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East Point Corridors Tax Allocation District

Frequently Asked Questions

How is a Tax Allocation District (TAD) created?

The Mayor and Council must consider a Resolution which would (1) designate the boundaries of the East Point Corridors Redevelopment Area (the "Redevelopment Area"); (2) approve a Redevelopment Plan for the Redevelopment Area; and (3) create a tax allocation district ("TAD") for the Redevelopment Area as of December 31, 2006. All of these actions are necessary in order to create a TAD.

In order for an area to be designated as a TAD, the Mayor and Council must verify that the area is in need of redevelopment. This need is documented in the Redevelopment Plan, which demonstrates why the area needs to be redeveloped and how the City plans to encourage this redevelopment. The Redevelopment Plan also establishes a framework within which the City can use tax increment for the purpose of encouraging this redevelopment.

Why is there a need for tax allocation districts?

Tax allocation districts are a form of tax increment financing, a tool which is widely used by local governments to serve as a catalyst to further private investment into areas which are economically depressed or underdeveloped. This tool is increasingly utilized by local governments, in part, because federal and state funds have largely dried up.

The City of Atlanta is using TADs to encourage economic development in areas adjacent to the City of East Point (such as Cleveland Avenue, Ft. McPherson, and the Greenbriar Mall area), and it has been suggested that East Point should be able to offer incentives which are competitive with those which are being offered by the City of Atlanta.

What is tax increment?

Tax increment is the *difference* between the amount of property tax revenue generated before the TAD is created and the amount of property tax revenue generated after the TAD is created.

If a new TAD is created, what will happen to the current level of property tax revenues which the City has been collecting from property within the District?

The amount of property taxes collected within the District in 2006 – the *base year* - will continue to go into the City's general fund in future years, in the same manner as if the TAD did not exist.

What will happen to any increased property tax revenues which are generated within the District after the TAD is created?

During the life of a TAD, the City's share of the property tax revenue generated by the incremental increase in the values of these properties after the creation of the TAD – the tax increment - is paid

into a special fund maintained by the City for use within the TAD.

The County's share of the increment, and the School Board's share of the increment, may also be paid into the special fund, but only if they consent. In the event that the County and the School Board consent to the use of their portions of the increment, the result is that every dollar of the City's increment roughly leverages two dollars in increment from the County and the School Board. There are few other devices which enable the City to make use of that portion of the millage rate which is attributable to the County and the School Board.

Arguably, if the area really needs incentives to stimulate new development, then much of this revenue would not have been realized by any of these jurisdictions in the absence of a TAD.

What are the boundaries of East Point's TAD?

The City of East Point has identified three (3) corridors within its TAD area: Main Street, Cleveland Avenue and Washington Road. Each corridor contains redevelopment nodes that could benefit from a TAD. Please see the map below.



Who will control the revenues which are paid into the special fund?

The City of East Point will control the TAD accounts.

Who will control the operation of the TAD.

The TAD Resolution designates the Mayor and Council as the Redevelopment Agency, which means that the Mayor and

Council will control the operation of the TAD.

What will the revenues in the special fund be used for?

The City will decide what the revenues in the special fund will be used for. It is anticipated that the staff will propose a process for making recommendations to the Mayor and Council regarding the expenditure of funds in the special fund for the payment of eligible redevelopment costs.

What kind of costs qualify as eligible redevelopment costs?

The proceeds of tax-exempt revenue bond may be used for capital costs, such as costs associated with public infrastructure. There is slightly more flexibility with respect to direct payments out of a special fund which are not pledged for the repayment of bonds. The Redevelopment Powers Law contains a long list of eligible redevelopment costs, including among other things, capital costs for improvement of public works, new buildings, renovation, repair or demolition of existing buildings, grading and clearing of land, financing costs, professional services costs, administrative costs, certain relocation costs, organizational costs, payments in lieu of taxes, environmental impact and other studies, and real property assembly costs.

When does a TAD district terminate?

Under the Redevelopment Powers Law, a TAD will terminate when the Mayor and Council dissolve the district, provided that it cannot be dissolved while TAD bonds are outstanding. The maximum term of the bonds is 30 years. The Corridors TAD Redevelopment Plan suggests a maximum term of 25 years.

Why is the Council considering this action in this specially called meeting?

A TAD takes effect on December 31 on the year in which it is created. In order for the TAD to make use of income which is generated at anytime during 2007, it is necessary that the TAD be created before December 31, 2006. If the Mayor and Council wait until January to create the TAD, the resulting TAD would not be able to capture any increment which is generated during 2007 but, instead, it will only be only to capture increment which is generated after January 1 of 2008.

Does the resolution which is before the Council tonight call for the issuance of any bonds?

No, the Mayor and Council may at some time in the future decide to issue tax allocation bonds, but the resolution which is before the Mayor and Council tonight does not authorize the issuance of such bonds. Any such tax allocation bonds which the Mayor and Council may subsequently authorize would be secured by property tax revenues – primarily the increment – generated from within the TAD itself. They would not constitute a general obligation of the City and would not involve a pledge of the full faith and credit of the City.

What options are available to the Mayor and Council tonight with respect to the Redevelopment Plan?

Under the Redevelopment Powers Law, the Mayor and Council are authorized at this meeting to approve the Redevelopment Plan as submitted, to amend the Redevelopment Plan and approve it, or to reject the Redevelopment Plan and return it for further consideration (in which case an additional public hearing and an additional legislative meeting would be required).