



# TAX ALLOCATION DISTRICT (TAD) FUNDING POLICIES AND PROCEDURES

## INTRODUCTION

Authorized under Georgia's Redevelopment Powers Law, Tax Allocation Districts (TADs) offer opportunities for Georgia cities and counties to support desired private development in blighted and under-valued areas within their jurisdictions. TADs enable local governments to reinvest the resulting incremental property tax revenues from new developments in needy areas into the project themselves or into supportive public improvements. TAD increments may be used to reduce the developer's cost to replace or upgrade deficient public infrastructure to assemble properties for redevelopment, to demolish existing blighted structures or to defray other costs as needed to make redevelopment economically feasible.

The City of Carrollton Mayor and Council (the City) established Carrollton Tax Allocation District #1 (TAD #1) in December 2022 for the purpose of encouraging private investment within this important area of the City. The City also has the authority to consider forming new TADs in the future. The Mayor and City Council retains the responsibility as the redevelopment agent for approving specific uses of future tax increments generated within TAD #1.

As part of its intergovernmental agreements with Carrollton City Schools System and Carroll County, the City will also utilize the Redevelopment Authority as the TAD Advisory Committee (the Committee), which includes representation from the City, the City Schools, local business leaders, Tanner Health Systems, the Chamber of Commerce, and the University of West Georgia. This Committee has been charged with reviewing projects and requests from private developers to receive TAD funding assistance. All projects brought to the City for funding approval must first be reviewed by the Committee for feasibility and consistency with the Carrollton TAD #1 Redevelopment Plan. The Committee must also endorse any proposed TAD project by majority vote before it can be considered by the Mayor and City Council for funding approval.

This document outlines the procedure established by the Mayor and City Council to: (1) encourage private sector redevelopment projects within the TAD, (2) invite requests for TAD funding assistance, (3) advise prospective applicants concerning preferred format, content and procedures for submitting those proposals, and (4) involve the Committee in the application process. In addition, the Carrollton Mayor and City Council has adopted policy guidelines which define the City's priorities for future expenditures of TAD funds. These policies are provided in this document as Attachment A and should be carefully considered by prospective applicants when requesting TAD assistance. The TAD Committee may expand upon these policies and adopt additional guidelines for applicants.

## **APPLICATION PROCESS**

The application procedure for processing TAD funding requests shall consist of the following steps:

1. Before making any formal presentation to the TAD Advisory Committee or the City, a prospective applicant must submit initial project/financial information for review by City Staff. The initial Staff contact for inquiries is the City Manager (or his designee). The City Manager (or his designee) is responsible for advising prospects concerning the City adopted TAD policies and procedures, for communicating the prospect's interest to the Committee and for coordinating a meeting of the Committee in the event that a prospect submits a written application for TAD funding assistance.
2. The City Manager (or his designee) will subject the proposal to a standard financial evaluation, based on estimated incremental tax revenues generated. The scope of the initial evaluation will be limited to estimating the upper limit of eligible project assistance and reviewing the project's consistency with the City TAD policies and priorities. The purpose of this initial Staff-level review will be to advise prospective applicants early on in the process concerning the realistic range of TAD funding assistance that they may be eligible to receive and to help screen out projects that are contrary to City policy. The intent is to provide all interested parties with an initial evaluation and response before requiring them to invest additional time and expense needed to complete a written application and meet with the TAD Advisory Committee. Regardless of Staff's findings, the City Manager shall have no authority to deny any prospect the opportunity to apply for TAD assistance should that prospect desire to complete the application.
3. If after Staff review, the prospect chooses to proceed, the City Manager (or his designee) will advise the prospect to complete the required application, which is provided in this document as Attachment B.

4. Upon receiving an application that is complete by the judgment of City Manager (or his designee) and remittance of the application fee, the City Manager shall notify the Committee and the Mayor and City Council that an applicant intends to present a project proposal to the Committee.
5. Additionally, the City Manager shall send a Notice of Intention to utilize Tax Allocation Increment along with supporting materials to the Carrollton Independent School System and Carroll County for review and comment. For proposals that include any type of residential land use component (or in the case of the School System, certain other types of listed uses potentially objectionable to the School System such as for-profit schools, adult entertainment or uses likely to create a public nuisance), the Carrollton Independent School System and Carroll County shall provide comments and recommendations to the City within 60 days (30 days in the case of Carroll County) of receiving the Notice of Intention. For proposals limited to any other types of projects including commercial development, the Carrollton Independent School System and Carroll County shall provide comments within 30 days of receipt of the Notice of Intention. The City Manager (or his designee) shall schedule a meeting of the TAD Advisory Committee within 30 days of receiving any comments from the Carrollton Independent School System and Carroll County for the purpose of addressing the comments of the Carrollton Independent School System and Carroll County, at a time/place that is convenient to both the applicant and the Committee.
6. Applicants shall be advised that information provided in their applications and meetings of the TAD Advisory Committee are subject to the provisions of the Georgia Open Records Act. Meetings of the Committee shall be posted and open to the public. At their own discretion, applicants will be entitled to mark certain financial information submitted with their applications as "proprietary and confidential." Any financial information designated as proprietary and confidential shall be treated by the Committee as such and will be protected from public disclosure to the extent allowed by state law.
7. The applicant will be invited to present the details of the project and funding request to the TAD Advisory Committee. Upon hearing the applicant's initial presentation, the Committee may take one of the following actions at that time:
  - a. Require the applicant to prepare/submit additional information;
  - b. Authorize Staff and/or a working group of the Committee to perform additional due diligence; or
  - c. Vote to approve or deny the request.
8. Should the Committee require additional information from the applicant or decide to perform due diligence before voting on the application, the proposal will be further screened to verify justification for the requested funding. A working group of the Committee members and/or Staff will provide additional due diligence as

needed and may meet with the applicant a second (or more) time(s). This due diligence may evaluate:

- a. Additional information needed to make a recommendation
    - i. Additional project details;
    - ii. Verification of experience, qualifications and financial capacity to complete the project; and/or
    - iii. Review of proprietary and confidential financial information.
  - b. Economic justification/need for public funding and participation
  - c. Anticipated project benefits, such as:
    - i. Removal of slums or blight;
    - ii. Revitalization of surrounding neighborhoods; and/or
    - iii. Economic development/job creation benefits.
  - d. Potential project issues:
    - i. Adverse neighborhood impacts;
    - ii. Project risk; and/or
    - iii. Other.
  - e. As part of the “second tier” Staff/Committee review, the applicant may be expected to submit a more detailed financial pro forma justifying the requested use of TAD funds. If after this second level of review the applicant is still interested, this proposal will be presented again to the TAD Advisory Committee for action.
9. The Committee will vote to report its finding to the Mayor and City Council, either with a recommendation for approval or notification that the application has been denied. In the event that a majority of Committee members vote in favor of the application, the Committee will be encouraged to recommend additional terms and conditions to the Mayor and City Council as may be appropriate. At a minimum, the Committee’s report shall recommend a specific TAD funding amount, a description of the recommended uses for funding, a financial justification for the request and evidence that the project can pay back the required investment.
10. The TAD Advisory Committee Report will be placed on the next scheduled [appropriate] meeting of the Mayor and City Council. In the event of a positive Committee recommendation, the Mayor and City Council shall retain all rights as the City’s Redevelopment Agent for the TAD to conduct its own due diligence, schedule other meetings with the applicant and solicit input as necessary and appropriate before voting on the application. In the event that the TAD Advisory Committee recommends denial, the Mayor and City Council may, if it disagrees with that recommendation, request the Committee’s reconsideration of the application.
11. It shall be the policy and objective of the City of Carrollton to encourage private sector redevelopment initiatives and to work constructively with property owners

and developers who are interested in making positive investments within the TAD district. The City will make good faith efforts to expedite the above procedures and render a relatively quick decision on completed applications for TAD funding assistance. While recognizing that some proposals will be more complex and require more extensive study than others, City Staff shall complete preliminary reviews within 30 days of receiving initial inquiries from interested parties.

Apart from this procedure, the City has developed general policy guidelines to define minimum project qualifications, public objectives and priorities for the investment of TAD funds. These criteria serve as a consistent standard for evaluating project proposals, both within TAD #1 and any new districts that may be created in the future. These guidelines are provided in Attachment A and are an integral part of the procedures outlined above.

## **APPLICATION FEE**

An application fee of \$2,000.00 shall be remitted to the City of Carrollton at the time of submission of the formal application. At the request of the City Manager (or his designee), a third party may be engaged to review elements of an application. Any third party review of the proposal shall be paid by the City of Carrollton.

## **TAD DEVELOPMENT AGREEMENT**

Upon approval of a project for TAD funding, the applicant and the City of Carrollton will prepare a TAD Development Agreement which defines the performance criteria for receipt of TAD funding and what method of funding will be utilized. This Agreement will also specify the eligible expenses for TAD funding and the reimbursement process for obtaining TAD funds from the City, as well as any special conditions and performance standards of the developer.



## **ATTACHMENT A**

### **City of Carrollton Tax Allocation District Funding Policy Guidelines for Evaluating Requests**

The City of Carrollton welcomes development proposals from the private sector that serve to revitalize redevelopment areas within the City. It is the City’s policy to evaluate all unsolicited, private sector requests for TAD Funding and to recommend public sector support of those requests, which are (1) economically justified; (2) well-conceived and capable of being implemented with reasonable levels of public support; and (3) serve to advance the City’s overall redevelopment goals and objectives.

The Redevelopment Authority will serve as the TAD Advisory Committee (the Committee) and shall review, analyze, and advise the Carrollton Mayor and City Council regarding TAD funding requests. The following policy establishes guidelines for the Committee in evaluating applications for TAD funding, based on the following general factors:

- The purpose/uses for TAD Funding and the consistency of those purposes with the Redevelopment Powers Law and the City’s redevelopment objectives;
- The overall amount and timing of tax increment to be generated by the project;
- The applicant’s demonstrated financial need for TAD assistance based on standard pro forma evaluation criteria (i.e. the “but for” test); and
- Resulting project benefits and return on the public’s investment.

Each of these factors is described in more detail below:

#### **PURPOSES / USES OF TAD FUNDING**

The City will only consider applications for TAD funding for purposes/uses that are consistent with the definition of “redevelopment” as defined in the Georgia Redevelopment Powers Law (O.C.G.A. 36-44-3(5)). These eligible purposes/uses include, but are not limited to:

- Transportation and mobility enhancements
- Site-specific development programs
- Area-wide infrastructure improvements
- Public space, landscaping, lighting, and other improvements
- Parks and recreation facilities
- Other uses and land acquisition

## **TAX INCREMENT GENERATED BY THE PROJECT**

It is the City's policy to ensure that any project which receives a TAD contribution, is "self financing" to the extent possible. In the context of a TAD distribution, self-financing means that the project generates sufficient future property tax increment to pay back the associated debt service obligations incurred as a result of issuing TAD Funding.

It is the City's policy to favor projects that propose to use TAD funds to finance supportive improvements to surrounding public infrastructure and amenities, over those that simply use TAD proceeds to defray construction costs or improve financial returns to the developer. The City also may favorably consider in its evaluation projects that return substantial long-term incremental property tax revenues after all TAD support has been retired. Although the City may consider proposals that are not self-financing as defined above, such proposals must offer other extraordinary benefits to justify such contributions.

In addition to the overall amount of tax increment generated in proportion to the cost, the City shall consider the overall market/financial feasibility and perceived level of risk associated with the proposed development plan, as well as the demonstrated qualifications and experience of the Applicant to execute the project as proposed. For projects that are highly complex or have a high level of development risk, the City may request supporting documentation in the form of feasibility studies and/or appraisals to support the application.

## **PROJECT ECONOMICS**

Applicants for TAD Funding assistance must demonstrate financial need for such assistance based on reasonable pro forma projections of cost, revenues and expected profits (i.e. meet the "but for" test as established in the Redevelopment Powers Law).

Potential legitimate needs for TAD contributions to overcome poor development economics may include, but are not limited to the following:

- High site acquisition, assembly, demolition, or remediation costs due to the nature of the proposed redevelopment site
- Inadequate public infrastructure that must be rebuilt or enhanced at the developer's expense in order to support the proposed use

- The inclusion of project amenities or enhancements that offer a public benefit but cannot be supported by the project's economics
- The need to incur above-average construction costs in order to successfully market the project or to satisfy the City's desire to encourage high quality construction in redevelopment areas.

Before approving TAD funding requests, the City shall require Applicants to submit a sufficiently detailed financial pro forma to enable Staff and/or the City's consultants to evaluate the project's overall development economics and anticipated profit margins, using reasonable and defensible assumptions. It is the City's policy that the maximum TAD Funding contribution it will recommend shall enable the Applicant to achieve no more than a 20-percent internal rate of return (IRR) based on the projects costs and conservative projections of the sales performance. If, in the City's opinion, the project has the potential to exceed pro forma expectations and achieve profits in excess of 20-percent, the City may choose to recommend approval contingent on the Applicant's agreement to share "excess profits" or return a percentage of contributed TAD Funding at the completion of the project if actual performance exceeds pro forma projections.

## **PROJECT BENEFITS AND RETURN ON PUBLIC INVESTMENT**

In addition to purposes/uses that are consistent with the Redevelopment Powers Law, the City will give added consideration and support to investments of TAD funds which achieve redevelopment goals and objectives contained in the Redevelopment Plan. These goals/objectives include but are not necessarily limited to:

- Redevelopment of blighted, underdeveloped, and vacant structures and parcels along Maple Street and Highway 166;
- Increased commercial and retail activity, leading to stronger economic benefits to the City of Carrollton through tax revenues, jobs, and economic activity;
- Improved housing options, commercial buildings, and public space;
- Capital improvements for schools within the TAD area;
- Improved transportation infrastructure, sidewalks, and streetscapes;
- Increased bicycle and pedestrian connectivity;
- Enhanced quality of life for residents, workers, and visitors; and
- Higher property values and property tax revenues for the City of Carrollton, Carrollton City Schools, and Carroll County.

## **POSITIVE LOCAL/REGIONAL ECONOMIC IMPACTS**

The City emphasizes the importance of supporting public investments within the TAD which will advance the City's overall economy, reinforce Carrollton's position as an



economic center in Carroll County and the greater west Georgia region, and produce significant job creation benefits for the City. The City recognizes that in some individual cases, project proposals may return exceptional public benefits that merit investments of TAD funds at a higher level than is indicated by the evaluation criteria outlined in this policy. In such extraordinary cases, the City may make a larger public investment of public funds than would otherwise be justified. For projects that offer exceptional employment growth and positive local/regional economic impacts, the City also may consider leveraging other economic development incentives in addition to TAD Funding.

## **ADDITIONAL TAD EVALUATION CRITERIA TO BE CONSIDERED BY THE TAD ADVISORY COMMITTEE**

In addition to the general criteria noted above, the TAD Advisory Committee will consider the following factors in its evaluation of TAD funding requests:

### **Public Sector vs Private Sector Project**

TAD funding can be used to support both public investments/improvements in the TAD district and private investments in the district. While each type of project will have different levels of benefit:

Public projects should be evaluated in terms of:

1. The ability to be a catalyst to attract private investment and redevelopment into an area.
2. The creation of a public amenity/public improvement that benefits the citizens of Carrollton.
3. The ability of TAD funds to leverage other funding, either public or private sector, to create the improvement.
4. The improvement is consistent with planning recommendations for future development of the area.

Private projects should be evaluated in terms of:

1. The amount of private funding leveraged by TAD funds.
2. The impact the project will have on the redevelopment of that area.
3. Whether the project is self-supporting from a TAD perspective.
4. The ability and track-record of the developer to successfully complete the projects.
5. The positive impact of the project on employment and economic growth in Carrollton.

### **Self-Supporting TAD Projects**

Private development projects should generally be self-supporting from a TAD perspective. This means the amount of TAD funding awarded should not exceed the project's anticipated TAD contribution over the proposed funding period. An estimate of the projected return on TAD investment will be provided by City Staff for each application reviewed. Staff may utilize a third party to assist with this calculation. Sales tax revenues generated from a project's construction and operation may be included in this calculation. Applications for TAD funding which are not self-supporting may be considered by the TAD Advisory Committee but will be required to demonstrate a higher level of public benefit to be considered for funding.

### **Minimum Investment Threshold**

While investment in redevelopment areas is encouraged at all levels of investment, a minimum threshold of \$2 million has been established for consideration of TAD funding. Applicants must equal or exceed this requested amount to be eligible for consideration of TAD funding.

### **Pre- versus Post-Construction TAD Approval**

It is the preference of the City to approve TAD projects while they are in the pre-construction phase of development. Projects that begin construction prior to approval of a TAD funding request by the TAD Advisory Committee and the Mayor and City Council proceed at the applicant's risk.

### **Reimbursement for Project Costs**

Private sector projects can be reimbursed for defined project costs on a pay-as-you-go basis once the pre-approved investments/improvements are in place.

### **Eligible TAD Expenditures**

In addition to those noted above, expenditures eligible for consideration of TAD funding can include, but are not limited to:

1. Exterior improvements to the sidewalks, lighting, signage, and landscaping that are above and beyond the minimum standards in the Unified Development Ordinance.
2. Demolition expenses associated with the removal of blight when restoration is not a viable option.
3. Extraordinary restoration expenses, especially associated with rehabilitation or restoration of an historic structure.

### **Evaluation of the “but for” Funding Requirement**

Staff will provide the Committee with its assessment of the project’s need for TAD assistance as gap funding to leverage available public and private project funding, and provide a financially feasible return from the investment. In short, this provision is intended to answer the question: “*but for*” TAD funding, would the proposed project move forward or move forward to the same extent?

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The TAD Advisory Committee will make its recommendation regarding TAD funding for a project based on its review of these criteria and any special or project-specific conditions relating to the specific application. Its decision will be based on an assessment of the overall conformance of proposed funding requests across the full range of these evaluation factors rather than any one factor or criteria.