyzing development that would otherwise not occur.**

How is a TAD created?

The citizens of St. Marys passed a referendum to allow the formation of TADs in the City on May 20, 2014. This authorized the City of St. Marys to form one or more TAD districts consistent with the requirements of Georgia's Redevelopment Powers Law. The first step is to designate a TAD boundary (Redevelopment Area) and prepare a TAD Redevelopment Plan to act as the business plan for the operation of the district. The plan is discussed at two public hearings and then must be approved by a resolution of the local government. Once the resolution is passed, the taxable value in the TAD is certified as the base value of the district. Upon the approving the creation of a TAD, the local government will typically ask the county and school board 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.

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.

What would happen to taxpayers if there was a default on a TAD bond?

Bonds issued in a TAD are revenue bonds and are not general obligations of the local government. Therefore taxpayers are not at risk in the unlikely event of default. Investors who finance TAD bonds understand this and typically charge a higher interest rate than on municipal bonds which are guaranteed by taxpayers.

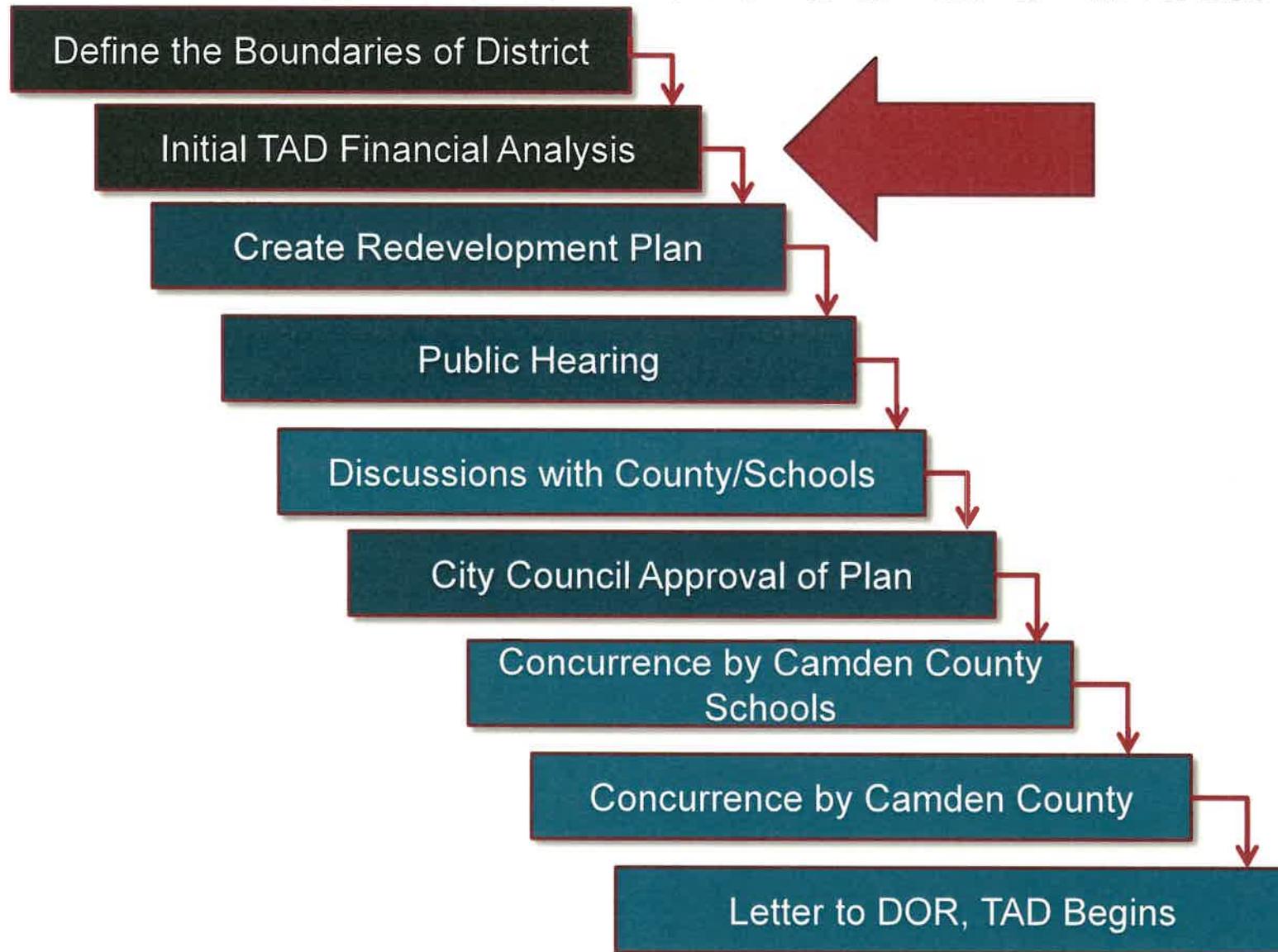
For more information please contact the City Manager, Mr. John Homan at 912-510-4041 or the Main Street Coordinator, Becky Myers at 912-510-4042.

City of St. Marys
Proposed Tax Allocation District



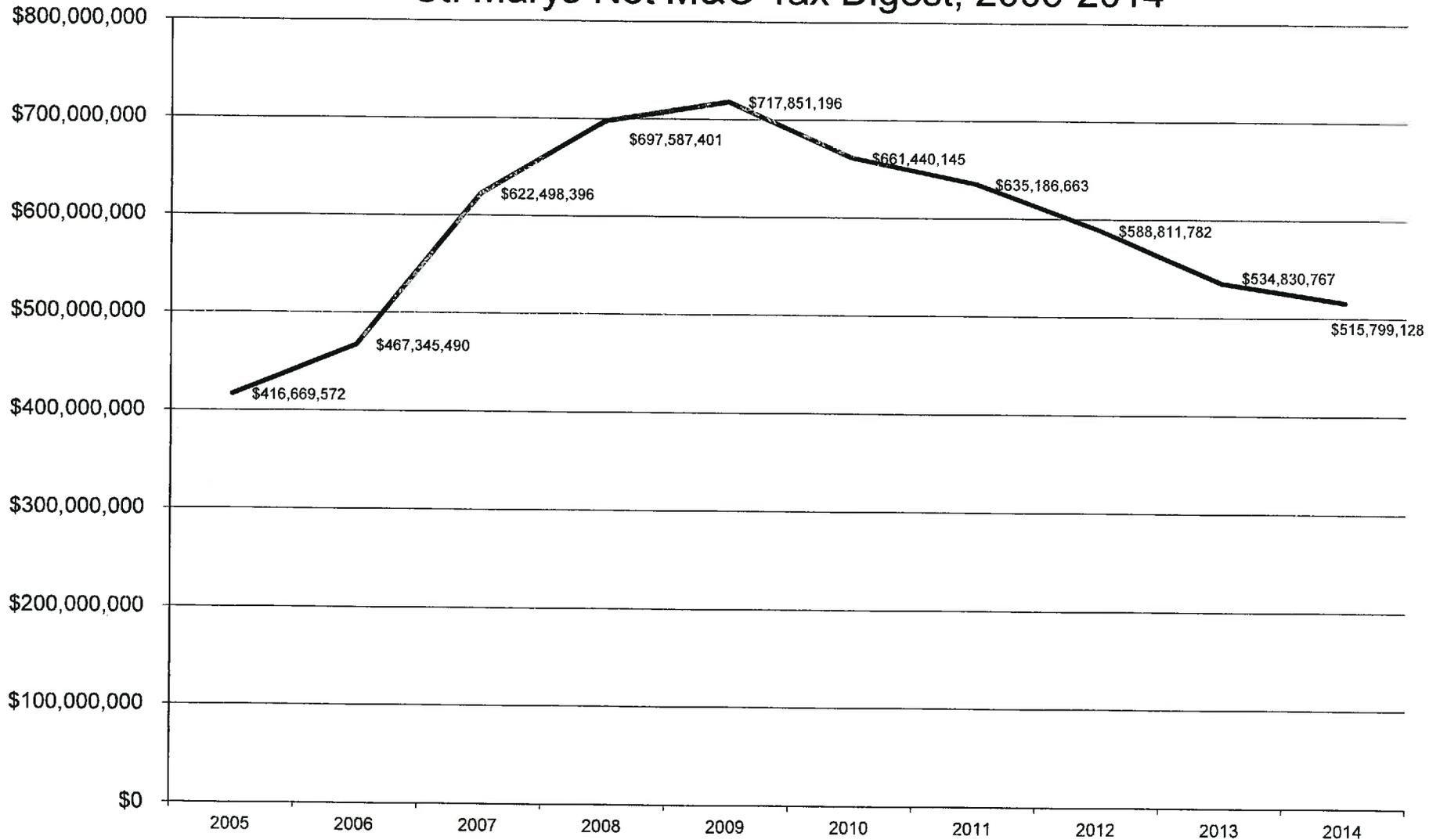
Geoff Koski
404.508.6461 geoff@blagroup.com

Proposed St. Marys TAD Schedule



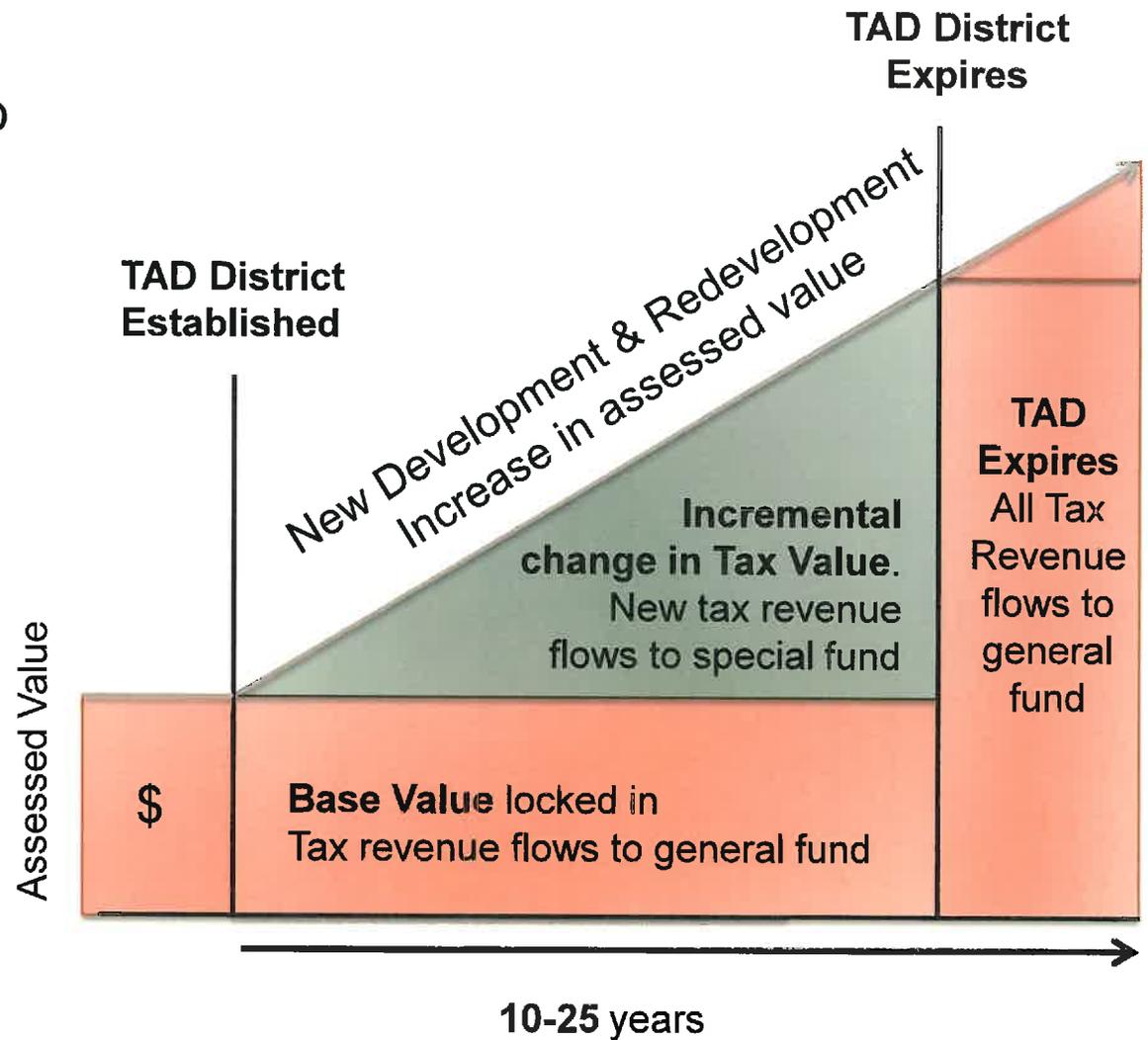
St. Marys TAD

St. Marys Net M&O Tax Digest, 2005-2014

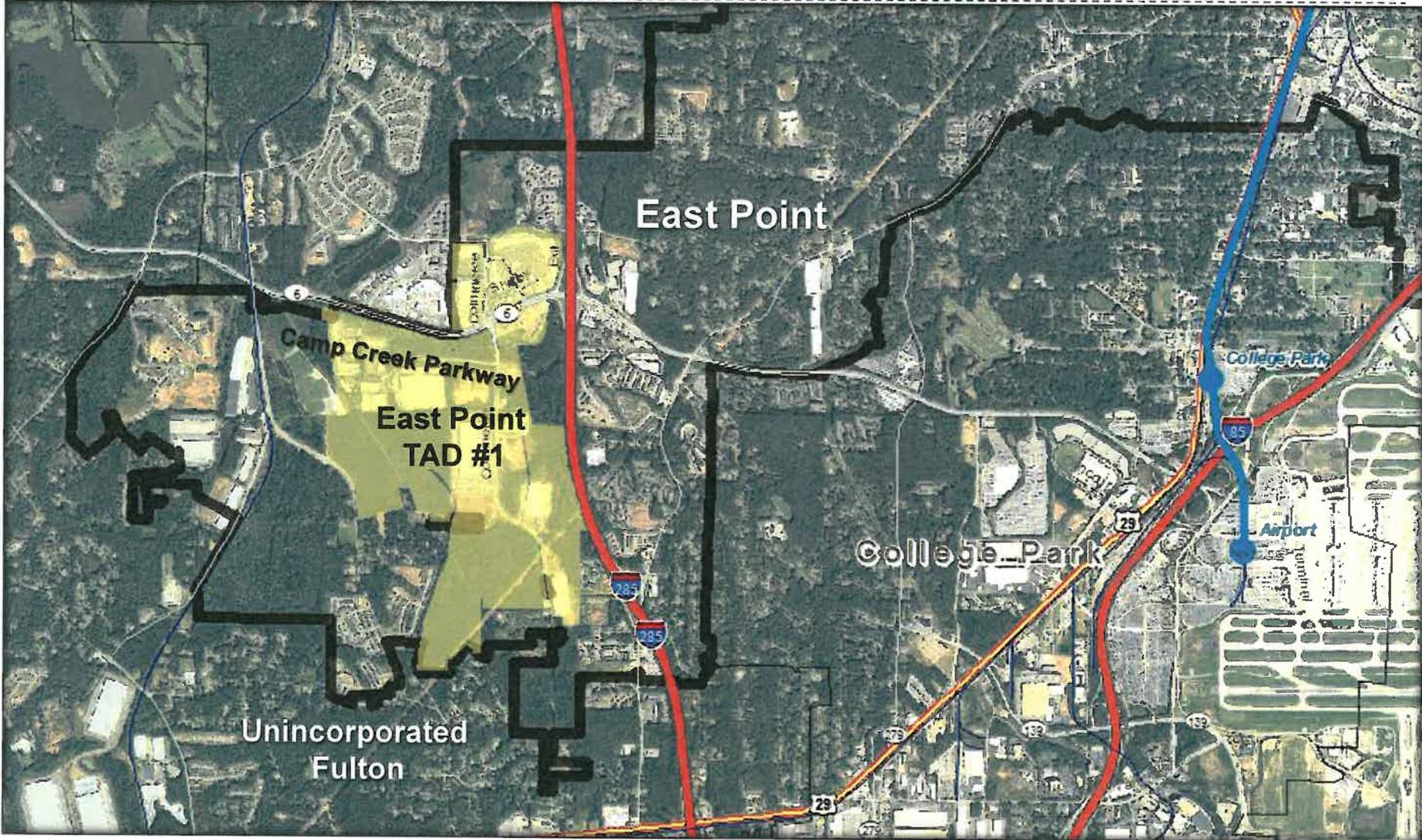


How a TAD Works

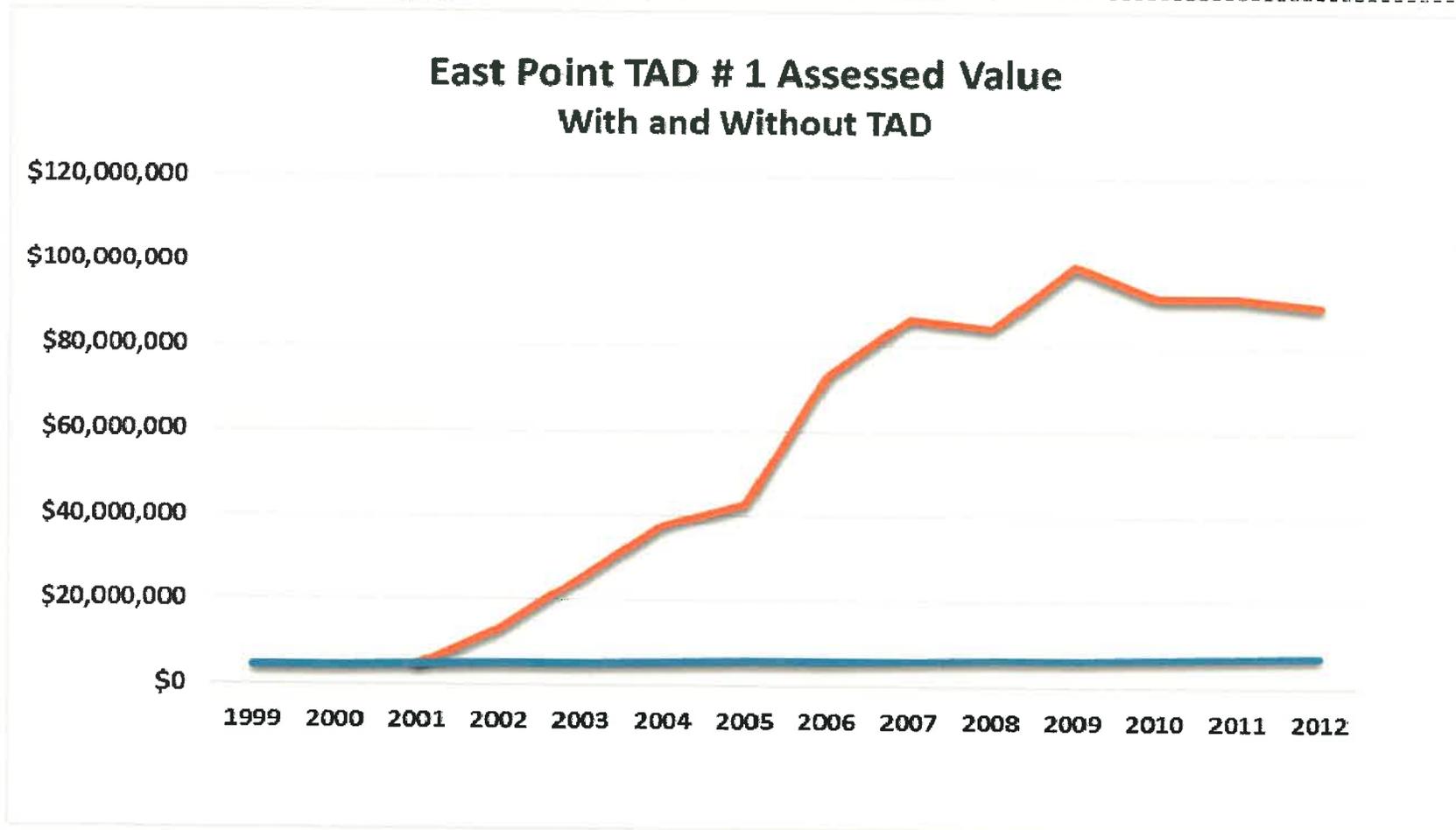
- ▶ Future property taxes from new development and future growth are used to pay off TAD bonds.
- ▶ Future tax revenue generated in excess of bond payments during the term of the TAD Bonds can also be returned to the tax jurisdictions.



Case Study: East Point TAD # 1



The Impact of East Point TAD# 1

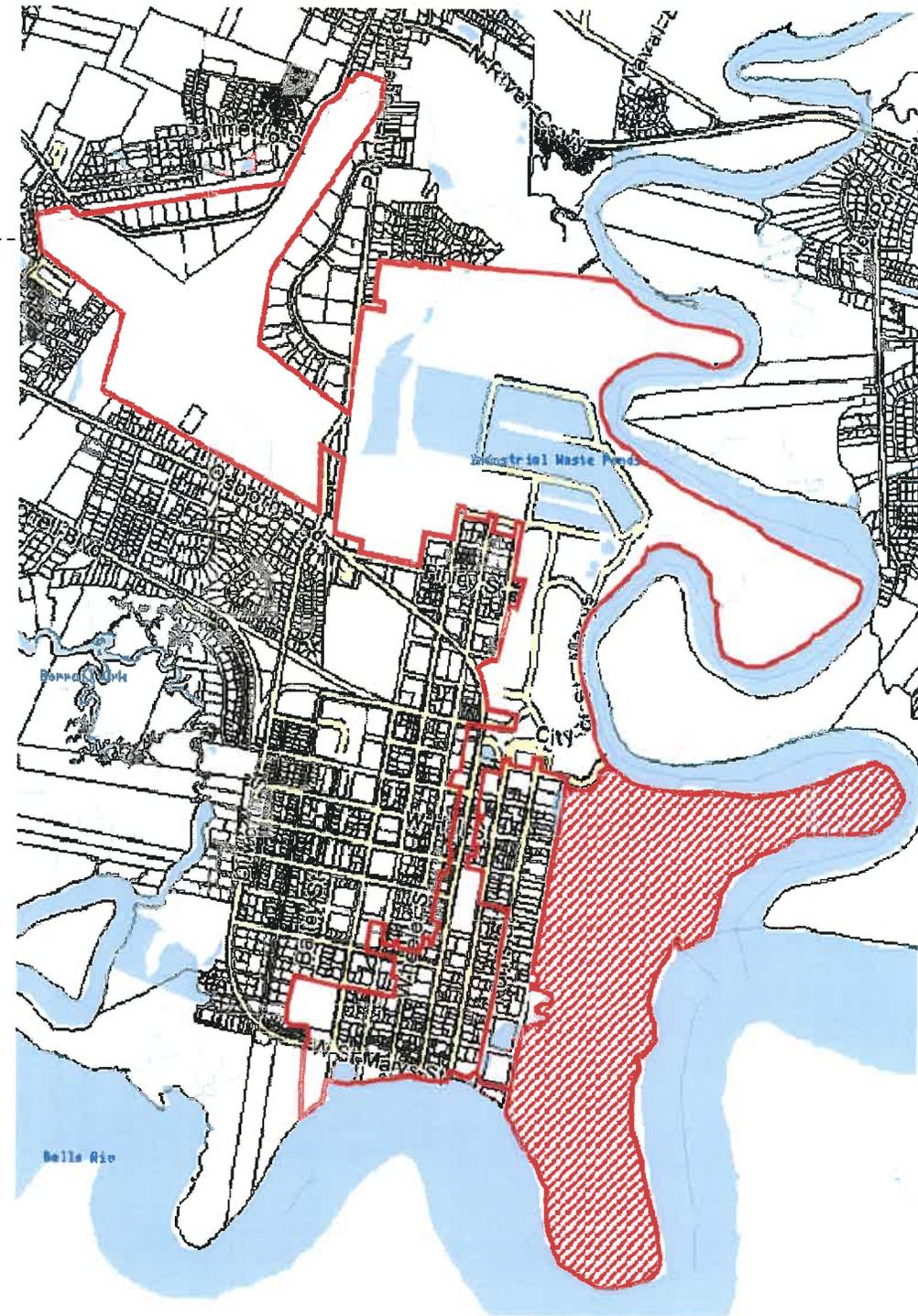


Without TAD, assuming 4% growth per year the assessed value would have grown from \$4 million to \$7 million over the last twelve years—a **1.75x increase**

With TAD, the assessed value grew from \$4 million to \$89 million—a **22.3x increase**

St. Marys TAD

- ▶ 259 parcels
 - ▶ 44 of which are tax exempt
- ▶ 1,264.1 acres
- ▶ 2014 assessed value of \$18.9 million
 - ▶ Fair market value of \$101.8 million
- ▶ 3.6% of the city's 2014 gross property tax digest



St. Marys TAD

- ▶ To estimate future growth in the tax digest and develop forecasts of the TAD revenue we assessed:
 - ▶ Currently proposed development program for the St. Marys **Intercoastal Gateway Property**
 - ▶ Hypothetical redevelopment projects that could feasibly occur on the **airport and former mill** parcels within the TAD
- ▶ We estimate that this TAD could support a total of \$24.4 million in TAD bonds from the projects.

<u>Potential Net Bond Proceeds</u>	
Gateway Hotel	\$ 1.6 million
Paper Mill Site	\$ 13.3 million
Airport Site	\$ 9.5 million
Total:	\$ 24.4 million

Intercoastal Gateway Property

- ▶ Final development value: \$15 million

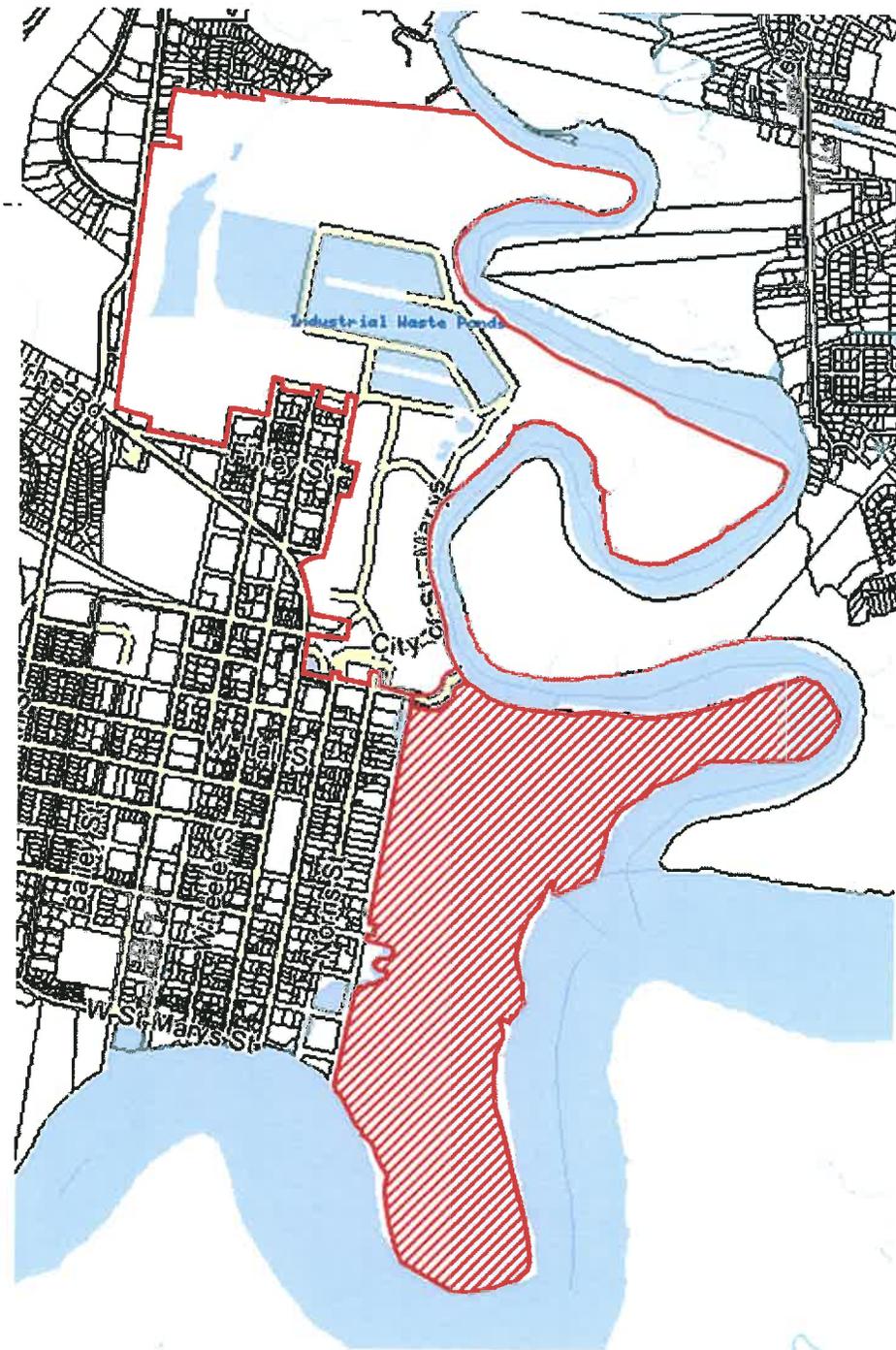
- ▶ Source: James Gant, Developer

- ▶ 54 hotel rooms, meeting space, a restaurant/bar, dock/boat slips and 34 vehicular parking spaces.



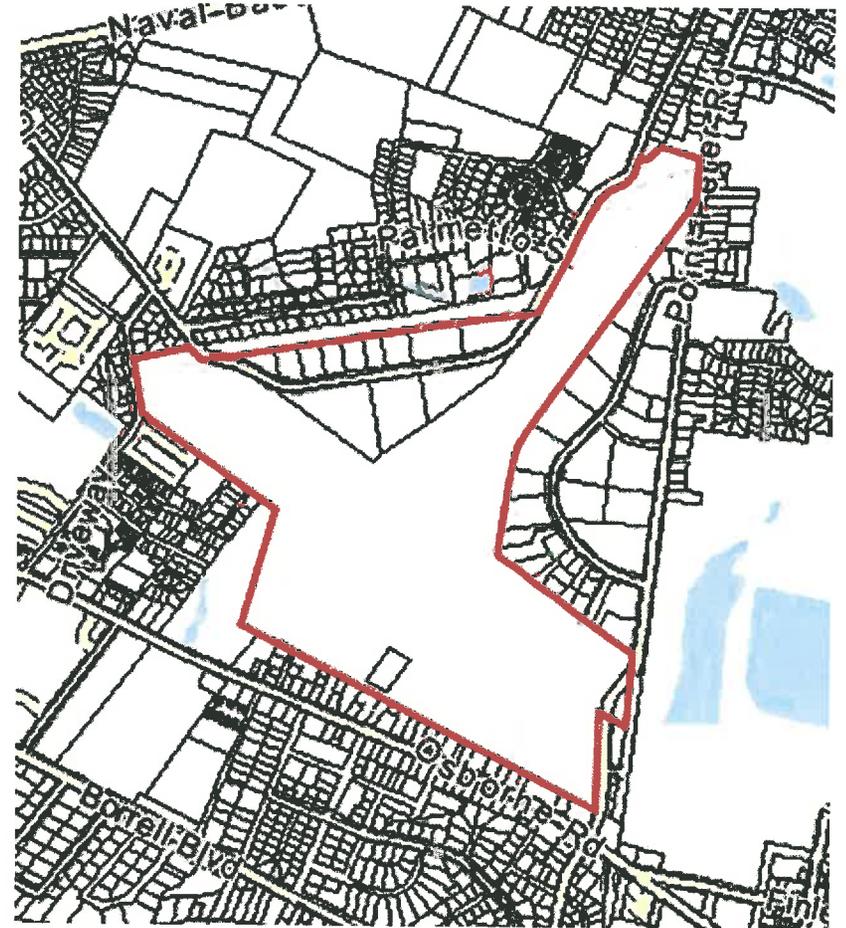
Former Durango-Georgia Paper Mill

- ▶ At 450 developable acres:
 - ▶ 5,000 SF/developable acre
 - ▶ Up to 2.25 million SF of space at build out
 - ▶ Total estimated development value of \$135 million (\$60/SF)



St. Marys Airport Redevelopment

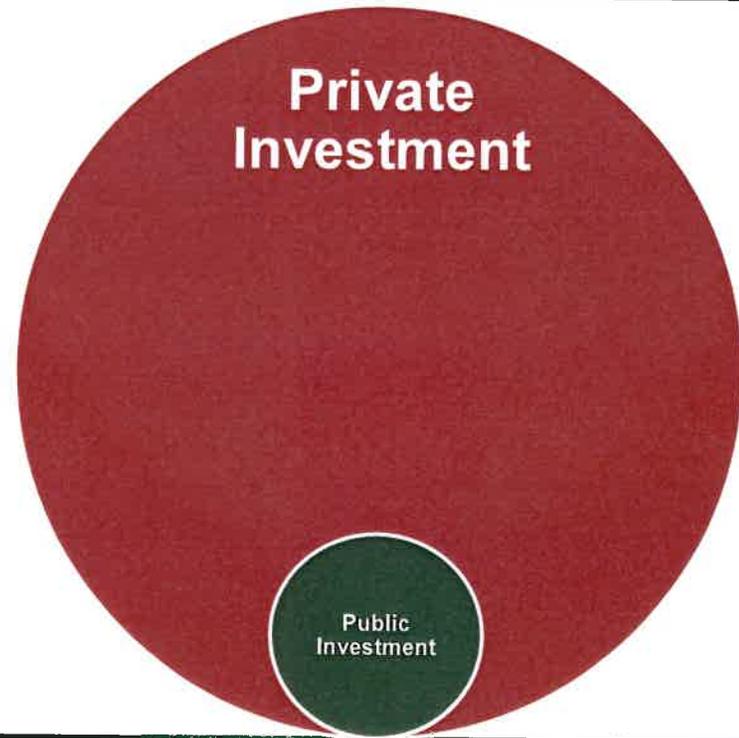
- ▶ 435 acre site:
 - ▶ Development on 300 acres
 - ▶ 1.5 million SF of industrial space
 - ▶ Total estimated development value of \$90million (\$60/SF)



Summary of St. Marys TAD Benefits

Current fair market value of TAD	\$103,659,123
Projected fair market value of TAD at build out	\$343,700,000
Incremental value after full build out	\$240,000,000
Potential cost of public infrastructure that could be financed by the TAD	\$24,000,000

For every **\$1** of TAD investment
=
\$10 private dollars invested



Proposed St. Marys TAD Schedule

