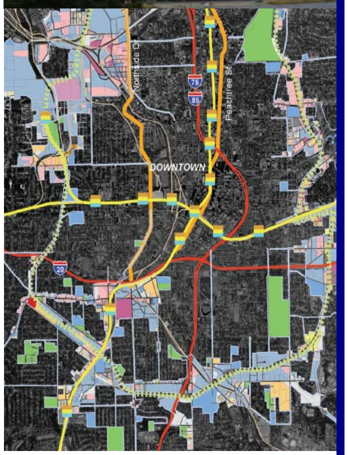

A LIVABLE COMMUNITIES COALITION REPORT

SURVEY AND ANALYSIS OF TAX ALLOCATION DISTRICTS (TADS) IN GEORGIA

A LOOK AT THE FIRST EIGHT YEARS

October 4, 2007

Bleakly Advisory Group

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About the Livable Communities Coalition

With 40 member organizations, the Livable Communities Coalition brings together a diverse group of citizens, organizations, institutions, and businesses that all share a determination to promote quality growth in the metro Atlanta region. No group working on growth and development in metro Atlanta has broader representation. Coalition members believe that everybody has an interest in making our community a better place, and it works to serve as a catalyst for thoughtful, inclusive decision making about growth and development.

Goals and Methods

The Coalition works to:

- Support greater densities and mixed-use developments in appropriate areas, especially in our region's centers and transportation corridors
- Increase housing choices by removing barriers that artificially restrict the market
- Integrate transportation and land use decisions
- Ensure that greenfield development is designed to achieve a sense of community, provide more housing choices, leverage existing infrastructure, and conserve natural resources.

By adhering to these four principles of quality growth, the Coalition believes that our region can build stronger communities, improve quality of life, provide more and better choices in housing and transportation, reduce traffic, recycle underutilized and blighted properties, make more efficient use of public infrastructure, and save green space.

Coalition work generally focuses on three areas:

- Projects, including providing technical assistance and other support to local governments and citizen groups that support quality growth. It also encourages private investment consistent with that growth.
- Public policy, especially advocacy of policies, ordinances and regulations that advance quality growth.
- Communication and education. The Coalition promotes informed public discussion of growth issues facing the region.

History

The Livable Communities Coalition grew from recommendations formulated by the Metro Atlanta Chamber of Commerce's Quality Growth Task Force after eight months (2003 – 2004) of research and analysis of growth patterns and impacts in the region. The task force concluded that the *metro Atlanta region can grow in a way that protects and improves our quality of life and strengthens our business environment* if it adopts quality growth principles to guide that growth. It also recommended than an independent nonprofit organization be created to pursue ongoing and long-term education and advocacy efforts on behalf of those principles. The Livable Communities Coalition was formed in 2005 to meet that need.

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EXECUTIVE SUMMARY

In 2003 the Georgia Legislature enacted significant changes to the state's Redevelopment Powers Law, which regulates the creation of tax allocation districts (TADs) and the use of TAD financing for redevelopment purposes. Prior to 2003, there were only six TADs statewide. Since 2003, an additional 21 districts have been created, and the number of new communities that have considered TADs has grown each year. During the 2007 session of the legislature, an additional 31 jurisdictions were approved to hold TAD referendums. If all are successful, the number of jurisdictions authorized to use this redevelopment tool will more than double.

As more local governments consider TADs for the first time, it will become necessary for more taxing jurisdictions to educate themselves on this complex issue. Although there is a growing body of information concerning the legal process and public policy implications associated with forming TADs, there has been very limited analysis of the <u>actual financial performance</u> of existing TADs to date. In early 2007, the Livable Communities Coalition (LCC) decided that there was a need to focus on financial issues related to TADs and retained Bleakly Advisory Group (BAG) to undertake a study to assist local governments in evaluating TADs as a redevelopment tool. Dr. David Sjoquist of Georgia State University was also hired by the LCC to review BAG's work for completeness and objectivity, based on his long career as a top public policy analyst in Georgia. The LCC's objectives for this effort were threefold:

1. To objectively analyze the promises versus actual performance of TADs within Georgia, particularly those which have an established history and measurable track record;

2. To communicate best practices and lessons learned from those cases; and

3. To provide an analysis framework and more comprehensive perspective for local officials in communities now evaluating TAD proposals.

The key findings of this research are summarized below:

<u>The number of tax allocation districts in Georgia is growing.</u> As of March 2007, there were 27 existing tax allocation districts in Georgia. These TADs encompass more than 18,700 acres, 20,600 tax parcels and nearly $1.9 billion in existing base tax digest value. Ten of the existing TADs are located within the city of Atlanta and the majority of the remaining districts are scattered throughout suburban metro Atlanta locations. Twenty-one new TADs have been formed since 2003. The legislature has also authorized TAD referendums for 31 additional jurisdictions.

<u>To date, the vast majority of Georgia TADs have been initiated by cities as tools to support local revitalization</u>. Only 3 of the 27 existing Georgia TADs were initiated by county governments, two by DeKalb County and one by Clayton County. All others have been sponsored by cities. Consequently, where conflicts have arisen between cities and counties over TADs, they have typically involved county reluctance to consent to city-sponsored redevelopment initiatives.

<u>Relatively few Georgia TADs have been initiated by developers</u>. It appears that 7 of the 27 existing TADs were created in response to specific redevelopment projects that had already been identified or proposed by developers. The vast majority of Georgia TADS were initiated by local governments to address pre-existing problems and offer incentives to attract private development. The largest share of proceeds from TAD bonds - from bonds already issued and future spending proposed in redevelopment plans - is intended to finance public improvements to support redevelopment (sewer, water, streetscapes, etc.)

<u>Existing TADs have been formed to accomplish a broad range of local objectives</u>. The purposes for which communities create TADs tend to fall into three broad categories. Several were created to encourage commercial development in largely undeveloped or under-developed commercial corridors where high infrastructure costs had inhibited quality development. Several communities have created TADs in order to build new town centers, redevelop downtowns, or revitalize other areas. The remaining TADs have been formed to achieve multiple objectives, including the replacement of existing, lower valued development with mixed-use projects and other appropriate development. Typical targeted redevelopment sites are vacant shopping centers, obsolete public housing, substandard apartment complexes and other under-valued commercial and residential properties.

<u>On a per acre basis, the taxable property digest within most existing Georgia TADs at time of certification was substantially lower than surrounding host communities</u>. BAG calculated and compared the average tax digest value per acre within TADs against the per-acre averages for the respective taxing jurisdictions when the TADs were certified. The TAD certified digest value for 25 districts where acreage data was available averaged roughly $107,900 per acre, compared to an average digest of more than $295,000 per acre for the taxing jurisdictions as a whole. The fact that the per-acre tax digest within the TADs averaged only 44% of the average per acre value inside host jurisdictions provides evidence that these areas were economically under-developed and under-performing when the TADs were created.

<u>The redevelopment plans for existing TADs forecast substantial positive economic impacts on their host communities</u>. Collectively, the adopted redevelopment plans for all Georgia TADs forecast more than $17.6 billion in direct private investment and a resulting $6.1 billion increase in property tax digest upon completion of all planned projects. The total public investment to attain this level of redevelopment is estimated at roughly $3.0 billion. These forecasts would yield an average “return” of $5.80 of private investment per dollar of public investment spread across all districts. However, the projected ratio of private to public investment varied greatly among TADs, with several districts forecasting investment returns that were well above this average.

<u>Despite their short track record, TADs have already achieved significant results</u>. The total combined tax digest (40% value) within Georgia TADs has already increased by almost $902 million since 1998 when the first TAD in Georgia was formed, rising at an average rate of 14.7% per year (compounded). Within those TADs that have been fully or partially implemented, the annual rate of tax base expansion has exceeded the overall rate of digest growth in host communities by a substantial margin with only one exception. Because of the difficulty in obtaining historical tax assessment data at the parcel level, it is virtually impossible to precisely measure the difference in digest growth within TADs before and after their certification. However, based on historical rates of digest growth in the host jurisdictions, BAG conservatively estimates that for those TADs with a measurable history, the average annual rate of digest growth increased by approximately 300% following TAD certification.

<u>Only four Georgia cities have actually issued TAD Bonds</u>. Based on available information, it appears that nine TAD bonds totaling $445.7 million have been issued to date by four separate Georgia municipalities. Six of these bonds totaling more than $409 million (including refinancing) have been issued by the city of Atlanta, accounting for nearly 92% of the aggregate value of all TAD bonds issued.[1] The remaining three municipalities to issue bonds were East Point, Marietta and Acworth. Total bonds issued to date have financed roughly 15% of the total anticipated public sector redevelopment costs reported in all redevelopment plans reviewed for this analysis.

<u>TADs are playing a major role in Atlanta's revitalization</u>. The Atlanta Development Authority estimates that $2.7 billion in private investment has been either completed, is under construction, or is permitted within the city's four TADs that have issued bonds. Nearly $420 million in additional investment is also tied to a pending bond issue for the Perry/Bolton TAD. If all of this investment is completed, it is expected to result in nearly 700 hotel rooms and 4.3 million square feet of commercial and office space, producing 6,900 permanent jobs. More than 10,000 housing units have also been completed or are in the development pipeline, including more than 2,500 units that have been classified as "affordable" to low and moderate income households.[2] These units are expected to house more than 26,000 future residents. Negotiated development agreements will also preserve open space and fund $20 million in future capital improvements for schools, fire and police.

<u>Based on the limited experience of the three communities outside Atlanta that have issued TAD bonds, the funded projects in those jurisdictions are projected to increase tax revenue, even in the short run</u>. The cities of East Point, Acworth and Marietta have collectively issued $36.4 million in TAD bonds. Combined, these bonds are expected to directly support $527 million in private investment, creating $219 million in additional tax digest value and raising combined city, county, and school property tax revenues by $7.0 million per year once the projects are built out. Combined debt service obligations on the TAD bonds will average only $3.4 million per year, resulting in a projected annual surplus of more than $3.6 million that can potentially be returned to the taxing jurisdictions even while the bonds are being paid off. BAG was unable to devise credible scenarios that produced equivalent new tax

[1] Two of the six Atlanta bonds were issued to support a second round of redevelopment projects within the Eastside and Westside TADs. A portion of the second Westside TAD bond was also used to refinance earlier debt.
[2] See Table 5 and accompanying explanatory notes for definitions of affordable housing.

revenues for these same jurisdictions over the same time period absent the TADs. The common perception that TADs cause taxing jurisdictions to "lose" or "give up" revenue is inaccurate in these cases. In fact, they are actually generating much more local tax revenue than would have been raised by doing nothing.

A number of TADs have not yet made significant progress toward implementation. In most of those cases, the lack of progress can be attributed to delays in securing intergovernmental consent, the loss of an initial developer, or an inability to recruit developers. In districts where implementation has been delayed, annual digest growth has averaged below 5%, and in most cases, the growth rate within the district has been slower than in the rest of the taxing jurisdiction. For example, the Smyrna TAD, located in the heart of Smyrna's rapidly revitalizing Atlanta Road corridor, increased in value by only 1.8% annually since 2003, while the city's digest has been growing at a pace of 8.4% per year. These trends suggest that the initial fiscal and economic justifications for forming that TAD were probably accurate and that digest growth within and surrounding that TAD could have been higher had the redevelopment plan been implemented. Regardless of whether TAD financing is used for public infrastructure or to provide direct financial incentives for redevelopment projects, successful implementation requires the participation of one or more developers who are willing to undertake the initial catalyst projects to stimulate reinvestment and digest growth.

For larger school districts, particularly county-wide districts, the financial impact of school district consent to individual TADs and individual redevelopment projects is relatively small in the context of their overall budgets. Over time, school districts could be impacted by the cumulative effects of consenting to multiple TADs and multiple bond issues. In most cases, however, it will take many years, multiple large-scale redevelopment projects, and multiple bond issues to divert even one or two percent of future school district taxes into TAD special funds. For example, the Atlanta Public Schools' estimated total share of tax increment contributed to TADs represents about 4 percent of current local school tax collections. This 4 percent contribution results from placing more than 9.9% of the city's tax base in TADs, the issuance of more than $400 million in TAD bonds and the inducement of more than $3 billion in investment since 1998. At the same time, the Atlanta Public Schools has received offsetting tax revenue from more than $8 billion in city-wide digest growth that has occurred outside of TADs over the same period. By comparison, the Fulton and Cobb County school districts currently have less than two tenths of one percent of their respective tax digests inside TADs. In the foreseeable future, it is unlikely that either of these districts will be asked to consent to the number of TADs or quantity of bond issues needed to create a measurable impact on their budgets.

In order to mitigate risk, the common practice among Georgia communities that have issued TAD bonds is to disburse bond proceeds as redevelopment projects are completed, when the resulting tax increment exists to repay debt service. In Atlanta and Marietta, TAD payments to developers are handled as reimbursements, distributed in installments as projects are completed. Where developers have requested up-front TAD payments for infrastructure costs, such as in East Point and Acworth, the developer assumed responsibility for securing financing and finding lenders who were willing to accept the added risk. As of March 2007, the Atlanta Development Authority retained a $120 million balance in the city's various TAD special funds. The bulk of this unspent balance is being held in accordance with the terms of development agreements that will reimburse developers in phases as value is created.

To date, most Georgia communities have used TADs to address individual projects or needs rather than as tool to help implement comprehensive, community or area-wide economic development strategies. In 24 of 27 cases to date, counties have been in the role of reacting to requests for consent to TADs sponsored by municipalities. Counties in particular have not evaluated the potential for TADs to address broader economic development issues outlined in their comprehensive plans, or to help finance the implementation of integrated redevelopment strategies. Lack of county experience in using TADs and implementing their own redevelopment projects may partly explain the intergovernmental friction that has occurred in some cases. Communities like Atlanta and Marietta have formed multiple TADs which, collectively, are intended to accomplish broader economic development objectives or implement recommendations contained in Livable Centers Initiative studies or other redevelopment plans.

In considering the full impacts of TADs, cities, counties and school districts need to evaluate the cost of doing nothing. Policy discussions surrounding TADs have focused almost exclusively on future changes in revenues rather than on the costs of doing nothing. While much focus has been placed on the costs and potential risk of issuing TAD bonds, few communities have attempted to quantify the fiscal impacts of existing conditions on their local budgets. Better analysis tools are needed, particularly for school districts, to quantify the effects of development patterns on public education costs and school performance. In some cases, TAD-financed redevelopment may reduce costs and so offset the tax revenue that will be deferred. In addition, service cost reductions are often immediate, while revenue growth may require several years to materialize.

Cities, counties and school districts with redevelopment issues would benefit from undertaking an analysis of their overall redevelopment needs and priorities PRIOR TO forming positions on individual TAD proposals. Such a review would enable counties and school districts to thoughtfully consider their redevelopment challenges and needs, establish priorities for investment and growth, estimate how much of their tax digests they can afford to place inside TADs, quantify the total bond risk they would be willing to accept, and set a percentage of future tax increment they would agree to contribute to TADs. Agreement on these policy parameters first would establish a conceptual budget for redevelopment. It would also encourage municipalities to set priorities for allocating limited resources within their jurisdictions.

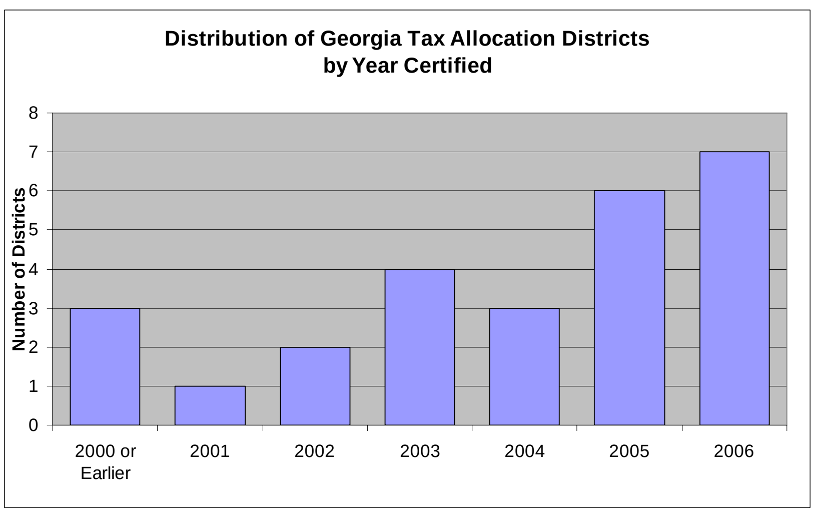
In summary, based on the history of those TADs in which projects have been implemented, TADs appear to be working well as a public financing mechanism in Georgia. Since 1999 there have been nearly $445 million in bonds issued. There have been no defaults, and older districts are already reporting surpluses in their bond funds. Therefore, the TAD mechanism and related public finance processes that have been put in place appear to be working during this critical start-up period. These early successes are based in part on the long history and lessons learned from implementation of tax increment financing nationwide. They also reflect protections placed in the Redevelopment Powers Law and the relatively favorable real estate market conditions that existed throughout most of the past decade. Although the early evidence is encouraging, the obvious caveat to this report is that TADs are still new and have a limited track record. In particular, TADs remain largely untested in lower cost and slower growing areas of the state. In the near term, real estate market conditions in the metro Atlanta area and turmoil in financial markets are likely to make TAD financing more difficult to obtain and projects more challenging to implement. Therefore, while TADs have been proven catalysts in revitalizing several urban and suburban locations in Georgia, local governments must continue to adopt realistic and prudent policies when considering TADs in the future.

INTRODUCTION

In 2003 the Georgia Legislature enacted significant changes to the state's Redevelopment Powers Law. Those changes effectively enabled broader use of tax increment financing (TIF) by local governments to address redevelopment issues. In Georgia, the term "TAD financing" has become the more commonly used term to describe this form of redevelopment incentive. That's because the Redevelopment Powers Law confines the use of TIF to projects that are located inside tax allocation districts, or TADs. Because the term "TAD financing" is more widely recognized in Georgia, it will be used throughout the balance of this report.

Prior to 2000, TAD financing had only been used in Georgia by the City of Atlanta. In 1998, Atlanta used TAD financing to spur redevelopment in the Westside Redevelopment Area surrounding Centennial Olympic Park. It used TAD financing again in 1999 to support the redevelopment of the former Atlantic Steel site, now known as Atlantic Station. In 2002, the City of East Point became only the second Georgia municipality to use TAD financing when it issued bonds to finance infrastructure improvements supporting construction of the Camp Creek Marketplace, located at the intersection of Camp Creek Parkway and I-285. The City of Macon went through the process of creating a downtown redevelopment area and TAD in 2001 but never financed a project. Although Atlanta later qualified two additional redevelopment areas in 2002, only six redevelopment areas and three municipalities in the entire State of Georgia were "certified" to use this form of financing prior to 2003.

Figure 1: Distribution of Georgia TADs by Year Certified



The 2003 amendments clarified the process local governments must follow to make the case for using redevelopment powers and obtaining consent from local taxing jurisdictions to use TAD financing. Communities were given criteria and procedures with which to establish geographic areas within their jurisdictions where such financing could be applied. These designated redevelopment areas were called tax allocation districts. Following passage of the 2003 amendments, more Georgia communities have either opted to use or are now investigating the use of TADs to support redevelopment initiatives. According to Georgia Department of Revenue (DOR) records, the number of TADs that have been certified has grown from only 6 in 2002 to 26 today.[3] One additional district in

[3] The Redevelopment Powers Law requires the Georgia Commissioner of Revenue to certify the tax parcels and digest values within a proposed TAD for the tax year in which the district is formed, in order to establish the "base year" value for calculating future tax increment. TIF can only be issued in Georgia for projects located within certified TADs.

the City of Avondale Estates has been approved locally and is pending DOR certification, raising the number of new TADs that have been formed since 2003 to a total of 21.[4] It was also reported in the last legislative session that 31 local governments requested authorization to hold referendums seeking voter approval for TADs. This trend suggests that the number of TADs could easily double again within the next few years.

Although the number of Georgia TADs is increasing, 10 of the 27 existing and pending districts are located within the City of Atlanta alone.[5] The rest of the state's lack of experience with TADs is evidenced by the fact that only 14 governmental jurisdictions - 12 cities and two counties - have actually completed redevelopment plans and established TADs. Twelve of these 14 jurisdictions are located in the metro Atlanta area.[6] DOR records also indicate that only 11 TADs have been in existence for at least two full years (that is, were certified in 2004 or earlier).

While relatively few Georgia communities to date have successfully completed the process of certifying a TAD, the track record among those that have actually used TAD financing to pursue their redevelopment objectives is even more limited. From the formation of Atlanta's first TAD in 1998 through 2006, it appears that only nine TAD bonds were issued by four cities. The bonds were issued by Atlanta (with 6), East Point, Acworth and Marietta. The six Atlanta bonds applied to four separate TADs, with two of those TADs issuing second rounds of financing.

As more local governments opt to exercise redevelopment powers and use TAD financing, more taxing jurisdictions will also be asked to analyze and forecast the fiscal implications of consenting to such investments. While TADs can help accomplish successful development of town centers, mixed-use projects and other examples of beneficial development in blighted areas, the long-term nature of the financing commitment also raises concerns about fiscal risk.

School districts in particular face difficult decisions when asked to pledge property tax increment to support public investments for redevelopment. Because school districts typically receive half to two-thirds of all property tax collections, school district consent is absolutely critical to financing projects under the Redevelopment Powers Law. Some school officials believe that by contributing the majority share of increased tax collections within the TAD, their districts are being asked to pay the highest cost and "sacrifice" the most revenue. Understandably, these officials may also be concerned that planned residential projects within redevelopment areas could increase student populations and related school costs without generating accompanying growth in property taxes. This report examines the fiscal risk to school districts by analyzing the status of several districts that have established TADs within their jurisdictions.

[4] The Avondale Estates Downtown TAD in DeKalb County was approved locally and consented to by the County in 2005. However, the TAD was never certified due to an administrative oversight, which is in process of being corrected. This TAD is expected to receive certification retroactive to 2006 and has therefore been included in this analysis.
[5] Fulton County and the Atlanta School Board have passed legislation consenting to 6 of Atlanta's 10 TADs. The most recently certified TADs are still pending County/School Board consent.
[6] Rome and Macon are the only jurisdictions outside of the metro Atlanta area with certified TADs.

As the number of Georgia TADs increases, so, too, must the number of taxing jurisdictions that must educate themselves on the process for creating districts and using TAD financing. Recent newspaper reports and editorial positions suggest that controversy is building around redevelopment issues regionally. This debate may be due in part to the limited use of TADs in Georgia and the fact that local governments possess very little information with which to objectively evaluate TAD proposals. Lacking better information, school boards have tended to focus on "lost revenue" and to evaluate individual redevelopment projects or TAD proposals with a short-term perspective and without adequate information concerning future investment returns. Sponsoring local governments have also failed in some cases to realistically forecast the long-term fiscal risks along with the benefits of TAD-financed redevelopment, offering only un-quantified promises of "halo effects" and other generalized impacts.[7]

The last thorough analysis of tax allocation districts in Georgia was sponsored in November 2004 by Research Atlanta, Inc.[8] That research paper profiled the characteristics of the 11 existing and proposed TADs in the metro Atlanta region at the time. It described redevelopment strategies contained in the respective redevelopment plans for those districts and discussed issues surrounding the creation of each district. The authors of that report noted that the emerging interest in TADs "had not generally been accompanied by any systematic assessment or set of policies to guide their evaluation or use." Although the report provided a history and discussion of existing districts, it was written primarily as a policy analysis. The report explained how TADs work, examining their potential benefits, risks and costs. It also suggested policies to help minimize costs and risks. While comprehensive in scope, the major limitation of the study was the fact that few TADs, had a measurable track record at the time the report was written.

In light of emerging issues, the growing number of communities that may soon be considering TADs, and the fact that there has been very limited analysis of the financial performance of existing TADs to date, the Livable Communities Coalition (LCC) decided in early 2007 to revisit this issue and to sponsor a research effort to assist local governments in evaluating TADs as a redevelopment tool. The LCC's objectives for this study effort were threefold:

- To objectively analyze the promises versus actual performance of TADs within Georgia, particularly those which have an established history and measurable track record;
- To communicate best practices and lessons learned from those cases; and
- To provide an analysis framework and more comprehensive perspective for local officials in communities that will need to evaluate TAD proposals.

[7] Halo effect is the term often used to describe the effects of redevelopment projects on surrounding property values. While the taxing jurisdictions may forfeit future tax increment that is used to finance redevelopment, proponents of TADs argue that those expenses are offset by the halo effect of increasing values among other nearby properties.

[8] Bourdeaux, Carolyn and Matthews, John. November, 2004. Georgia's Redevelopment Powers Law: A Policy Guide to the Evaluation and Use of Tax Allocation Districts: Research Atlanta, Inc., Georgia State University, Andrew Young School of Policy Studies.

The LCC retained Bleakly Advisory Group (BAG) to conduct the study. BAG was supported by Dr. David L. Sjoquist, professor of economics at Georgia State University and director of the Fiscal Research Center at the Andrew Young School of Policy Studies. Dr. Sjoquist assisted in developing the research methodology and reviewed the report's findings. Source data for the analysis came directly from locally adopted redevelopment plans, local governmental financial reports and other public records, supplemented by interviews with local officials and other sources.

This report is organized around the LCC's objectives and contains three major sections. Section II follows the introduction and presents comparative information for all existing tax allocation districts in Georgia as of March 1, 2007. Section II provides a comparative overview of all existing TADs but focuses on those which have existed long enough to draw meaningful observations. Because 10 of the state's 27 TADs are located in Atlanta, the section separates Atlanta's districts and those located throughout the balance of the state.

Section III focuses on four Georgia school districts with established TADs in order to gain specific insights into the current and potential future fiscal impacts of TAD-financed redevelopment on the budgets of those districts. The school districts selected for analysis were Atlanta Public Schools, Cobb County, Fulton County and Marietta. Section IV concludes with findings and observations from the research, with a focus on best practices and lessons learned.

SECTION II: CHARACTERISTICS OF EXISTING TAX ALLOCATION DISTRICTS IN GEORGIA

INTRODUCTION

The following section presents comparative information on all tax allocation districts in Georgia that had either received or requested certification from the Commissioner of Revenue prior to March 1, 2007. As noted in the introduction, BAG reviewed DOR files to identify existing TADs and to obtain information concerning certification dates and the base values associated with those districts. BAG then contacted local redevelopment agencies to obtain copies of the redevelopment plans and to discuss the current status of redevelopment efforts. Where TAD bonds had been issued, BAG reviewed bond prospectus documents and local governmental financial reports to determine the financing terms, debt service obligations and status of funds established to repay the bonds. BAG also obtained from county tax assessors the estimated 2006 or current tax digest values within the TADs, and it compared the growth rate in TAD digests to overall digest growth in the same communities. The findings of this research provide the most accurate current accounting available concerning the overall progress achieved by communities in meeting the objectives outlined in their redevelopment plans.

Because 8 of 27 TADs identified for this report were certified in December 2006, there has obviously been no measurable change to date in valuations within those districts. The new districts are not discussed in as much detail as those TADs that have been in existence for more than a year. In comparing the respective districts, it also became evident that the 10 Atlanta TADs were significantly larger than those in suburban areas based on overall land area, number of parcels and total digest value. Five of Atlanta's TADs had also been in existence for a significant period of time, and the Atlanta Development Authority (ADA) had consistently tracked the progress of redevelopment within those districts. Due to the unique characteristics and well-documented history of Atlanta's TADs, the authors have profiled Atlanta separately from the balance of the state.

This section discusses and compares the physical characteristics of each TAD, the proposed redevelopment investments for each district, the expected public cost to achieve those results, and the progress made to date in achieving the increment growth envisioned in the redevelopment plans. A separate look at those districts that have issued TAD bonds then follows.

CHARACTERISTICS OF ATLANTA'S TAX ALLOCATION DISTRICTS

As noted in the introduction, the City of Atlanta's experience with tax increment financing dates back to the redefinition and creation of the Westside Redevelopment Area and TAD in 1998.[9] This initial redevelopment plan was closely followed by the Atlantic Steel TAD in 1999. The city certified two additional districts in the Perry/Bolton and Princeton Lakes areas in 2002, followed by the Eastside Redevelopment Area and TAD in 2003. The massive

[9] The Westside TAD was a redefinition of the Techwood Park Urban Redevelopment Area that was originally established in 1992. Initial redevelopment plans for Techwood Park were changed following the decision to develop Centennial Olympic Park in connection with the 1996 Olympics. The creation of tax exempt property within the boundaries of the original redevelopment area caused the district to be redrawn and re-certified in 1998.

Atlanta BeltLine TAD was certified in 2005, and four additional districts were created in late 2006. The city's four newest TADs are located in the Campbellton Road area, including Fort McPherson;, along Hollowell Parkway/Martin Luther King Drive; in the Metropolitan Parkway area; and in the vicinity of Turner Field, known as the Stadium Area TAD.[10] In total, Atlanta's 10 TADs encompassed more than 15,400 acres, 15,000 tax parcels and nearly $1.4 billion in digest (40%) value when certified. Summary information concerning the certification dates, parcels, acreage and base value of each district appears in Table 1. Acreage totals were provided by the Atlanta Development Authority, while certification and base value data were obtained directly from DOR files.[11]

TABLE 1
CITY OF ATLANTA TAX ALLOCATION DISTRICTS

TAD Description/Official Title	TAD Certified Base Year	TAD History (Years)	District Characteristics: Number Parcels	Approx Total Acreage	TAD Certified Base Digest (40%) Value	Average Base Digest Value/Acre
Atlanta Tax Allocation Districts						
Westside Redevelopment Area and Tax Allocation District	1998	8	3,298	1,386	$ 270,693,404	$ 195,305
Atlantic Steel TAD (Atlantic Station)	1999	7	9	160	$ 7,173,240	$ 44,833
Northwest Atlanta Redevelopment Area and TAD-Perry/Bolton	2002	4	2,180	2,273	$ 66,022,880	$ 29,047
Princeton lakes Redevelopment Area and Tax Allocation District #4	2002	4	11	476	$ 826,760	$ 1,737
Eastside Redevelopment Area and Tax Allocation District #5	2003	3	2,383	890	$ 299,727,400	$ 336,772
Tax Allocation District # 6- BeltLine TAD	2005	1	4,542	6,545	$ 546,360,280	$ 83,478
Tax Allocation District # 7-Cambellton Road TAD	2006	0	902	1,433	$ 113,914,780	$ 79,494
Tax Allocation District # 8-Hollowell/M.L. King TAD	2006	0	521	886	$ 30,814,600	$ 34,779
Tax Allocation District #9-Metropolitan Parkway	2006	0	458	1,023	$ 42,190,240	$ 41,242
Tax Allocation District #10-Stadium Neighborhoods	2006	0	758	372	$ 28,514,200	$ 76,651
Total	**10**		**15,062**	**15,444**	**$ 1,406,237,784**	**$ 91,054**
Average			**1,506**	**1,544**	**$ 140,623,778**	**$ 92,334**
Median			**830**	**957**	**$ 54,106,560**	**$ 60,742**

Sources: Georgia Department of Revenue and the Atlanta Development Authority

TADs within the City of Atlanta tend to be larger than those in other communities, whether measured in numbers of land parcels, total acreage, or base value. Atlanta's TADs average more than 1,500 parcels and 1,540 acres per district. This average is skewed by the BeltLine TAD, which contains more than 4,500 parcels and 6,500 acres, but the median size for all 10 districts in Atlanta is nearly 960 acres. The 10 Atlanta TADs contain an average of more than $140.6 million in certified base digest value. This average is skewed upward by the very large BeltLine, Eastside and Westside TADs, which collectively account for more than $1.1 billion in base value. As shown in Table 1, base values within the city's remaining redevelopment areas are modest by comparison. The average base value of all Atlanta TADs is less than $92,000 per acre, with half of the districts valued well below $50,000 per acre.

As part of this analysis, BAG reviewed the adopted redevelopment plans for each TAD in order to determine the amount of private investment that was projected for the respective

[10] As of March 2007, Fulton County and the Atlanta Public Schools had not yet consented to these four newest TADs.
[11] The ADA is currently working with the Fulton County Assessor's Office to correct and recertify the base values of the City's four new TADs created in 2006. Numbers reported in this section may change slightly when that process is completed.

districts, the resulting value of tax increment (net increase in tax digest) that was expected from these projects on completion, and the anticipated amount of TAD-financed public spending forecast in order to achieve the expected redevelopment. Although the projections contained in the redevelopment plans were simply estimates at the time, the plans do illustrate the city's redevelopment objectives and establish a benchmark for measuring actual performance.

TABLE 2
PROJECTED REDEVELOPMENT WITHIN ATLANTA'S TAX ALLOCATION DISTRICTS

TAD Description/Official Title	Redevelopment Plan Projections: Market Value Taxable Direct Investment	Total Net Tax Increment Gained At Build Out	Estimated TAD Financed Public Costs	Estimated Investment/ TAD$
Atlanta Tax Allocation Districts				
Westside Redevelopment Area and Tax Allocation District [1]	$ 500,000,000	$ 183,250,000	$ 97,560,000	$ 5.13
Atlantic Steel TAD (Atlantic Station)	$ 1,497,125,000	$ 591,383,860	$ 170,000,000	$ 8.81
Northwest Atlanta Redevelopment Area and TAD-Perry/Bolton	$ 340,000,000	$ 120,000,000	$ 22,300,000	$ 15.25
Princeton lakes Redevelopment Area and Tax Allocation District #4	$ 366,000,000	$ 131,115,000	$ 26,000,000	$ 14.08
Eastside Redevelopment Area and Tax Allocation District #5	$ 1,190,873,000	$ 328,326,900	$ 91,000,000	$ 13.09
Tax Allocation District # 6- BeltLine TAD	$ 6,005,288,000	$ 1,873,917,395	$ 1,709,132,556	$ 3.51
Tax Allocation District # 7-Cambellton Road TAD	$ 1,874,075,000	$ 559,965,220	$ 224,000,000	$ 8.37
Tax Allocation District # 8-Hollowell/M.L. King TAD	$ 559,638,000	$ 310,491,950	$ 101,865,994	$ 5.49
Tax Allocation District #9-Metropolitan Parkway	$ 380,782,000	$ 285,051,096	$ 85,249,153	$ 4.47
Tax Allocation District #10-Stadium Neighborhoods	$ 1,218,725,000	$ 477,111,800	$ 157,000,000	$ 7.76
Total	**$ 13,932,506,000**	**$ 4,860,613,221**	**$ 2,684,107,703**	**$ 5.19**
Average	**$ 1,393,250,600**	**$ 486,061,322**	**$ 268,410,770**	**$ 5.19**
Median	**$ 875,255,500**	**$ 319,409,425**	**$ 99,712,997**	**$ 8.78**

NOTE:
[1] Public costs for the Westside TAD represent previously issued bonds. In all other cases, estimated public costs are from the respective development plans.

Source: Atlanta Development Authority, from adopted redevelopment plans.

Data from the adopted redevelopment plans are summarized in Table 2. The table shows that Atlanta's 10 redevelopment areas were initially projected to generate more than $13.9 billion in direct private investment. The total projected net gain in the city's tax digest at the conclusion of redevelopment - the amount over and above the $1.4 billion certified base value - was initially estimated at $4.86 billion.[12] This projection represents an approximate 350% increase over the combined base values of the districts when they were certified.

In the larger districts that include multiple redevelopment sites and projects, the redevelopment plans did not specify the expected timing of investments, nor did they attempt to forecast all investments that could potentially occur over the life of the districts. In general, the plans targeted specific areas or sites where redevelopment projects were desired or likely to occur within a reasonable 5-year to 10-year period. Several plans, including Atlantic Steel and Princeton Lakes, addressed specific redevelopment projects that were already in the permitting process or under consideration at the time the plans

[12] Some of Atlanta's redevelopment plans have specified termination dates for their respective TADs, while others do not. The time required for the estimated $4.86 billion digest growth within Atlanta's TADs varies by district but is generally projected over 20 to 30 years.

were prepared. In most cases, the redevelopment plans imply but do not specify that projected investments and resulting digest growth are measured in constant (inflation-adjusted) rather than current (including inflation) dollars.

According to the redevelopment plans, the estimated public cost to achieve expected levels of investment totaled slightly more than $2.68 billion. These estimates translated to an average direct private investment of $5.19 per dollar of public investment. As shown in the table, the dominant share of projected private investment and TAD-funded public cost is associated with the BeltLine TAD, which is expected to require more than $1.7 billion in public improvements to generate $6.0 billion in private investments. The remaining redevelopment plans expected significantly higher returns of private investment per public dollar, ranging upward to a maximum of more than $15 in the Perry/Bolton TAD.

TABLE 3
ESTIMATED INVESTMENT AND TAX DIGEST GENERATED WITHIN ATLANTA'S TAX ALLOCATION DISTRICTS

TAD Description/Official Title	Total Private Investment Completed or U/C in 2006	Estimated Net Increment Increase to 2006 (40% Value)	% of Projected Redevelopment Plan Increment Attained	Annual Tax Base Change [1] (CAGR) Since Certification: Within TAD	Annual Tax Base Change [1] (CAGR) Since Certification: Taxing Jurisdiction
Atlanta Tax Allocation Districts					
Westside Redevelopment Area and Tax Allocation District	$ 536,308,044	$ 248,493,226	135.6%	8.5%	7.3%
Atlantic Steel TAD (Atlantic Station)	$ 1,603,297,753	$ 235,366,120	39.8%	65.4%	8.2%
Northwest Atlanta Redevelopment Area and TAD-Perry/Bolton	$ 418,695,098	$ 76,346,490	63.6%	21.2%	6.3%
Princeton lakes Redevelopment Area and Tax Allocation District #4	$ 163,759,336	$ 33,007,600	25.2%	152.9%	6.3%
Eastside Redevelopment Area and Tax Allocation District #5	$ 426,249,520	$ 108,774,710	33.1%	10.9%	6.3%
Tax Allocation District # 6- BeltLine TAD	NA	$ 76,739,230	4.1%	14.0%	9.9%
Tax Allocation District # 7-Cambellton Road TAD	NA	NA	NA	NA	NA
Tax Allocation District # 8-Hollowell/M.L. King TAD	NA	NA	NA	NA	NA
Tax Allocation District #9-Metropolitan Parkway	NA	NA	NA	NA	NA
Tax Allocation District #10-Stadium Neighborhoods	NA	NA	NA	NA	NA
Total	**$ 3,148,309,751**	**$ 778,727,376**	**16.0%**		
Average	**$ 629,661,950**	**$ 129,787,896**			
Median	**$ 426,249,520**	**$ 92,756,970**			

NOTE:
[1] Indicates the average annual percentage increase (compounded) in total tax digest within each TAD from certification through 2006, compared to the annual percentage growth in city-wide digest over the same period.

Source: Atlanta Development Authority and Fulton County Tax Assessment records.

Table 3 measures the actual redevelopment investment and resulting increase in tax digest that has occurred within each Atlanta TAD certified prior to 2006. Actual tax increments created within Atlanta's TADs as of the 2006 tax year totaled $778.7 million. This total represents a 66% increase over the certified base value of the five TADs that were certified prior to 2006. As shown, the average growth in the digest value of Atlanta's TADs has ranged from a low of 8.5% per year in Westside to a high of nearly 153% per year at Princeton Lakes. In all cases, the rate of digest growth within the TADs since certification has exceeded city-wide digest growth over the same period. It is also interesting to note that the BeltLine TAD, which was certified in 2005, experienced a $76.7 million (14.0%) increase in value in the first year following certification despite having no bonds issued or projects approved. At least a portion of that growth may be attributed to investor expectations that the BeltLine will soon experience redevelopment activity and increased values comparable to those in the city's other TADs. Recent information provided by the

ADA concerning the city's 2007 digest indicates that the combined TADs added another $686 million in assessed value in 2007.

One of the questions often raised in discussing the tax base implications of TADs is how changes in property values within TADs compare before and after their formation. With more than 15,000 properties located inside Atlanta's TADs, it would be very difficult and time consuming to conduct an analysis using historical assessment data for every individual tax parcel. The redevelopment plans for each TAD make the case that property values were stagnant at the time but were unable to document actual trends due to limitations of the assessment data. Therefore, an alternative methodology is needed to approximate historical changes in property values within TADs *before* certification.

If one makes the assumption that pre-TAD property values within redevelopment areas appreciated at the same rate as the taxing jurisdiction on a per acre basis, it is possible to make a before-and-after comparison of digest growth within TADs, using historical data from consolidated summaries of the tax digests for the host communities. The Georgia Department of Revenue (DOR) maintains this historical information for every county and taxing jurisdiction dating back to 1994. Using this assumption to approximate pre-TAD digest growth, an observable change in the rate of growth after certification could provide a good indicator of the TAD's impact on property values. This method would also produce a conservative estimate of change because the pre-TAD baseline is likely to be overstated.

Table 4 compares the average tax digest value per acre for the six Atlanta TADs certified in 2005 or earlier to the average city-wide digest value per acre during the year of certification. As shown, with the exception of the Eastside TAD, which was comparable to the city average, all of the remaining TADs contained per acre digest values that were substantially below the city average at the time they were certified. Based on these comparatively lower values, it is reasonable to conclude that the TADs were under-valued and under-performing when the redevelopment plans were prepared.

TABLE 4
COMPARISON OF ESTIMATED CHANGE IN DIGEST BEFORE AND AFTER CERTIFICATION
ATLANTA'S TAX ALLOCATION DISTRICTS

	Average Digest/Acre When Certified			Indicated [2]	Indicated Ann. Chg. in TAD Digest/AC		
TAD Description/Official Title	TAD Certified Base	City Taxing Jurisdiction	Ratio TAD Value/AC to City-Wide Digest[1]	Annual TAD Digest Growth Before Certification	Estimated[3] Ann. Change /Acre Before Certification	Actual [4] Change/AC Following Certification	Percent Difference
Atlanta Tax Allocation Districts							
Westside Redevelopment Area and Tax Allocation District	$ 195,305	$ 233,768	83.5%	6.9%	$ 12,518	$ 22,411	79.0%
Atlantic Steel TAD (Atlantic Station)	$ 44,833	$ 236,402	19.0%	6.9%	$ 2,873	$ 210,148	7213.5%
Northwest Atlanta Redevelopment Area and TAD-Perry/Bolton	$ 29,047	$ 321,251	9.0%	10.8%	$ 2,802	$ 8,397	199.7%
Princeton lakes Redevelopment Area and TAD #4	$ 1,737	$ 321,251	0.5%	10.8%	$ 168	$ 17,336	10246.5%
Eastside Redevelopment Area and Tax Allocation District #5	$ 336,772	$ 336,888	100.0%	9.7%	$ 29,502	$ 40,740	38.1%
Tax Allocation District # 6- BeltLine TAD	$ 83,478	$ 382,175	21.8%	6.0%	$ 4,975	$ 11,725	135.7%

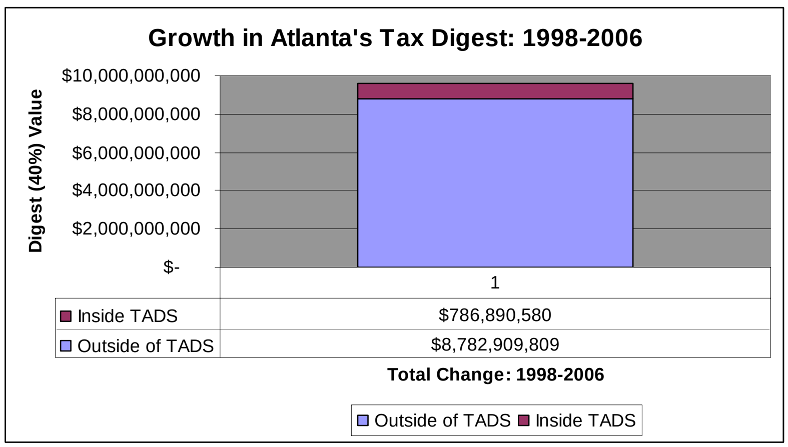
NOTES:
[1] Comparison of the average per acre digest value within each TAD when certified compared to the overall per acre value for the city of Atlanta in the same year.
[2] Annual rate of increase in City-wide digest during the three years immediately prior to certifying the TAD.
[3] Imputed annual per acre digest growth within the TAD during the three years prior to certification, assuming values within the TAD appreciated at the same rate as the City.

[4] Actual annual change in digest value per acre within the TAD through 2006.
Sources: ADA and Georgia Department of Revenue, Tax Digest Consolidated Summary Reports.

Using data from the DOR Consolidated Digest Summaries, BAG calculated the average annual increase in city digest (per acre) during the three years immediately prior to the formation of each TAD. BAG then applied these growth percentages to calculate how much values within the TADs would have increased annually per acre prior to certification. From these calculations, it can be reasonably estimated that prior to certification, digest values within these TADs saw growth ranging from a low of $168 per acre per year in the Princeton Lakes TAD to a high of $29,500 per acre per year in the Eastside TAD. Values were similarly appreciating at an annual rate of approximately $12,500 per acre in Westside and below $5,000 per acre annually in the remaining districts.

Annual digest growth within the TADs since certification is tracked by the Fulton County assessor. Within these 6 TADs, the rate of digest growth has ranged from a low of $8,400 per acre in Perry/Bolton to a high of more than $210,000 per acre in the Atlantic Steel TAD. In every case shown in Table 4, digest growth within the TADs following certification, exceeded estimated pre-certification growth rates. The percentage increase in digest growth following certification ranged from a low of 38% in Eastside to highs of roughly 7,200% in Atlantic Station and more than 10,000% in Princeton Lakes.

Figure 2: Atlanta Digest Growth Within and Outside Tax Allocation Districts



While the level of redevelopment and tax base expansion within Atlanta TADs has been substantial, this increase is just a fraction of the city's total digest growth. Figure 2 illustrates that roughly 8.2% of Atlanta's total digest growth from 1998 through 2006 occurred within tax allocation districts following their certification. The value of the city's digest located outside TADs grew by nearly $8.8 billion, a rate of 6.9% per year, compounded, over the same period. It is difficult to determine what city-wide digest growth would have been over this period had the city not chosen to invest in redevelopment. However, it is virtually certain that the $786 million in digest growth within TADs would have been substantially lower had the city taken no action and offered no incentives to encourage redevelopment in those economically challenged areas. Had it not been for the economic stimulus of Atlantic Station and other TAD-assisted redevelopment projects, it is likely that Atlanta's total digest growth would have been lower than the $8.8 billion that has occurred outside TADs over the past 8 years.

The Atlanta Development Authority has consistently tracked projects inside TADs and has quantified the total private investment, number of housing units, amount of commercial development, and population and job growth associated with this development. This information is summarized in Table 5 for five of the city's older TADs. In total, the ADA attributes more than $2.7 billion in direct private investment to redevelopment efforts within the four Atlanta TADs where bonds have been issued and specific redevelopment projects have been supported with TAD financing. This estimated investment includes only the value of projects - completed, under construction or announced - which have been pledged as sources of tax increment to repay TAD bonds. In addition, another $418 million in private investment has been identified within the Perry/Bolton TAD, which could be pledged as increment on a pending bond issue. This estimate is based on applications for TAD financing that had been filed but not yet approved by the ADA at the time this report was prepared. If the additional projects in Perry/Bolton are financed and completed, total investment within the five districts shown in the table would approach $3.15 billion.

TABLE 5

INVESTMENT IMPACTS & PUBLIC COSTS OF ATLANTA TAX ALLOCATION DISTRICTS

Indicators	Eastside	Westside	Atlantic Station	Perry-Bolton[2]	Princeton Lakes	TOTALS
Population/Employment Impacts						
Permanent Jobs	1,192	1,038	3,118	433	1,103	6,884
Resident Population	4,683	501	8,584	8,053	4,985	26,806
Commercial Development Totals						
Retail SF	142,577	300,074	1,327,000	192,406	460,767	2,422,824
Office SF	265,787	600,970	1,018,787	17,200	92,000	1,994,744
Hotel Rooms	102	479	101	-	-	682
Housing Impacts						
Total Housing Units	1,918	1,043	3,579	2,112	1,503	10,155
Affordable Units [1]	727	304	828	671	-	2,530
Percent Affordable	37.9%	29.1%	23.1%	31.8%	0.0%	24.9%
Total Private Investment [1]	**$ 426,249,520**	**$ 536,308,044**	**$ 1,603,297,753**	**$ 418,695,098**	**$ 163,759,336**	**$ 3,148,309,751**
Public Financing Costs						
Last Bond Issue	$ 47,480,000	$ 82,565,000	$ 166,515,000	$ -	$ 21,000,000	$ 317,560,000
Prior Bond Issues	$ -	$ 14,995,000	$ 76,505,000	$ -	$ -	$ 91,500,000
Total TAD Bonds Issued:	**$ 47,480,000**	**$ 97,560,000**	**$ 243,020,000**	**$ -**	**$ 21,000,000**	**$ 409,060,000**
Capital Contributions to Local Gov't Services						
Payments to Atlanta Public Schools	$ 1,944,498	$ 7,000,000	$ 3,750,000	$ -	$ -	$ 12,694,498
Fire	$ -	$ -	$ 4,400,000	$ 2,600,000	$ -	$ 7,000,000
Police	$ -	$ -	$ -	$ 330,000	$ -	$ 330,000
Total Capital Payments:	**$ 1,944,498**	**$ 7,000,000**	**$ 8,150,000**	**$ 2,930,000**	**$ -**	**$ 20,024,498**

NOTES:

[1] Recipients of TAD financing in districts other than Princeton Lakes have committed, in some cases contractually and in other cases voluntarily, to set aside and price 20% of for-sale units to be "affordable" to individuals and families earning 80% of the area median income (AMI). Rental housing developments in the Eastside and Perry/Bolton TADs also set aside 20% of rental units to be affordable to households earning 60% of the AMI. For both for sale and rental projects receiving Low Income Housing Tax Credits or tax-exempt bond financing, the affordable definition applies to 60% of AMI. Affordable housing policies and requirements vary by TAD. Fact sheets describing each program are available on the ADA web site.

[2] Investment totals for the Perry/Bolton TAD are estimates based on applications for TAD financing that have been filed but are not yet approved.

Source: Atlanta Development Authority records.

Including the Perry/Bolton data, the $3.15 billion in TAD-supported investment that is already generated or pending is expected to result in the construction of 4.4 million square feet of commercial and office space and nearly 700 hotel rooms that will produce 6,900 permanent jobs. More than 10,100 housing units have also been completed or are in the development pipeline, including roughly 2,500 for-sale and rental units that have been classified by the ADA as "affordable."[13] In total, these units are expected to house nearly 27,000 city residents. Negotiated development agreements within the districts will also fund $20 million in future capital improvements for schools, fire and police. Three of the TADs will also generate funds to acquire and preserve open space.

In reviewing the redevelopment plans, BAG noted that the total value of development projections contained in the Westside, Atlantic Steel and Perry/Bolton Redevelopment Plans has already been exceeded by projects already completed, under construction or planned within the respective districts. A substantial percentage of this investment is under construction within the Atlantic Station, Westside and Eastside TADs and has not yet been fully assessed and counted as increment.

[13] See the first explanatory note under Table 5 for the definition of affordable housing.

TABLE 6
REPORTED FINANCIAL STATUS OF ATLANTA TAD SPECIAL FUNDS (AS OF MARCH 31, 2007)

Sources/Uses Summary	Tax Allocation District Special Fund Account Westside	Atlantic Station	Eastside	Princeton Lakes	Perry/Bolton	TOTALS
Funds Sources						
Tax Increments	$ 25,980,986	$ 29,642,484	$ 7,285,664	$ 663,097	$ 4,141,080	$ 67,713,311
Bond Proceeds	$ 91,290,000	$ 243,020,000	$ 47,480,000	$ 21,000,000		$ 402,790,000
Interest Income	$ 4,209,982	$ 3,942,489	$ 2,737,258	$ 850,055	$ 164,757	$ 11,904,541
Developer Fees, Reimbursements & Other	$ 137,757		$ 7,130			$ 144,888
Total Funds Sources:	**$ 121,618,726**	**$ 276,604,972**	**$ 57,510,053**	**$ 22,513,152**	**$ 4,305,836**	**$ 482,552,739**
Fund Uses						
Public Improvements	$ 5,139,910		$ 1,794,646	$ 620,318	$ -	$ 7,554,874
Reimbursements to City of Atlanta	$ -	$ 10,000,000	$ -	$ -	$ -	$ 10,000,000
Payments to Developers	$ 56,927,520	$ 192,252,385	$ 21,773,442	$ 5,522,090	$ -	$ 276,475,436
Debt Service Payments	$ 7,505,382	$ 39,102,411	$ 3,736,315	$ 917,583	$ -	$ 51,261,691
Administrative and Bond Issuance Costs	$ 3,734,316	$ 11,791,098	$ 1,394,685		$ 17	$ 16,920,116
Total Funds Uses:	**$ 73,307,127**	**$ 253,145,893**	**$ 28,699,088**	**$ 7,059,991**	**$ 17**	**$ 362,212,116**
Fund Balance:	**$ 48,311,599**	**$ 23,459,079**	**$ 28,810,965**	**$ 15,453,161**	**$ 4,305,819**	**$ 120,340,623**
Percent Allocation of Total Fund Sources						
Public Improvements	4.2%	0.0%	3.1%	2.8%	0.0%	1.6%
Reimbursements to City of Atlanta	0.0%	3.6%	0.0%	0.0%	0.0%	2.1%
Payments to Developers	46.8%	69.5%	37.9%	24.5%	0.0%	57.3%
Debt Service Payments	6.2%	14.1%	6.5%	4.1%	0.0%	10.6%
Administrative and Bond Issuance Costs	3.1%	4.3%	2.4%	0.0%	0.0%	3.5%
Unexpended Fund Balance	39.7%	8.5%	50.1%	68.6%	100.0%	24.9%

Source: Atlanta Development Authority records.

To date, this investment has required the issuance of $402.8 million in TAD bonds by the City of Atlanta.[14] Bonds have been issued within 4 of the 5 districts profiled above, and the financial status of the five city TADs with established special funds is summarized in Table 6. According to this information, the special funds have already collected more than $67.7 million in city, county and school tax increments since the districts were certified. Including tax increment, bond proceeds, investment income and other miscellaneous sources, the districts have collected $482.55 million in total proceeds while making $362.2 million in payments since inception. Combined, the special funds had a current balance of more than $120 million in unspent proceeds (24.9% of total collections) as of the end of March 2007. The biggest share of unspent funds is being held as future phased support payments due developments that are still under construction, with the balance set aside for capitalized interest and debt service reserves. Approximately 57% of TAD-related expenditures to date have been reimbursed to developers to offset approved project costs, including public infrastructure improvements; 10.6% has been dedicated to debt service payments; 3.7% for reimbursements and investments in public improvements; and 3.5% for administrative and bond issuance costs.

CHARACTERISTICS OF OTHER GEORGIA TAX ALLOCATION DISTRICTS

As noted in the introduction, there are 17 Georgia tax allocation districts located outside of the city of Atlanta, including 16 that have been officially certified by the Department of Revenue. These are listed in alphabetical order by location in Table 7. Most of these TADs

[14] The second Westside TAD bond issued in 2005 included approximately $6.8 million in reissued debt to pay off the balance of the prior note. Those funds were deducted to arrive at a total net amount of $402,790,000 in total bonds issued for all City TADs since 1998.

are located in suburban metro Atlanta and, for lack of a better term, are identified collectively in this report as "Suburban TADs".

TABLE 7
OTHER GEORGIA TAX ALLOCATION DISTRICTS

TAD Description/Official Title	Location	TAD Certified Base Year	TAD History (Years)	District Characteristics: Number Parcels	Approx Total Acreage	TAD Certified Base Digest (40%) Value	Average Base Digest Value/Acre
Other GeorgiaTax Allocation Districts							
Downtown Macon Redevelopment Plan and Tax Allocation District [1]	Macon	2000	5	818	NA	$ 88,810,530	NA
Tax Allocation District #1-East Point/Camp Creek & I-285	East Point	2001	5	55	516	$ 4,720,280	$ 9,152
Ellenwood Town Center Tax Allocation District #1-Ellenwood	Clayton Co.	2003	4	249	400	$ 13,853,891	$ 34,635
Marietta Tax Allocation District #1-Center City South Renaissance	Marietta	2004	3	1,083	486	$ 48,968,544	$ 100,758
Avondale Mall/Columbia Drive Tax Allocation District #2	DeKalb Co.	2004	2	98	40	$ 15,480,242	$ 387,006
City Franklin/Gateway Redevelopment Area and TAD #2 [2]	Marietta	2004	3	171	324	$ 64,649,490	$ 199,289
Lakeside Redevelopment Area and Tax Allocation District #1	Acworth	2003	3	6	40	$ 1,017,348	$ 25,434
Smyrna Tax Allocation District #1 [3]	Smyrna	2003	3	150	140	$ 29,478,740	$ 210,562
Tax Allocation Districts Number One and Two-City of Rome [4]	Rome	2005	1	228	272	$ 13,285,353	$ 48,879
Marietta Tax Allocation District #3: Center City Perimeter	Marietta	2005	2	372	215	$ 30,979,041	$ 144,089
Holly Springs New Town Center Redevelopment Plan-TAD#1	Holly Springs	2005	1	93	142	$ 4,377,120	$ 30,825
Kensington Station/Memorial Dr. Tax Allocation District #1 [5]	DeKalb Co.	2004	2	1,041	NA	$ 73,842,679	NA
Midtown Gainsville Redevelopment Area and Tax Allocation District #1	Gainsville	2006	0	528	270	$ 40,813,694	$ 151,162
Kennesaw Redevelopment Area and TAD #1-Kennesaw Due West [6]	Kennesaw	2006	0	8	34	$ 2,357,452	$ 69,337
Downtown Woodstock Redevelopment Area and TAD #1	Woodstock	2006	0	496	337	$ 34,204,600	$ 101,497
Downtown Avondale Estates Tax Allocation District #1 [7]	Avondale Estates	2006	0	143	47	$ 12,596,390	$ 265,747
Total				**5,539**	**3,263**	**$ 479,435,394**	**$ 146,915**
Average				**346**	**233**	**$ 29,964,712**	**$ 127,027**
Median				**200**	**243**	**$ 22,479,491**	**$ 101,128**
Statewide including Atlanta							
Totals				**20,601**	**18,707**	**$ 1,885,673,178**	**$ 100,799**
Average				**792**	**779**	**$ 72,525,891**	**$ 93,045**
Median				**415**	**355**	**$ 30,896,821**	**$ 78,072**

NOTES:

[1] The district was certified in 2001 but no projects have been implemented. Acreage estimates for this TAD are not available.
[2] The district has been certified but has not yet received county or school district consent.
[3] The district has been certified but has not yet received county and school district consent for all projects and all requested bond issues within the TAD.
[4] Two TADs were certified in Rome in 2005 within the same redevelopment plan. The two districts are combined in this table.
[5] District has been certified but has not yet received county or school district consent. Acreage estimates for this TAD are not available.
[6] District was certified but did not receive school district consent.
[7] District has not yet been certified by the Commissioner of Revenue.

Sources: Georgia Department of Revenue and respective local development agencies.

Three of these districts, the Ellenwood TAD in Clayton County and two TADs in DeKalb, were sponsored by county governments. The remaining 14 districts were initiated by cities. Six of the municipal TADS were created by the Cobb County communities of Acworth, Kennesaw, Marietta (with 3) and Smyrna. The City of East Point created the only active TAD in Fulton County outside Atlanta and was the second city in Georgia, following Atlanta, to issue TAD bonds.[15] Two additional TADs were formed in Cherokee County by the cities of Holly Springs and Woodstock. Avondale Estates approved a redevelopment plan in 2005 and obtained DeKalb County consent, but never formally certified the District and is in process of doing so. The City of Rome approved two TADs within the same redevelopment plan in 2005, and Gainesville in Hall County certified a TAD in the city's

[15] BAG found in DOR records that a TAD was certified in Sandy Springs in 2003 but was later dissolved when that community was incorporated as a city. The certified base value was nearly $321.3 million at that time.

Midtown area in 2006.[16] The remaining TAD was formed by the City of Macon in 2000, but has never been implemented. (The Macon TAD is included on our list, but the only information provided about the district is its initial value at certification. Local officials are considering revising that redevelopment plan and may move forward in 2007 but to date have taken no steps to set up the district or monitor its status.)

The purposes for which these communities created TADs tend to fall into three broad categories. Four districts were created for purposes of encouraging commercial development in largely undeveloped or under-developed commercial locations. Acworth's Lakeside, East Point/Camp Creek, Ellenwood, and the Kennesaw TADs are representative of redevelopment plans with this type of primary objective. Several communities such as Gainesville, Avondale Estates, Holly Springs, Macon and Woodstock created TADs to develop new town centers, redevelop downtowns, or revitalize areas. The remaining districts tend to have multiple objectives that are centered on the replacement of existing, lower valued development with new-urbanism and mixed-use projects. Marietta's three TADs, Smyrna's Atlanta Road TAD, the Kensington/Memorial Drive and Avondale Mall/Columbia Drive TADs in DeKalb County, and Rome's two TADs are examples of districts that have stated multiple objectives and seek to replace aging shopping centers, apartment complexes and free-standing commercial and residential properties with higher uses. BAG estimates that seven of these 17 TADs were created in response to specific redevelopment proposals that were initiated by the private sector. Ten of these 17 districts were undertaken at the initiative of the respective host communities in order to create incentives necessary to stimulate or attract private investment in development or redevelopment projects.

For TADs located outside Atlanta (where data are available), the average district contains 324 parcels and 233 acres, substantially smaller than the average Atlanta TAD. Nearly $480 million is included in the certified base values of the TADs located outside of Atlanta, representing an average of roughly $30 million per district. Base values when certified ranged from a low of slightly more than $1.0 million within Acworth's Lakeside TAD to a high of $88.8 million for Macon's Downtown TAD. On a per-acre basis, values ranged from less than $9,200 in the East Point/Camp Creek TAD to a high of $387,000 per acre for the Avondale Mall/Columbia Drive TAD in DeKalb County.

When combined with Atlanta, all Georgia TADs encompass more than 18,700 acres, 20,600 tax parcels and nearly $1.9 billion in base value.

BAG reviewed redevelopment plans for most of the TADs listed in Table 7 and consulted secondary sources for the remainder to determine projected direct investment, the estimated additional tax increment that would be generated by redevelopment activities, and the estimated public investment or cost required to achieve that investment. In some redevelopment plans, projected private investment was associated with actual development proposals; in other cases, projections were based on conceptual plans.

[16] The City of Rome opted in 2005 to create two separate TADs within a single redevelopment area and plan. These two districts have been combined for presentation purposes.

Of the existing TADs located outside Atlanta, BAG was able to obtain investment information for 15 redevelopment plans. This information is summarized in Table 8. These 15 plans are projecting total private investment of more than $3.7 billion, resulting in a net gain in tax digest (40% value) of $1.26 billion at build out. Projected public costs needed to achieve this value increase were estimated at $360 million, or an average of roughly $24 million per TAD. These public investments were expected to produce an average "return" of $10.32 in direct private investment per public dollar invested.

TABLE 8
PROJECTED REDEVELOPMENT WITHIN OTHER GEORGIA TAX ALLOCATION DISTRICTS

TAD Description/Official Title	Location	Redevelopment Plan Projections Market Value Taxable Direct Investment	Total Net Tax Increment Gained At Build Out	Estimated TAD Financed Public Costs	Estimated Investment/ TAD$
Other GeorgiaTax Allocation Districts					
Tax Allocation District #1-East Point/Camp Creek & I-285	East Point	$ 185,000,000	$ 92,400,000	$ 22,000,000	$ 8.41
Ellenwood Town Center Tax Allocation District #1-Ellenwood	Clayton Co.	$ 248,000,000	$ 99,200,000	$ 29,500,000	$ 8.41
Marietta Tax Allocation District #1-Center City South Renaissance	Marietta	$ 296,000,000	$ 94,700,000	$ 21,500,000	$ 13.77
Avondale Mall/Columbia Drive Tax Allocation District #2	DeKalb Co.	$ 145,950,000	$ 58,380,000	$ 20,000,000	$ 7.30
City Franklin/Gateway Redevelopment Area and TAD #2	Marietta	$ 752,182,000	$ 132,315,000	$ 35,000,000	$ 21.49
Lakeside Redevelopment Area and Tax Allocation District #1	Acworth	$ 46,200,000	$ 17,500,000	$ 6,200,000	$ 7.45
Smyrna Tax Allocation District #1	Smyrna	$ 633,352,500	$ 169,148,224	$ 90,400,000	$ 7.01
Tax Allocation Districts Number One and Two-City of Rome	Rome	$ 142,359,576	$ 56,900,000	$ 24,700,000	$ 5.76
Marietta Tax Allocation District #3: Center City Perimeter	Marietta	$ 147,700,000	$ 58,160,700	$ 11,300,000	$ 13.07
Holly Springs New Town Center Redevelopment Plan-TAD#1	Holly Springs	$ 127,452,000	$ 46,622,880	$ 4,593,520	$ 27.75
Kensington Station/Memorial Dr. Tax Allocation District #1	DeKalb Co.	$ 252,970,000	$ 101,188,000	$ 35,000,000	$ 7.23
Midtown Gainsville Redevelopment Area and Tax Allocation District #1	Gainsville	$ 330,200,000	$ 178,568,184	$ 29,000,000	$ 11.39
Kennesaw Redevelopment Area and TAD #1-Kennesaw Due West	Kennesaw	$ 70,786,395	$ 25,957,106	$ 8,500,000	$ 8.33
Downtown Woodstock Redevelopment Area and TAD #1	Woodstock	$ 275,235,000	$ 94,448,410	$ 16,750,000	$ 16.43
Downtown Avondale Estates Tax Allocation District #1	Avondale Estates	$ 55,262,750	$ 19,300,000	$ 4,800,000	$ 11.51
Total		**$ 3,708,650,221**	**$ 1,244,788,504**	**$ 359,243,520**	**$ 10.32**
Average		**$ 247,243,348**	**$ 82,985,900**	**$ 23,949,568**	**$ 10.32**
Median		**$ 185,000,000**	**$ 92,400,000**	**$ 21,500,000**	**$ 8.60**
Statewide including Atlanta					
Totals		**$ 17,641,156,221**	**$ 6,105,401,725**	**$ 3,043,351,223**	**$ 5.80**
Average		**$ 705,646,249**	**$ 244,216,069**	**$ 121,734,049**	**$ 5.80**
Median		**$ 330,200,000**	**$ 120,000,000**	**$ 29,000,000**	**$ 11.39**

Source: Local redevelopment agencies, from adopted redevelopment plans.

> When combined with Atlanta, the redevelopment plans for all Georgia TADs, collectively, forecast more than $17.6 billion in private investment and the resulting creation of $6.1 billion in net new tax digest when all planned projects are completed. The total public cost to attain this level of redevelopment is estimated in excess of $3.0 billion. This represents an average "return" of $5.80 of private investment per public dollar invested, while the median ratio of private to public investment for all districts was $11.39.

For communities outside Atlanta, the methods used to calculate public costs varied significantly. In some cases, reported TAD financing requirements were based on actual public cost estimates. In other cases, reported public investment was calculated as a "maximum supportable" number based on projected tax increment. Some redevelopment plans included appreciation of existing property values in calculating "maximum supportable" TAD financing; others did not. The estimated future private investment per dollar of TAD contribution ranged from a low of less than $6 in Rome to a high of nearly $28 in Holly Springs.

Table 9 summarizes and ranks the suburban TADs by the amount of property tax increment (40% value) generated since inception. As shown, the TADs in East Point (Camp Creek/I-285 - $36.6 million), Clayton County (Ellenwood - $25.1 million) and Marietta (City Center - $23.8 million) have each achieved increment growth in excess of $20 million since certification. Three of these districts have actually issued bonds, and the fourth (Ellenwood) is expected to issue bonds within the next year. The Avondale Mall / Columbia Drive, Marietta's Franklin/Gateway TAD, the Lakeside TAD in Acworth and the Avondale Mall TADs have generated increment growth of between $7.0 and $11.3 million, while the remaining districts have experienced only marginal change since certification.

TABLE 9
ESTIMATED TAX DIGEST GENERATED WITHIN OTHER GEORGIA TAX ALLOCATION DISTRICTS

TAD Description/Official Title	Location	Estimated Net Increment Increase to 2006 (40% Value)	% of Projected Redevelopment Plan Increment Attained	Annual Tax Base Change [1] (CAGR) Since Certification	
				Within TAD	Taxing Jurisdiction
Other GeorgiaTax Allocation Districts					
Tax Allocation District #1-East Point/Camp Creek & I-285	East Point	$ 36,560,720	39.6%	54.3%	0.9%
Ellenwood Town Center Tax Allocation District #1-Ellenwood	Clayton Co.	$ 25,149,273	25.4%	29.5%	48.6%
Marietta Tax Allocation District #1-Center City South Renaissance	Marietta	$ 23,795,798	21.8%	14.1%	3.9%
Avondale Mall/Columbia Drive Tax Allocation District #2	DeKalb Co.	$ 11,290,638	19.3%	20.0%	7.3%
City Franklin/Gateway Redevelopment Area and TAD #2	Marietta	$ 8,374,826	6.3%	4.1%	3.9%
Lakeside Redevelopment Area and Tax Allocation District #1	Acworth	$ 8,254,169	47.2%	108.9%	12.5%
Smyrna Tax Allocation District #1	Smyrna	$ 1,666,086	1.0%	1.8%	8.4%
Tax Allocation Districts Number One and Two-City of Rome	Rome	$ 704,348	1.2%	5.3%	6.3%
Marietta Tax Allocation District #3: Center City Perimeter	Marietta	$ 264,555	0.5%	0.4%	2.7%
Holly Springs New Town Center Redevelopment Plan-TAD#1	Holly Springs	$ 118,745	0.3%	2.7%	27.9%
Kensington Station/Memorial Dr. Tax Allocation District #1	DeKalb Co.	$ 7,020,641	6.9%	3.1%	7.3%
Midtown Gainsville Redevelopment Area and Tax Allocation District #1	Gainsville	NA	NA	NA	NA
Kennesaw Redevelopment Area and TAD #1-Kennesaw Due West	Kennesaw	NA	NA	NA	NA
Downtown Woodstock Redevelopment Area and TAD #1	Woodstock	NA	NA	NA	NA
Downtown Avondale Estates Tax Allocation District #1	Avondale Estates	NA	NA	NA	NA
Total		**$ 123,199,800**	**9.8%**	7.9%	
Average		**$ 11,199,982**	**9.8%**		
Median		**$ 8,254,169**	**6.9%**		
Statewide including Atlanta					
Totals		**$ 901,927,176**	**14.7%**		
Average		**$ 53,054,540**	**14.7%**	**30.4%**	**9.8%**
Median		**$ 23,795,798**	**21.8%**	**14.0%**	**6.8%**

NOTE:
[1] Indicates the average annual percentage increase (compounded) in total tax digest within each TAD from certification through 2006, compared to the annual percentage growth in city-wide digest over the same period.

Source: Local development agencies and county tax assessment records.

As table 9 shows, the TADs established outside Atlanta can be classified into those that have made progress toward implementation and those that have not. To date, five communities outside of Atlanta have actually made significant progress and/or have experienced private investment within their districts. In general, those districts that have taken steps toward implementation have outperformed their respective taxing jurisdictions in terms of the annualized percentage increase in tax base achieved since certification.

Digest within the East Point/Camp Creek TAD has grown at an impressive rate of more than 54% per year since 2002, while the city-wide digest has expanded by less than 1% annually over the same four-year period. The digest value of the Lakeside TAD in Acworth has grown at a rate of nearly 109% per year from a very small base within a city that also achieved an impressive digest growth of better than 12% per year. It's worth noting that although that project has been completed, the growth rate was based on a partial assessment of the property in late 2006. Based on assessment data that are current through early 2007, digest growth within the Avondale Mall TAD has increased at a 20% annual rate and Marietta's Center City South Renaissance TAD has increased in value by more than 14% per year. The Ellenwood TAD has also been adding digest value at a rate of more than 29% per year in rapidly growing Clayton County, which has expanded at an even faster rate.

Lack of progress among the remaining TADs can be attributed to varying causes. For example, four districts were either certified in 2006 or are still pending and have no measurable history. In addition to the districts with no history, DeKalb County has not yet obtained school district consent and has been unable to actively implement its two TADs that were established in 2005. The cities of Marietta and Smyrna have also not yet secured county and school district consent for their respective Franklin/Gateway and Atlanta Road TADs. Rome's West Third Street and Marietta's Perimeter TADs both lost their primary developers shortly after completion of the redevelopment plans. The city of Holly Springs has only recently generated developer interest in its Downtown TAD. Finally, although Macon established a TAD in 2000, the city never took steps to establish a special fund or track increment growth.

In districts where implementation has been delayed, annual digest growth has averaged below 5%. In most cases, growth within the districts has been slower than in the rest of the taxing jurisdictions. For example, annual digest growth within the Downtown Holly Springs TAD (2.7%) averaged only one-tenth the rate of City-wide increase (27.9%) from 2005 to 2006. The Smyrna TAD, located in the heart of Smyrna's rapidly revitalizing Atlanta Road corridor, increased in value by only 1.8% annually since 2003, while the City's digest has been growing at a pace of 8.4% per year. Values within the Kensington/Memorial Drive TAD have also grown at less than half the rate of DeKalb County's digest from 2004 to 2006, which averaged more than 7% per year. These trends suggest that the initial fiscal justification for forming these districts was probably valid and that those TADs that have outperformed their host communities would not have done so without public sector action in initiating and implementing redevelopment projects.

Despite the fact that only a minority of suburban TADs has actually begun implementation, the districts collectively have still achieved $123.2 million in total increment growth since certification and have expanded at a rate of 8% per year. When combined with Atlanta, all Georgia TADs have already achieved $902 million in net increment growth in only eight years, achieving a 14.7% annual rate of increase on average and outperforming the rate of digest growth in their host jurisdictions by a substantial margin.

Table 10 compares the average tax digest per acre for eight suburban TADs that were certified in 2005 or earlier to the average city-wide digest per acre for the host communities during the same year. As shown, with the exception of the Avondale

Mall/Columbia Drive TAD in DeKalb County, all of the remaining TADs contained per acre digest values that averaged 50% or less of their respective city-wide averages at the time they were certified. Based on these comparatively lower values, it is reasonable to conclude that the TADs were, like those in Atlanta, under-valued and under-performing when the redevelopment plans were prepared.

TABLE 10
COMPARISON OF ESTIMATED CHANGE IN DIGEST BEFORE AND AFTER CERTIFICATION
OTHER GEORGIA TAX ALLOCATION DISTRICTS

TAD Description/Official Title	Average Digest/Acre When Certified: TAD Certified Base	Average Digest/Acre When Certified: City Taxing Jurisdiction	Average Digest/Acre When Certified: Ratio TAD Value/AC to City-Wide Digest[1]	Indicated [2] Annual TAD Digest Growth Growth Before Certification	Indicated Ann. Chg. in TAD Digest/AC: Estimated[3] Ann. Change /Acre Before Certification	Indicated Ann. Chg. in TAD Digest/AC: Actual [4] Change/AC Following Certification	Indicated Ann. Chg. in TAD Digest/AC: Percent Difference
Atlanta Tax Allocation Districts							
Tax Allocation District #1-East Point/Camp Creek & I-285	$ 9,148	$ 161,551	5.7%	19.3%	$ 1,449	$ 14,171	877.8%
Lakeside Redevelopment Area and Tax Allocation District #1	$ 25,434	$ 245,723	10.4%	22.5%	$ 4,526	$ 68,785	1419.8%
Ellenwood Town Center Tax Allocation District #1-Ellenwood	$ 34,635	$ 163,458	21.2%	12.3%	$ 3,750	$ 20,958	458.9%
Smyrna Tax Allocation District #1	$ 210,562	$ 419,314	50.2%	12.8%	$ 23,648	$ 3,967	-83.2%
Avondale Mall/Columbia Drive Tax Allocation District #2	$ 387,006	$ 140,579	275.3%	9.0%	$ 31,693	$ 141,133	345.3%
Marietta Tax Allocation District #1-CCSR TAD	$ 100,758	$ 429,254	23.5%	4.5%	$ 4,373	$ 24,481	459.8%
Marietta Tax Allocation District #3: Center City Perimeter	$ 144,089	$ 410,055	35.1%	4.7%	$ 19,306	$ 1,230	-93.6%
Marietta Franklin/Gateway Redevelopment Area & TAD	$ 199,289	$ 429,254	46.4%	4.5%	$ 8,649	$ 12,908	49.2%

NOTES:

[1] Comparison of the average per acre digest within each TAD when certified compared to the local taxing jurisdiction in the same year.
[2] Annual rate of increase in local digest during the three years immediately prior to certifying the TAD.
[3] Imputed annual per acre digest growth within the TAD during the three years prior to certification, assuming values within the TAD appreciated at the same rate as the City.
[4] Actual annual change in digest value per acre within the TAD through 2006.

Sources: Local taxing jurisdictions and the Georgia Department of Revenue, Tax Digest Consolidated Summary Reports.

Similar to the analysis discussed in Table 4 for Atlanta, BAG calculated the average annual increase in local tax digest (per acre) during the three years immediately prior to the formation of each TAD. BAG then applied these growth percentages to calculate how much values within the TADs would have increased annually per acre, prior to certification. From these calculations, it can be reasonably estimated that prior to certification, digest values within these TADs were growing from a low of $1,449 per acre per year in the East Point/Campo Creek TAD to a high of $31,700 per acre per year in the Avondale Mall/Columbia Drive TAD. Values were appreciating at a rate of less than $5,000 per acre annually in Acworth's Lakeside TAD, the Ellenwood TAD in Clayton County and Marietta's City Center South Renaissance TAD.

Annual digest growth within the TADs since certification is tracked by the respective tax assessing departments in these jurisdictions. Within the 8 TADs, the rate of digest growth has ranged from a low of $1,200 per acre in the Marietta Perimeter TAD to a high of more than $141,000 per acre in the Avondale Mall TAD. In six of the eight cases, digest growth within the TADs following certification exceeded estimated pre-certification growth rates. In those six cases, the percentage increase in digest growth following certification ranged from a low of 49% in Marietta's Franklin/Gateway TAD to a high of 1,419% in the Lakeside/Acworth TAD. The rate of digest growth in the East Point/Camp Creek TAD is approaching a 900% increase over pre-TAD levels and other communities have experienced substantial increases where redevelopment has occurred.

Two notable exceptions in Table 10 are Marietta's City Center Perimeter TAD and the Atlanta Road TAD in Smyrna. In both of these cases, there has been little progress made to date toward implementing the redevelopment plans and, consequently, digest growth within the TADs has lagged the cities as a whole. In the case of Smyrna, which has experienced dramatic revitalization and a city-wide digest that has been growing at a rate of nearly13% per year, property values within the Atlanta Road TAD have continued to stagnate. The fact that this prime commercial corridor has appreciated at a rate of less than $4,000 per acre annually since certification of the TAD suggests that the city was justified in designating it as a redevelopment area.

Figure 3: Digest Growth Within and Outside Tax Allocation Districts in Selected Suburban Locations

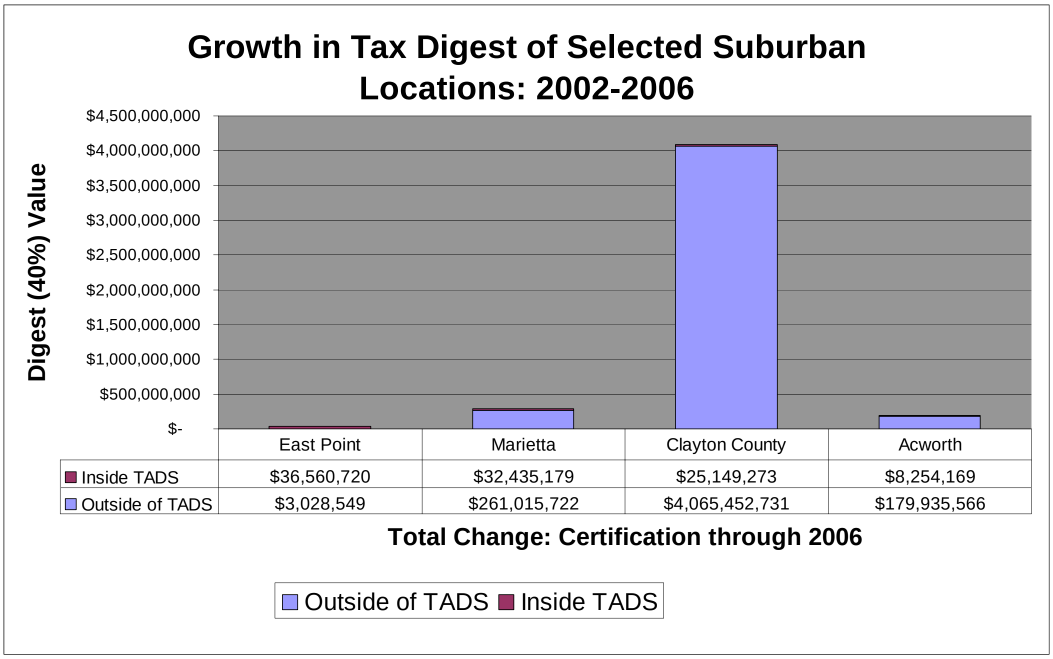


Figure 3 summarizes the recent change in digest inside and outside tax allocation districts in four representative suburban locations that have begun implementing redevelopment plans. In three of the four locations, digest growth inside TADs has accounted for only a minor percentage of overall tax base growth in the host communities. The Ellenwood TAD has captured less than 1% of unincorporated Clayton County's digest growth since 2003. Acworth's Lakeside TAD, which was completed but still only partially assessed in 2006, accounted for 4.4% of that city's digest growth, while Marietta's three TADs captured 11 percent of the total increase in city digest. In East Point, however, development within the Camp Creek TAD has accounted for more than 92% of that city's total digest growth since 2002. The fact that Camp Creek has not had as large an impact on values city-wide may be explained by the TAD's relatively isolated location on the fringe of the city limits, west of I-285. Local officials report that the investment impacts of the project have only recently begun to spread into other areas of the city, and more digest growth outside of the TAD is expected over the next few years.

CHARACTERISTICS OF SUBURBAN TAD BONDS

As noted previously, the City of Atlanta has accounted for nearly 92% of the total aggregate value of TAD bonds issued in Georgia to date. As of March, 2007, only three communities outside Atlanta (East Point, Acworth and Marietta) had issued TAD bonds. Table 11 summarizes information concerning the general terms of these bonds and allocates the distribution of their annual debt service payments among the consenting taxing jurisdictions based on their millage rates. Debt service schedules for the bonds vary by year because each provides for interest-only payments or delayed principle payments during the early years. Therefore, Table 11 calculates an average annual debt service payment over the life of the bonds.

TABLE 11
CHARACTERISTICS OF TAD BONDS ISSUED BY SUBURBAN GEORGIA COMMUNITIES

						Source of TAD Special Fund Increment		
TAD	Bond Amount	Year Issued	Term (Years)	Interest Rate	Average [1] Annual Debt Service Pmt	Annual City Portion	Annual County Portion	Annual School Portion
East Point/Camp Creek [2]	$ 22,000,000	2003	23	8.0%	$2,121,300	$ 459,818	$ 648,349	$ 1,013,134
Acworth Lakeside [3]	$ 6,050,000	2004	20	6.3%	$538,200	$ 123,483	$ 109,542	$ 305,175
Marietta (CCSR) [4]	$ 8,400,000	2005	15	4.2%	$765,600	$ 79,364	$ 188,791	$ 497,445
TOTALS:	$ 36,450,000				$3,425,100			

NOTES:

[1] Average annual payment calculated over the life of the bonds. Actual repayment schedules vary and have interest-only periods in the early years.
[2] Consenting taxing jurisdictions are the City of East Point, Fulton County and the Fulton County School District.
[3] Consenting taxing jurisdictions are the City of Acworth, Cobb County and the Cobb County School District.
[4] Consenting taxing jurisdictions are the City of Marietta, Cobb County and Marietta City Schools.

Sources: Bond financing documents and Consolidated Annual Financial Reports (CAFR) issued by each community.

As shown, the principal amounts of the bonds total $36.4 million, and debt service obligations associated with the issues are projected to average $3.4 million annually. Total debt service obligations (principal and interest payments) over the terms of the bonds are projected to exceed $71 million. The respective annual city, county and school district shares of those average debt service payments were calculated based on the share of TAD increment contributed to the TAD special funds. In each case, the school district contributions to the TAD special funds are the largest share, ranging from 48% in East Point to 65% in Marietta.

As reported in the redevelopment plans and documentation for each bond issue, these combined districts are projected to attract more than $527 million in private investment as the direct or indirect result of public investment.[17] When completed, this investment is expected to produce nearly $219 million in incremental digest growth. Because the projected investments were the source of tax increment and resulting special fund revenues to underwrite the bonds, they are assumed to be realistic and conservative.

The sources of investment and digest growth within each district are described below:

[17] Projected levels of private investment average more than $14 for every dollar of TAD financing generated.

East Point/Camp Creek Marketplace TAD: The East Point/Camp Creek TAD encompasses more than 500 acres located at the intersection of I-285 and Camp Creek Parkway. When completed, development supported by the TAD is expected to include a 4.7 million square foot business park, 650,000 square foot retail power center, a $25 million hotel/meeting center development, and a 1.0 million square foot office/distribution center. As of 2006, the TAD had already generated more than $36 million in digest growth, or about 40% of the expected build-out value of the TAD. The $22 million in TAD proceeds were used primarily to offset costs for site preparation, traffic and infrastructure improvements at the site. When complete, the development is projected to generate $125 million in annual retail sales and create more than 10,000 new jobs.

Acworth/Lakeside TAD: The Lakeside TAD encompasses a 40-acre, former construction and demolition debris landfill site located on Route 41 in Acworth. The TAD was created to offset environmental remediation costs necessary to support the development of a $46 million, 375,000 square foot retail power center. Construction of the shopping center was completed, but had not been fully assessed as of 2006. According to assessment records, the TAD had gained $8.2 million in digest value, or roughly 47% of the center's anticipated digest value of $17.5 million at completion.

Marietta City Center South Renaissance TAD: Marietta's CCSR TAD includes 486 acres and nearly 1,100 tax parcels located to the south and east of the city's central business district. Unlike the Acworth and East Point TADs, Marietta's redevelopment objectives were primarily residential. The TAD was created to encourage the demolition and replacement of substandard and vacant rental units with new owner-occupied housing. To date, the city has issued permits for the future development of approximately 1,000 housing units and more than 130,000 square feet of retail and office space in multiple projects within the TAD. As of 2006, the TAD had generated more than $23.8 million in new digest, or about 22% of the expected build-out value of the TAD. The $8.4 million in TAD proceeds were used to reimburse the city for site assembly and disposition costs, to finance public parks and streetscape improvements within the redevelopment area, and to assist two private redevelopment projects with infrastructure improvements.

TABLE 12

PROJECTED DIGEST GROWTH AND TAX REVENUE IMPACTS OF SUBURBAN GEORGIA TAD BONDS

Tax Impacts at Build Out	Projected Digest Growth [1]	Projected Incremental M&O Tax Levy at Build Out [2]				Avg. Ann. Debt Service on TAD Bonds	Levy Surplus/(Deficit) Over/(Under) Debt Service	
		City	County	School District	Total		Amount	Percent
East Point/Camp Creek [3]	$ 92,400,000	$ 747,516	$ 1,054,007	$ 1,647,030	$ 3,448,553	$2,121,300	$ 1,327,253	63%
Acworth Lakeside [4]	$ 17,500,000	$ 134,540	$ 119,350	$ 332,500	$ 586,390	$538,200	$ 48,190	9%
Marietta (CCSR) [5]	$ 94,700,000	$ 271,505	$ 645,854	$ 1,701,759	$ 2,619,118	$765,600	$ 1,853,518	242%
TOTALS	$ 204,600,000				$ 6,654,061	$3,425,100	$ 3,228,961	94%

NOTES:

[1] Projected incremental digest growth (40% value) as reported to underwrite respective bond issues.

[2] Projected annual Maintenance and Operations (M&O) property tax levy at build out assuming no value appreciation or change in millage rates.

[3] Consenting taxing jurisdictions are the City of East Point, Fulton County and the Fulton County School District.

[4] Consenting taxing jurisdictions are the City of Acworth, Cobb County and the Cobb County School District.

[5] Consenting taxing jurisdictions are the City of Marietta, Cobb County and the Marietta City Schools.

Sources: Bond financing documents and Consolidated Annual Financial Reports (CAFR) issued by each community.

Table 12 compares the estimated future annual incremental real property taxes – the increment gained as a result of redevelopment - flowing into the respective TAD special funds against the annual debt service obligations incurred by issuing the required TAD bonds. The special fund revenues are further allocated among taxing jurisdictions based on their current millage rates. As shown, projected combined annual property tax proceeds for the three TADs total more than $6.6 million when the redevelopment projects are built out. The projected annual tax increment generated by the redevelopment projects when completed exceeds the corresponding annual debt service payments on the TAD bonds by a factor of nearly 2 to 1. This projection results in a net surplus of more than $3.2 million per year flowing into the combined TAD special funds of the three districts. These projected annual surpluses range from a low of $48,000 in Acworth to a high of more than $1.8 million in Marietta.

In each case, redevelopment projects are expected to be fully complete within a decade or less, well before retirement of the TAD bonds. Therefore, these projected special fund surpluses should begin to accrue on an annual basis well in advance of retiring the bonds. Depending on the terms of the intergovernmental agreements among the respective jurisdictions, surplus revenues flowing into the TAD special funds will be either refunded to the taxing jurisdictions, applied to retire debt early, or invested in other redevelopment activities. About 60% of the projected combined surplus, or approximately $1.9 million per year, could be returned to the participating school districts.

It should be noted that the “surplus” in Table 12 is calculated solely on the basis of the M&O (general operations) portion of the property tax digest. The projected tax levy is also calculated from current millage rates and current values as reported for purposes of underwriting the TAD bonds. Therefore, the estimates should already include an allowance for exemptions and other factors that tend to reduce actual tax collections from increased digests. Additional local revenues from future appreciation of property values outside of the respective TADs (or “halo effects”), as well as local sales tax revenues from SPLOST, LOST and other revenue sources not pledged to the TAD special funds, are also excluded. These other revenues will flow directly to the local taxing jurisdictions throughout the term of the TAD bonds.[18] For example, the Camp Creek Marketplace is expected to produce more than $1.7 million in annual SPLOST and LOST revenues to the Fulton County School District, Fulton County and the City of East Point, and none of that revenue has been pledged to the TAD.[19] It can be assumed that very little of that revenue would have been generated for the taxing jurisdictions absent their participation in the TAD.

In the three cases shown in Table 12, the participating taxing jurisdictions, after making debt service payments on bonds, should begin to receive net or surplus TAD revenues once the redevelopment projects are completed. A related issue is whether these projected surpluses will be higher or lower than future property tax increases that would have accrued to those same jurisdictions if they had taken no action or made no investment to induce redevelopment. To help answer that question, BAG calculated the

[18] SPLOST (special purpose local option sales taxes) and LOST (local option sales taxes) are excluded from tax increment pledged to most Georgia TADs. The only known case where sales taxes may be included as increment to support TAD bonds is the Ellenwood TAD in Clayton County, which has not yet issued bonds.
[19] Camp Creek Redevelopment Plan & Tax Allocation District: East Point at Camp Creek & I-285, September 2001, page 22.

amount of new private investment or value appreciation that would need to occur within these same redevelopment areas, over comparable time periods, in order to generate local tax revenues equivalent to the TAD surpluses calculated above.

For example, in order to produce an increase in real property taxes (without the TAD) comparable to the projected surplus that should be returned by East Point's Camp Creek redevelopment, BAG estimates that the redevelopment area would have needed to attract roughly $89 million in new taxable development or full value appreciation over an approximate five-year period. Similarly, the Lakeside Redevelopment Area in Acworth would need to achieve a $3.6 million full value increase, and the Marietta CCSR Redevelopment Area would need to generate nearly $168 million in new taxable value in less than a decade.[20] Given the documented history of low and stagnating property values in each of these redevelopment areas, it is difficult to envision a credible scenario that causes them to suddenly appreciate in value at rates of 15% to 50% per year without public sector participation or financial assistance to induce such redevelopment.

Therefore, in the case of the first three Georgia TAD bonds issued outside the City of Atlanta, the amount of local revenues to be returned to the taxing jurisdictions, even before the TAD bonds are retired, should exceed the tax proceeds that would have been gained otherwise. The argument that these participating taxing jurisdictions are somehow "losing" or "giving up" revenue by contributing tax increment to TADs is factually unsupported in these three cases. The evidence in fact shows that the opposite is true. Jurisdictions are far more likely to realize substantial increases in local revenues as a result of redevelopment efforts, even in the short run, than they could hope for by doing nothing.

Additional information on the current and future impacts of established TADs on host school districts is presented in the following section.

[20] "New taxable investment" numbers in this paragraph refer to 100% or full value increases, not digest (40%) growth.

SECTION III: FISCAL IMPLICATIONS OF TADS ON HOST SCHOOL DISTRICTS

INTRODUCTION

As stated in the introduction, virtually no research to date in Georgia has attempted to quantify the actual and potential fiscal impacts of existing TADs on school district budgets. Among those 27 TADs discussed in the previous section, there are a handful of communities and school districts with TADs that have sufficient history to merit detailed study. By using redevelopment plans as an indicator, however, it is possible to forecast the potential fiscal impact and risk of future TAD-financed projects on cooperating school districts. For analysis purposes, this section uses the assumption that host communities would implement 100% of the public investments outlined in redevelopment plans, thereby maximizing the financial "exposure" for school districts. The analysis also analyzes TAD investments in the context of actual school district budgets, local tax digests and property tax collections.

Based upon the preceding analysis, the only public school districts in Georgia that have actually made significant financial contributions to TADs to date are (in order of dollar amount) the Atlanta Public Schools, Fulton County Schools, Marietta City Schools and the Cobb County School District. While it is possible that other school districts may already be contributing limited amounts to TAD special funds, these four are the only districts where TAD bonds have been issued and debt service obligations have been incurred. This section reviews recent financial trends within those districts as well as the implications of current and future TAD commitments.

CHARACTERISTICS OF GEORGIA SCHOOL DISTRICTS THAT SUPPORT TAD BONDS

A brief summary of each school district's recent budget history, tax digest and enrollment trends is presented below, based on data reported by the Georgia Department of Education and the Department of Revenue.[21]

1. Atlanta Public Schools: The Atlanta Public Schools (APS) served a reported "full time equivalent" (FTE) enrollment of roughly 49,700 students in FY 2006. The district reported more than $591.4 million in total operating revenues, of which $393 million (66.4%) was raised from "local sources," including property taxes. Over the 2003 to 2006 period, total revenues collected by the Atlanta Public Schools grew by a modest 1.0%, while FTE enrollment actually dropped by 8%, a decrease of 4,300 students. Consequently, while gross revenues were almost flat over the period, per-pupil spending rose by 9.9%, the largest per pupil revenue growth among the four districts. The APS also increased local revenue collections by 8.4% over the period, despite lowering its millage rate by $1.04 between calendar years 2004 and 2006. On a per-pupil basis, APS local revenue sources grew 18.5%, the largest percentage gain among the four districts. According to

[21] Sources: Georgia Department of Education, Local, State, and Federal Revenue Report and Expenditure Report, Financial Data Collection System: Fiscal Years 2003 through 2006. DOE reports do not include all district revenues. Debt service and capital project funds, certain grants, enterprise funds and other special-purpose revenues are excluded.

the Georgia Department of Revenue, APS operated on a "net M&O" (40%) digest of $22.1 billion in 2006.[22]

2. Fulton County Schools: Fulton County's public schools served a FTE enrollment of nearly 79,200 students in FY 2006. The district reported more than $717.4 million in total operating revenues that year, including $453.8 million (63.3%) raised from local sources. Over the 2003 to 2006 period, total revenues collected by Fulton County Schools grew by $105 million (17.2%), the largest total and percentage revenue increase among the four districts. However, FTE enrollment in Fulton County also increased by 8,800 students (12.6%) during the 3 years, which was by far the largest enrollment increase among the four districts. Consequently, per-pupil spending rose by 4.1% in total or an annual rate of 1.3%. Fulton County Schools also increased local revenue collections by $56 million (14%) from 2003 to 2006 while keeping millage rates virtually unchanged. The Georgia Department of Revenue reported that the Fulton County Schools operated on a net M&O digest of $42.3 billion in 2006.

3. Marietta City Schools: Marietta's is the smallest among the four Georgia school districts where TAD bonds have been issued, serving a FTE enrollment of 8,130 students in FY 2006. The district reported roughly $78.5 million in total FY06 revenues, including $44.5 million (56.7%) from local sources. From 2003 to 2006, total revenues collected by Marietta City Schools rose $9.2 million (13.4%), while FTE enrollment rose by 423 students (5.5%). Consequently, per pupil spending rose at an annual average of better than 2.4%, second only to Atlanta. Marietta City Schools also increased local revenue collections by nearly $4.8 million (12%) over three years without increasing millage rates. Marietta City Schools operated on a total net M&O digest of just under $2.7 billion in FY06.

4. Cobb County School District: With a 2006 FTE enrollment of more than 106,000, Cobb County serves the largest student population among the four school districts with operating TADs. The Cobb County School District also reported the highest total operating revenues of $836.6 million in FY06, including $429.5 million (51.3%) raised from local sources. While having the largest enrollment and total budget, the Cobb County School District also collected the largest percentage contribution of non-local revenue in 2006. The Cobb County School District therefore levied lower overall property taxes than Fulton County despite having 27,000 more students in the system. From 2003 to 2006, total revenues collected by the Cobb County School District increased by almost $95 million (12.8%), while FTE enrollment grew by 5,849 (5.8%). Consequently, per pupil spending rose at an annual average of 2.1%, second lowest among the four districts. The Cobb County School District also raised local revenues by $67 million (18.5%) from 2003 to 2006 while keeping its millage rate constant. The Cobb County School District operated on a total 2006 net M&O digest of nearly $22.5 billion.

To quantify and compare the current (2006) fiscal impacts of TADs on each of these school districts, BAG analyzed three different measures. First, the estimated 2006 M&O digest within the respective TADs was compared to the comparable M&O digest for each school

[22] Digest information was obtained from the Georgia Department of Revenue, Local Government Services Division, Tax Digest Consolidated Summary Reports. The Atlanta digest includes portions of the city limits that are in Fulton and DeKalb Counties.

district. (For school districts with multiple TADs such as Marietta and Atlanta, we combined these totals.) Reporting TAD digest alone overstates actual financial impacts today, because tax collections on the certified base value of each TAD continue to accrue to the schools. Therefore, the first comparative measure is the amount of actual tax levy associated with the 2006 tax increment (or growth) that has occurred within the respective TADs since certification. This is the relevant measure because only the increment is diverted to the TAD special funds. The second measure expresses the estimated "contributed" school portion of TAD increment as a percentage of the total local 2006 tax revenues collected by each school district, as reported by the Georgia DOE.

Because most of these TADs are still in their early phases of implementation, current levels of tax increment are understandably very small. Therefore, BAG also looked at the combined school portion of annual debt service obligations on all existing TAD bond issues. This third measure provides a more accurate indicator of the total TAD obligation assumed by each school district based upon all redevelopment projects that have already been approved and financed.

TABLE 13
COMPARATIVE FISCAL IMPACTS OF TADS ON HOST SCHOOL DISTRICTS

Indicator	Atlanta Public Schools [1]	Fulton County Schools [2]	Marietta City Schools [3]	Cobb County School District [4]
Total 2006 school district M&O digest ($Millions)	$ 22,045.4	$ 26,200.1	$ 2,685.4	$ 22,456.4
Estimated 06 M&O digest within TADs ($Millions)	$ 2,184.9	$ 41.3	$ 177.0	$ 42.8
Percent of total school district digest in TADs	9.91%	0.16%	6.59%	0.19%
Estimated 2006 TAD digest (40%) increment ($Millions)	$ 702.0	$ 36.3	$ 32.4	$ 9.9
TAD increment as a percent of total school district digest	3.18%	0.14%	1.21%	0.04%
Estimated actual 2006 school district contribution to TAD special funds (rounded) [5], [6]	$ 15,899,330	$ 651,695	$ 432,365	$ 156,829
Percent of total 2006 school district Tax Levy Contributed to TADs	4.04%	0.14%	0.97%	0.04%
Estimated average annual school district portion of debt service on outstanding TAD bonds	$ 18,540,000	$ 1,013,000	$ 497,000	$ 305,000
Annual school district TAD debt serviceobligation as a percentage of 2006 school district tax levy	3.71%	0.22%	1.03%	0.07%

NOTES:

[1] Includes 6 TADs within the Atlanta City Limits that were formed prior to 2006.
[2] Includes the East Point/Camp Creek TAD.
[3] Includes 3 TADs within the Marietta City Limits.
[4] Includes the Lakeside/Acworth and Smyrna/Atlanta Road TADs.
[5] Marietta City Schools have not yet consented to contribute increment to the Franklin Road TAD.
[6] Cobb County Schools have not yet contributed increment to the Smyrna/Atlanta Road TAD.

Sources: Georgia Department of Revenue, Local Government Services Division, Tax Digest Consolidated Summary Reports, bond financing documents and CAFRs issued by each community.

The results of this comparison are summarized in Table 13 and yield several interesting findings. These include the following:

1. A significant percentage of the total M&O digest of the two city school districts has already been placed in TADs, including 9.9% for the Atlanta Public Schools and 6.6% for the Marietta City Schools. By contrast, less than two tenths of one percent (0.2%) of the tax digest of the two county school districts has been placed in TADs.

2. There appears to be no noticeable difference in the recent fiscal performance of these school districts that can be directly attributed to the amount of tax increment that has occurred inside TADs. APS has 9.9% of its tax base in TADs and raised local revenue by 8.4% in three years, despite lowering its millage rate and experiencing declining enrollment. Cobb County, which has less than 0.2% of its tax base in TADs, raised local revenues 12.8% without changing its millage rate. On a per pupil basis, APS' locally generated revenues grew at a faster annual rate than Cobb County, despite the fact that Atlanta was making a much larger contribution toward the TAD special fund.

3. By 2006, only Atlanta had experienced a significant amount of TAD increment growth as a percentage of its total digest (3.2%). Again, this increment is the measure of gains in taxable property value that produce revenue for the TAD special funds rather than the school districts. TAD-related increment in Marietta had not yet reached 1% of the school district digest. Fulton County Schools had yet to reach two tenths of one percent (0.2%), and the Cobb County School District has only seen four one hundredths of one percent (0.04%) of its recent digest growth occur inside TADs.

4. The actual amount of school tax contributions into the respective TAD special funds in 2006 shows that the APS contributed $15.9 million. Fulton County Schools contributed almost $652,000. Marietta City Schools contributed an estimated $432,000, and Cobb County Schools contributed less than $157,000 in property tax proceeds to TADs. The amount of contributed increment in 2006 represented about 4% of the total local revenues raised by the Atlanta City Schools and less than 1 percent for Marietta. The two county school districts contributed much smaller percentages of local revenue to the respective TADs in each district.

5. The total annual school portion of debt service obligations on already issued TAD bonds is projected at about $18.5 million for the Atlanta City Schools, slightly more than $1.0 million for Fulton County Schools, less than $500,000 for Marietta and roughly $300,000 for Cobb County. Again as a percentage of total locally raised school district revenues, the percentages range from 3.7% in Atlanta to only seven one hundredths of one percent (0.07%) in Cobb County.

For obvious reasons, Table 13 shows that the two city school districts are expected to contribute a significantly higher percentage of their future revenues to TAD special funds than the county districts. The order of magnitude "exposure" is illustrated in Atlanta, which has already generated nearly $780 million in digest growth within its TADs (through 2006) and issued more than $400 million in TAD bonds. Yet the current and future contribution of Atlanta Public Schools to the TAD special funds remains below 4% of locally generated district revenues. For those districts that have approved lower levels of TAD investment, future financial commitments to TADs are insignificant in the context of local school budgets. For larger county school districts like Fulton and Cobb, more than $1 billion of tax base would need to be placed inside TADs and roughly $200 million in TAD bonds issued in order to raise district contributions to TADs to the one percent level. Because neither school district is likely to be asked for that level of commitment in the foreseeable future, the prospect that TADs will become a significant fiscal issue for either Fulton or Cobb County seems unlikely.

Best practices and lessons learned from the preceding analysis are discussed in the following section.

SECTION IV: SUMMARY OBSERVATIONS, BEST PRACTICES AND OTHER LESSONS LEARNED

The following attempts to distill from the preceding data observations and conclusions that can be applied by Georgia communities that may consider TADs in the future. In doing so, focus is placed on why some TADs have been successfully implemented while others have not, what factors tend to make redevelopment proposals controversial, and what can be done to improve the use of this tool in the future. Some of the observations are drawn from calculations presented in the previous sections of this report, while others are based on redevelopment plans or the experiences of the participating communities. In short, the following section highlights observations, conclusions and lessons learned during the process of completing this report.

1. **Proactive local governmental commitment and action is required to create the groundwork for success.** Successful TADs result from a deliberate, long-term process. They are not quick fixes for an immediate redevelopment need. The vast majority of existing redevelopment plans and TADs in Georgia have been initiated by local governments as a tool to address already identified, long-standing local problems and redevelopment priorities. BAG identified only 6 of 17 TADs outside Atlanta that could be considered "developer initiated" – that is, TADs that were proposed and executed in direct response to the prompting of specific developers or property owners.[23] Even in those cases, the projects took place in areas that had been previously studied and targeted as redevelopment priorities by local governments. The experience with most TADs also suggests that communities with redevelopment objectives and needs should act. They should not expect to succeed by waiting for property owners or developers to propose, finance and create TADs within their jurisdictions.

2. **There are generally two types of TADS, those created for specific purposes or projects and those created to implement broader revitalization strategies.** In both cases, TADs can provide incentives to attract development and desired investment. Project-specific TADs are more likely to involve a single project or developer. The Atlantic Steel, East Point/Camp Creek, Princeton Lakes, Ellenwood, and Lakeside/Acworth TADs fall into the project-specific category. Of the few TADs that have been prompted and executed by the private sector, virtually all are of the project-specific variety.

   For communities with a need to revitalize downtown business districts, urban neighborhoods or commercial corridors, success usually requires several catalyst investments in order to produce meaningful change. Communities using TADs to achieve the revitalization of existing developed areas have learned that there is usually a significant time period required to create the district, market the incentives, gain control of redevelopment sites, secure qualified developers and issue bonds. Typically, these communities issue bonds that are backed by multiple investments and have several intended uses for the funds. The experiences of most of Atlanta's 10 TADs, as well as those of Gainesville, Holly Springs, Rome, Smyrna and Marietta, illustrate the long-term nature of the public commitment required to achieve broader revitalization

[23] In Atlanta, the Atlantic Steel and Perry/Bolton TADs had participating developers identified when redevelopment plans were prepared. However, both locations were long-standing problems that were also the subjects of prior studies and efforts to affect change.

objectives using TADs. Atlanta's success with the Westside and Eastside TADs has evolved gradually from a series of bond issues, involving multiple projects and developers over a near decade-long implementation period.

The differences between these two applications of TADs have important implications for taxing jurisdictions faced with the decision to contribute to a proposed district. In the case of a TAD created for a single project purpose, it may be realistic and appropriate for elected officials to expect to know the developer, the proposed site plan, relevant financial details of the project and the terms of required bond financing before considering the issue. In the case of a TAD created to revitalize a large urban neighborhood, downtown business district or commercial corridor with hundreds of tax parcels and numerous investment needs, it may be totally unrealistic for elected officials to expect the same level of detail before voting. By refusing to contribute increment to such a TAD or withhold bonding authority until all developers, project details and bond financing needs are identified and in place, however, the taxing jurisdictions are more likely to increase investment uncertainty, discourage private sector interest, complicate project permitting, reduce the marketability of the TAD incentives, and perpetuate existing conditions.

3. **TADs tend to function best when applied to more complex, dense and large-scale projects in higher-cost locations**. In general, redevelopment projects in urban environments tend to produce relatively large value gains compared to existing conditions. They also tend to generate higher property taxes per square foot of new construction, can be built and sold in relatively short time periods, and are easier to underwrite. For these reasons, redevelopment projects in Atlanta support higher contributions of TAD financing per dollar of private investment than do projects located in lower cost suburbs. In some suburban redevelopment areas, projected TAD proceeds produced by planned redevelopment projects have not been sufficient to cover expected redevelopment costs. Smaller, outlying communities with relatively low-cost housing and commercial real estate markets need to form realistic expectations when considering TADs for the first time.

4. **Most public discussion of TADs to date has focused on fiscal and financial issues, ignoring potential economic development and job creation impacts.** Most redevelopment plans have been prepared to support mixed-use developments or multiple projects that include residential, retail, office, institutional, and in some cases, industrial components. Numerous projects funded by Atlanta's established TADs (particularly Atlantic Station), the East Point/Camp Creek TAD and Ellenwood TAD, are collectively projected to support more than 20,000 new jobs. As the number of "greenfield" sites in the metro Atlanta area dwindles, it will become increasingly necessary to focus on redevelopment sites to support the region's future economic growth. TADs can become an important tool to stimulate job-creating developments.

5. **Most redevelopment plans program a significant portion of future TAD proceeds for infrastructure improvements, amenities and other public purposes that are not directly associated with payments to developers.** Street/streetscape improvements, sewer or water infrastructure, parks and green space, transit facilities and public parking structures are the most common types of public investments financed using TAD bonds.

Most of the $400 million-plus in TAD bonds issued to date in Atlanta have paid for public investments that would either not have occurred otherwise or would have been financed entirely by existing taxpayers. Atlanta has funded significant capital expenditures for schools, public safety and community development projects out of TAD bond issues. Atlanta TADs have also helped put more than 2,500 new units of affordable housing in the development pipeline in locations where they would not otherwise exist and during a period of escalating housing costs. Marietta's City Center TAD bond includes nearly $2.0 million for park and streetscape improvements, roughly twice the amount pledged directly to developers. Most of the redevelopment plans reviewed for this study direct major portions of future TAD bond proceeds to public projects that are designed to complement and enhance private investment.

6. **For communities with no prior TAD experience, issuing bonds that rely on multiple projects for tax increment can create complex coordination and timing issues.** It is sometimes necessary for communities to aggregate increment from multiple private investments and provide TAD financing to several projects simultaneously in order to issue a single TAD bond. In such cases, projects may be in the planning stages, and developers may request TAD financing many months in advance of the community's ability to secure a lender and issue bonds. In the case of Atlanta's Westside and Eastside TADs, the ADA approved TAD financing for more than 30 separate development projects using three bond issues. Marietta's CCSR TAD relied upon seven separate development projects, including two that received TAD financing, in order to leverage sufficient increment to support its only bond issue. Developers within the Ellenwood and Perry/Bolton TADs have already completed millions of dollars worth of construction based on the expectation that they will eventually receive reimbursements through TAD bonds that have yet to be issued.

In the case of Marietta, local officials agreed to provide TAD financing retroactively to a developer that had begun construction on a project before the city put its TAD program in place. Partially in response to that decision, Cobb County officials later adopted a policy refusing to approve TAD financing or contribute tax increment retroactively to projects that had already begun construction. That same TAD policy also made it very difficult for Cobb County cities to obtain county consent for TADs that were not project-specific or developer-initiated.

Communities that are starting TADs for the first time and need to attract multiple investments to support a bond issue must consider whether they want to enact policies and application procedures to enable developers to request and qualify for TAD financing prior to commencing construction even if no funding source is available at the time the application is filed. Without such advance procedures in place, it can be extremely difficult to coordinate the timing of projects in a manner that will attract private investment, satisfy bond issuers and avoid the need to consider projects retroactively.

By doing so, however, it is inevitable that some developers will begin construction expecting to receive future TAD reimbursements before bond financing is secured. In such cases, both the developers and the redevelopment agency risk making commitments based on expectations of TAD financing that may never materialize. This problem might be mitigated if new products could be developed to enable communities to obtain TAD financing in amounts of less than $5 million. The ability to secure TAD financing in smaller increments would require fewer investments and less coordination to repay bonds.

7. **<u>A better mechanism is needed to provide counties and schools the financial information they need to understand the net benefits and costs of participation in TADs</u>.** Several TADs certified prior to 2006 have yet to secure tax contribution agreements with one or more taxing jurisdictions. These include the Avondale Mall/Columbia Drive, Kensington/Memorial Drive and Avondale Estates/Downtown TADs in DeKalb County; the Kennesaw TAD and Marietta/Franklin Road TAD in Cobb County; and the Downtown Macon TAD. Fulton County commissioners recently reconsidered and amended their consent agreement for the Perry/Bolton TAD, which has been in existence since 2002, because initial terms were unworkable. The Avondale Estates/Downtown TAD is attempting to finance a potential redevelopment without DeKalb School Board participation. The Smyrna/Atlanta Road TAD has negotiated intergovernmental agreements with the county and schools for one bond issue but has not yet secured agreements to finance a second bond. As many as a third of all established TADs in Georgia have either failed to move forward as a result of lack of intergovernmental consent; are waiting for projects to materialize before seeking intergovernmental agreements; or are in negotiations and have not yet secured required agreements. It is possible that the difficulty in concluding these agreements is at least partially explained by insufficient information, inadequate understanding, or a lack of confidence among decision makers concerning the net benefits and costs of the proposed TADs.

8. **<u>Cities, counties and school districts have not seriously evaluated the costs and fiscal impacts of existing conditions within proposed redevelopment areas</u>.** Policy discussions surrounding TADs have focused almost exclusively on expected changes in revenues rather than service costs. While much focus has been placed on the potential risk and revenue implications of issuing TAD bonds, few communities have attempted to quantify the fiscal impacts of existing or future development patterns on their budgets. Where fiscal impact issues have been considered, they usually arise out of a concern that redevelopment activities may produce higher service costs in the future. Yet few taxing jurisdictions have attempted to quantify and understand the fiscal implications of existing conditions in blighted areas. In most TAD debates, the impact of taking no action is assumed to be revenue neutral, or zero, when in fact the fiscal consequences of existing conditions may be far costlier to taxing jurisdictions than financing redevelopment. Better analysis tools are needed for school districts to quantify the effects of redevelopment issues on education costs and school performance. In some cases, the positive impacts of TAD-financed redevelopment on cities and education districts may far exceed its impact on future tax revenues.

9. **To mitigate risk, the common practice a<u>mong the few Georgia communities that have issued TAD bonds is to disburse bond proceeds as redevelopment projects are completed when the resulting tax increment is in place to repay debt service</u>.** In Atlanta and Marietta, TAD payments to developers are handled as reimbursements, distributed in installments as projects are completed. Where developers have

requested up-front TAD payments for infrastructure costs, such as in East Point and Acworth, the developer was responsible for securing financing and identifying investors who would agree to assume the added risk. As of March 2007, the Atlanta Development Authority retained a $120 million balance in the city's various TAD special funds. The bulk of this unspent balance was being held for future reimbursements, as phased developments are implemented and create taxable value. Steps like these may provide additional safeguards and so reduce overall risk.

10. **<u>TADs that seem to serve narrowly defined opportunities rather than broad economic development objectives tend to be more controversial</u>**. TADs have tended to be more controversial when perceived as a subsidy to an individual developer or project rather than as part of an overall, strategic revitalization plan. Public consensus has generally been stronger for TADs created after completing LCI (the Atlanta Regional Commission's Livable Centers Initiative) studies or other prior plans that document local needs, establish a consensus vision for the future, and receive the endorsement of local governments. In some cases, while individual TADs may not address community-wide needs, the aggregate effect may be strategic. Atlanta's ten redevelopment plans and TADs, when considered as an integrated whole, may serve as a comprehensive revitalization strategy. Marietta's three redevelopment plans and TADs also address (collectively) many of that city's most urgent redevelopment priorities.

    Counties in particular have been slow to use TADs to address the broader economic development issues outlined in their comprehensive plans or to help finance implementation of integrated redevelopment strategies. In 24 of 27 cases to date, counties have been reacting to requests sponsored by municipalities rather than pursuing their own redevelopment initiatives. Atlanta's success in formulating individually crafted redevelopment strategies for diverse areas with different challenges and needs, and then applying TADs as a consistent implementation tool to achieve proven positive results, provides a model for counties to emulate.

11. **<u>Cities, counties and school districts with redevelopment issues would benefit from an overall review of needs and priorities before forming positions on individual TAD proposals</u>**. In most cases in Georgia, property tax digests generate the largest and most stable source of revenue for counties and school districts. Over the long run, local governments that successfully manage and grow their tax base are typically able to provide better services at lower cost to their existing taxpayers. Periodically, it is important for governments to take a strategic look at their tax base and analyze how growth and development patterns may impact future revenues and public service costs. Part of a strategic review should include the identification of areas that generate high service costs or are under-performing but which might effectively contribute to local economic development and revitalization if successfully redeveloped. Such areas would be logical priorities for future TADs.

    Such a review would enable counties and school districts to thoughtfully consider where it is that fiscal challenges exist, determine how much of their tax digests they could "afford" to place inside TADs, quantify the aggregate bond risk they would be willing to accept, and set a percentage of future tax increment they would agree to contribute to TAD special funds. Agreeing on these broad policy parameters first would establish a conceptual budget for redevelopment. It would also encourage municipalities to likewise establish priorities for the allocation of limited resources.

Despite a relatively short track record of performance, TADs have already achieved impressive positive results in Georgia with minimal evidence of financial risk. This analysis concludes that Georgia's TADs have already produced more than $900 million in new taxable digest, created thousands of jobs, built significant numbers of affordable housing units for low and moderate income households, and raised property values within redevelopment areas by an average of more than 14% per year (compounded). Within those TADs that have been fully or partially implemented, digest growth has exceeded the overall rate of tax base expansion of host jurisdictions in nearly every case, and by a substantial margin. There have been no defaults or significant prospects for default in repaying the more than $440 million in TAD bonds already issued.

Due to the 10% limit on the portion of the tax digest which can be committed to TADs, few school districts, particularly larger county districts, will ever be asked to commit even one percent of their future local revenues to TAD special funds. Evidence from recent experience indicates that participating school districts will receive higher rather than lower revenues from TAD bonds issued to date, even in the short run. Counties and school districts could benefit from better analysis methods to understand the fiscal impacts of TADs.

Clearly, TADs have proven to be catalysts for the successful revitalization of several urban and suburban locations in Georgia. When applied in the context of a coordinated strategy, TADs have been used successfully to partner with the private sector to address larger economic development priorities, address revitalization challenges and promote future fiscal stability. Yet although the early evidence is very encouraging, TADs remain largely untested in lower cost and slower growing areas of the state. In the near term, real estate market conditions in the metro Atlanta area, as well as turmoil in the financial markets, are likely to make TAD financing more difficult to obtain and projects more challenging to implement than during the past decade, when real estate conditions were largely favorable. Therefore, it will continue to be necessary for local governments to adopt realistic and prudent policies when considering TADs in the future.