



### **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 costs within a specially defined area, a tax allocation district (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 investment to the new 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 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 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 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 area 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 higher-wealth areas 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 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.