

Columbus Consolidated Government Tax Allocation District

# Policies & Guidelines

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*Planning Department*



## **What are Tax Allocation Districts and How Will They Work?**

Tax Allocation Districts (TAD) are a creative redevelopment financing tool that is widely used in the State of Georgia. For the purpose of this TAD policy, ad valorem property taxes means all ad valorem property taxes levied by the Columbus Consolidated Government (CCG) and the Muscogee County Board of Education (MCSD) consenting to the inclusion of its property taxes as being applicable to a tax allocation district as provided by Code Section 36-44-9, except those ad valorem property taxes levied to repay bonded indebtedness. Area of operation in this policy means the property within the jurisdiction of the CCG and the MCSD.

A base tax level will be set with current values of properties located within the defined district or area. The taxes at base levels will continue to fund taxing entities like CCG and the MCSD. All tax revenues above the base level are available to be used to fund infrastructure needs within the district's defined geographical area. Taxes can be accrued and allocated to projects when they equal the project's cost; or bonds can be issued to fund projects. The projected taxes will go toward paying off the debt service for the bonds if issued.

TAD's could be used to upgrade sewer, water, power, or implement-needed quality of life infrastructure. Expensive roadway projects or much needed bicycle and pedestrian networks could be created with TAD financing. TADs can be used as a gap financing tool. Much needed projects that are not feasible with normal financing tools would be feasible if TADs can make up the difference (gap). This type of financing could be used if a substantial public benefit and welfare is identified within the project.

### **Section 1: Creation Of Tax Allocation Districts In The Columbus Consolidated Government's Jurisdiction**

The CCG will consider the creation of a tax allocation district in areas of the city which exhibit one or more of the following characteristics:

- They are located in areas of the city which suffer from disinvestment, lower property values, high crime, the presence of disproportionate poverty
- Are areas that have property values lower than city averages, have low levels of new investment, high commercial and or residential vacancies and the presence of substantial properties showing evidence of deferred maintenance and disinvestment, and have sites suitable for redevelopment.
- Are areas which lack sufficient infrastructure to support their future development either in terms of insufficient sewer and water service, lack of transportation infrastructure or other infrastructure conditions which are impeding their future development.

A maximum of ten percent (10%) of the CCG's tax digest can be included in all the TADs in the city collectively. Accordingly, the CCG will evaluate the potential of creating all potential TADs impact on this maximum.

An application for creation of a Tax Allocation District can be made by local property owners, neighborhood organizations, and the CCG itself on behalf of its citizens. The application should include a description of the area to be included in the proposed TAD; the current value of the tax digest in the proposed TAD; the purpose of the TAD and how it meets the city's TAD policy; and provisions for preparing a TAD Redevelopment Plan, which satisfies the requirements of the Redevelopment Powers Law for creating a TAD.

The application to create a Tax Allocation District will be first reviewed by the CCG Planning Department, and, if the plan meets the requirements of the CCG's TAD Policies and Guidelines and the requirements of the Redevelopment Powers Law (which governs the creation of TADs in the state of Georgia), it will be submitted to the CCG Council for its consideration for adoption.

Should a Tax Allocation District be approved by the CCG Council, it will be the policy of the CCG to seek the concurrence of the MCSD to participate (along with the CCG) in the TAD. The CCG will seek the concurrence of MCSD participation in all city TADs in a manner consistent with the requirements of the Redevelopment Powers Law, which we believe to be in the mutual interest of both units of government. The CCG at its sole discretion may choose to create a TAD without the participation of MCSD.

All taxing authorities participating in the TAD shall enter into an Intergovernmental Agreement (IGA) or Memorandum of Understanding (MOU) with the Columbus Consolidated Government, which will detail specific TAD policies, procedures, and all special stipulations for their participation in each TAD created (by the CCG).

Two forms of Tax Allocations Districts can be proposed for consideration:

- **Area Tax Allocation Districts**—these will include multiple tax parcels and may include broad areas which are in need of revitalization and outlined in the criteria above. They typically will involve ten or more property owners and may or may not have an initial project for redevelopment identified at the time of the application. This type of Tax Allocation District is created to provide a major incentive to attract new investment into an area over time.
- **Project Specific Tax Allocation Districts**—these are districts where a developer, local government, or public private partnership has been formed to create a specific redevelopment project on a particular site. The site may be comprised of one or a number of parcels but generally is contemplated as a singular development on a particular development.

In both cases the creation of the Tax Allocation District by the CCG simply puts the TAD mechanism in place in the designated area and does not pledge any funding to any project or entity as a result of its creation. The application for specific funding occurs as a separate and later phase of the TAD process. Inclusion of a property in a designated TAD does not entitle the property owner to TAD financing, but rather provides the opportunity to seek TAD funding under the requirements detailed in Section 2 of these policies and guidelines.

## **Section 2A: Application for Funding from a CCG Tax Allocation District (TAD)**

### ***Criteria for Consideration***

Columbus Consolidated Government will consider applications for funding from approved Tax Allocation Districts from projects which can demonstrate a substantial public benefit by:

- Creating new jobs
- Substantially retaining existing jobs
- Bolster the employment and economic base of CCG
- Provide diverse economic opportunities
- Redevelop underperforming and underutilized neighborhoods
- Increase sustainable development practices in commercial nodes
- Decrease blight and poverty
- Reduce crime
- Increase property values and tax revenues to the CCG
- Implement the CCG's comprehensive and transportation plans and economic development strategies.

Each TAD project seeking funding from a CCG-approved TAD will be thoroughly evaluated to ensure the benefit will exceed the costs incurred by the project and that the project will be equitable for the whole government. TAD financing will be used in cases where alternative-financing methods cannot be obtained or where TAD financing is the preferred method to encourage economic development through incentivizing.

All TAD applications must demonstrate in detail that “**but for**” the use of TAD financing the project would not be economically feasible. The application must also show that the overall benefit for the community and government as a whole would be more advantageous than to leave the property in its current use.

TAD proceeds will not result in private benefit or excessive profit to developers or other project partners. All approved TAD expenses and expenditures must be documented and verify they are within industry standards. All project cost estimates and fees to be reimbursed by TAD proceeds shall be reviewed by CCG to ensure reasonableness.

### ***Types of Applications***

Two types of applications will be considered:

**1. A Private Sector Project** –A proposal for TAD funding which is sponsored by a private land owner, developer, or partnership. In this type of TAD funding, application emphasis will be given on its ability to meet the public policy objectives

outlined above; the “but for” test for the need for TAD funding; and the degree of leverage of private investment by the commitment of TAD funds. In addition, the CCG will consider the impact of the proposed development on the tax digest of the CCG, job creation, and its ability to stimulate redevelopment in the adjacent area.

**2. A Public Sector Project** – A proposal for TAD funding by the CCG or unit thereof, or other local governmental or non-profit institution. In this case the goal of the TAD funding will be the ability to leverage other governmental funds committed to the project; its ability to create public benefit in the form of improvements to the public realm; enhancements to the quality of life of CCG’s residents; and support the mission of the city’s key public institutions.

Private Sector TAD funding requests which are based on the amount of incremental property taxes generated from the proposed project will be given priority by the CCG for funding. Applicants who wish to obtain TAD funding in excess of what their proposed project will generate in property tax increment can make application for TAD funding, but the provision of additional TAD funding more broadly from the larger TAD district will require additional justification as to the public benefit that will result and will receive additional scrutiny during evaluation for funding.

Redevelopment of brownfields and grayfields will be given high priority for use of TAD funds as they support the redevelopment of these sites into productive new uses and their return to the local tax digest.

The CCG will not consider providing TAD funding retroactively to projects. This is defined as providing TAD funding to projects that have commenced land disturbance or construction prior to the date of a TAD financing application submittal.

The CCG will look more favorability on providing TAD financing for major infrastructure improvements verses applications seeking funding for minor aesthetic improvements.

The CCG looks favorably on TAD funding for quality mixed-use developments that could contain a combination of land uses where residents of all income levels can live, work, play, and obtain education.

The CCG will also look favorably on TAD financing for developments that provide sustainable building techniques, diverse modes of travel and fresh food markets, and will create an over-arching community reinvestment. This effect should be estimated for each TAD project on reasonable assumptions over the life of a proposed financing.

## **Section 2B: Eligible TAD Project Financing Guidelines**

1. Private sector projects eligible for consideration for TAD funding shall include, but are not limited to:
  - a. Projects that can show a projected increase in permanent jobs with an emphasis on technical/skilled full time jobs.

- b. Mixed-use developments which incorporate medium-to-high density residential.
    - c. Medium to high density residential developments.
- 2. Eligible Financing Approaches – TAD financing may be provided to an approved applicant in one of five principle ways:
  - a. Tax Exempt Bond Financing – through the issuance of tax exempt revenue bonds secured by the incremental taxes collected in the district
  - b. Taxable Bond Financing – through the issuance of taxable revenue bonds secured by the incremental taxes collected in the district
  - c. Loan from a Lending Institution – increment from the TAD can be pledge to repay and loan or bank note from a lending institution secured by the CCG or the developer.
  - d. “Pay as You Go” annual repayment of eligible TAD funding costs from the annual increment generated each year from property tax payments in the district, as agreed to by the CCG and applicant.
  - e. Other Financing Structures – as determined by the CCG to be in its best interest at the time of the debt issuance.
- 3. TAD proceeds shall be used only to fund the following TAD eligible expenses:
  - a. Capital costs, land clearing and grading, real property acquisition (provided that acquired property is for public use), demolition of existing structures, environmental remediation, construction of public works (including parking decks, linear parks, greenways, pocket parks & rain gardens) water and sewer connections, water detention and retention, transportation improvements, signaling and wayfinding signage, streetscapes and landscaping, public facilities, and other system improvements that may be necessary to support the proposed redevelopment project (collectively, “permitted Redevelopment Capital Costs”); other system improvements may include project related infrastructure improvements that are interior to the project site but assist the overall development area.
  - b. Other funding – the CCG will retain the option to use TAD funding to support other projects by providing TAD funding for other eligible purposes in addition to the capital costs noted above to meet specific project requirements, and subject to the review and approval of the Advisory Committee and Council.
  - c. Tax Allocation District financing costs, including but not limited to, all necessary and incidental expenses related to the issuance of obligations which may include,
    - i. Payment of interest on any TAD obligations issued in accordance with this policy accruing for a period not to exceed

36 months during and after the estimated period of construction of any project with respect to which any Permitted Redevelopment Capital Costs are financed in whole or in part by such obligations (which may include the time necessary for the increased property valuation derived from the redevelopment project to be reflected on the tax rolls and for the resulting tax allocation increments to be collected)

- ii. Reasonable debt service reserves related thereto,
  - iii. Principal and interest paid to holders of evidences of indebtedness issued to pay for Permitted Redevelopment Capital Costs and any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity;
  - d. Professional service costs incurred in connection with Permitted Redevelopment Capital Costs (as described above in 3a), including those costs incurred for architectural, planning, engineering, financial, conducting environmental impact analysis and statements, legal services, and including such costs incurred by CCG.
4. Unless otherwise agreed to in writing, parties to the IGA or MOU, bonds or other forms of financing deemed appropriate by the CCG, shall be limited to no more than 25 years, with earlier repayment substantiated by projections of excess tax allocation increments based on reasonable assumptions acceptable to CCG.

#### ***TAD Application***

1. Each Private Sector TAD financing application shall include:
  - a. A complete description of the proposed redevelopment; the key components in the redevelopment in terms of type of land use; square feet or number of units; and an annual development schedule up to project build-out.
  - b. An independent financial feasibility study addressing all items in this TAD Application Section
  - c. Demonstrate that the development contributes to CCG's goals set forth in the Comprehensive Plan,
2. All applications must include a past 10-year trend analysis (for the immediate and surrounding area) of real property values for the site in question.
3. All applications must include three 20-year projections that depict the following information:
  - a. Value of the parcels that are the subject of the TAD request should redevelopment not occur;

- b. Value of the parcels should a TAD request be approved and the proposed project constructed; and
  - c. Value of the parcels if the TAD request was not approved but minor redevelopment did take place. Under the latter scenario, the applicant may prepare reasonable development projections based on current zoning of the subject property or some other reasonable development proposal.
- 4. The total amount of TAD financing proposed shall not exceed 15% of the total estimated project development costs excluding capitalized interest. Approval of TAD funds in excess of 15% would require special consideration by the CCG Council in limited circumstances and if said funds are available in a given TAD. This limitation shall not apply to infrastructure projects which are funded independently of TAD assistance or to large redevelopment projects that have a significant public benefit, but require, and can support through the generation of sufficient tax allocation increments, a greater degree of TAD assistance.
- 5. TAD financing may be utilized as a funding mechanism for a TAD project if it is authorized and demonstrated that a sufficient rate of return to encourage private investment is not otherwise available to the developer
- 6. Project plans must be submitted at the time of application.
- 7. Applications that include the redevelopment of existing business areas should include the following:
  - a. Business type of the major tenants of the TAD area; and
  - b. A thorough market analysis that identifies
    - i. The population areas that will be drawn from; and
    - ii. The businesses of similar types which would be competing with the TAD business area.
- 8. Supporting documentation of how the final project value is reached must be included in the application. This includes assumptions made regarding anticipated lease rates and sales prices, comparable appraisals, and input from the Tax Assessor.
- 9. TAD applications should clearly demonstrate the feasibility of the proposed project through market analysis, feasibility studies, product demand, absorption rates and other supporting documentation. CCG reserves the right to request a review of relevant development pro formas and may utilize an independent third-party consultant for analysis.
- 10. Each TAD Application must include evidence that the applicant:



- a. Has the financial ability to complete and operate the project.
  - b. Will contribute equity (i.e. cash and /or subordinate debt) of at least 15% of the total cost of the project. Projects with equity contributions from the developer in excess of 15% will be viewed more favorably.
11. Five copies of the TAD Project Funding Application Form and supporting documentation.
12. CCG reserves the right to review and approve all TAD funding requested based on its assessment of the criteria outlined in the Policies and Guidelines.

***Accountability***

- TAD Applications are expected to include the following:
  - If the TAD Application is being recommended based upon job creation criteria, language will be included in the Plan stipulating that additional TAD assistance may be withheld by CCG or, if such assistance is on a pay-as-you-go basis, the CCG’s obligation to the applicant may be reduced if satisfactory evidence is not shown that the indicated number and quality of jobs have been generated.
  - If businesses are to be relocated from other areas of the CCG, sufficient justification must be included in the application to indicate why such relocation should be considered.
- Commencing in the second calendar year following the creation of each TAD, and continuing each year so long as such TAD is in effect, the Redevelopment Agency for each respective TAD will file with the Director of Planning:
  - By March 1 of each year (or such other date as may be approved by the Director, Department of Planning, in writing) an annual report containing the following information, together with such other information as the Director of Planning may request:
    - The amount of positive tax allocation increments and the use of such funds, and
    - As to each TAD created within the Planning Areas located in the CCG, listing all real property and personal property located in the TAD, and within ten business days of its issuance, a copy of the annual audit of the TAD’s appointed Redevelopment Agency

**Section 3: Submittal of Application for TAD Funding/Application Fee**

- Application for TAD financing in substantially the same form included under TAD Application or such other form as may be prescribed or approved by the Director of Planning.

- A non-refundable Application Fee which shall be initially payable in the minimum amount of 2% or \$2,000 dollars, provided that the City Manager may increase the Application Fee up to a maximum amount of \$20,000 dollars depending on the complexity of the application and the CCG analysis thereof; and any such increased Application Fee amount shall be due and payable within ten days following the date of the Director of Planning's written notice of such increase (checks will be made payable to the Columbus Consolidated Government).
- Five copies of the TAD Redevelopment Plan or five copies of the TAD Project Specific Plan.

#### **Section 4: Method of Financing**

TAD Applications may request that TAD assistance be provided in one of two forms:

- Direct Reimbursement to the Applicant
- Tax Allocation Bond or Note Financing

In deciding which method of financing to use, the prevailing factor in making the determination will be total costs involved and, in the case of bond or note financing, the marketability and security for repayment of the bonds. CCG will not guarantee any tax allocation bonds or notes beyond the funds available from each TAD district.

#### **Section 5: Term**

The maximum period for which a TAD may be established is 32 years, with earlier bond repayment substantiated by projections of excess tax allocation increments, based on reasonable assumptions acceptable to CCG.

#### **Section 6: Exceptions**

Certain requirements for TADs and TAD Projects may be waived if it is deemed to be in the best interest of Columbus Consolidated Government and necessary in order to encourage the development of an especially unique or distinctive development or amenity that will serve as a smart-growth model for future projects or as a catalyst project to spur redevelopment in surrounding areas.

#### **Section 7: Application Procedures**

- Applicant meets with Columbus Consolidated Government's Planning Department staff to discuss the project and receive an application.
- Applicant submits the completed application, the required Application Fee, TAD Redevelopment Plan or TAD Project Specific Plan to the Planning Department.
- Director of Planning convenes a meeting of the five-member TAD Advisory Committee (3 voting members from the CCG and 2 voting members from the MCSD) to discuss the project including conformity with the Columbus Consolidated Government policies and plans. Voting members from CCG

shall specifically be the following employees: Planning Director; Community Reinvestment Division Manager; and the Finance Director. All other department heads/city officials shall be ex-officio committee members. Said committee (voting and ex-officio) will be comprised of staff from the following governmental departments, agencies, and organizations:

- Planning Department
- Community Reinvestment Division
- Tax Assessor
- Finance Department (including outside Financial Advisors and/or Bond Counsel)
- City Attorney
- Representative of the Muscogee County Board of Education (if appropriate)
- Special Taxing Districts Representative
- Department of Engineering
- Columbus Water Works \*

\*Representation from these departments/organizations to be determined on an “as-needed” basis based on the size and scope of the proposed project.

- Within sixty days, said TAD Advisory Committee will determine to accept, reject, or reply to the application.
- If the TAD Advisory committee accepts said application, staff will begin working with the applicant and/or their other appropriate consultants and government staff to put together a draft TAD financing and begin preliminary negotiations with the applicant to secure agreeable terms for a development agreement with the government (if applicable). The development agreement will not be drafted until after Council approval.
- Upon completion of a draft of the TAD financing plan, TAD Redevelopment Plan, and development agreement terms that are agreeable to the applicant, these items will be presented to the Columbus Consolidated Government’s Council at a regularly scheduled meeting. If approved, the Planning Department will make a recommendation to the Council to allow the project to move forward. The Planning Department applicant and/or consultants will make a presentation to the Council and request a public hearing. Other statutory items are to be scheduled for further Council review, if appropriate.
- Public hearings will be conducted at Council. After public input and other board recommendations, the Council may:

1. Accept the plans and recommendations and direct staff to complete these plans,
  2. Reject the plans and project or
  3. Modify the plans accordingly and reenter negotiations.
- All TADS start by law on December 31 of the year approved.