

Georgia Tech Center for Economic Development Research


THE IMPACT OF PROPERTY TAXES, SERVICE COSTS, AND INCENTIVES ON LOCAL GOVERNMENTS

DR. ALFIE MEEK
GA ACADEMY FOR ECON. DEV.
SPRING 2017

CREATING THE NEXT®

WHAT DO PROPERTY TAXES TAX?

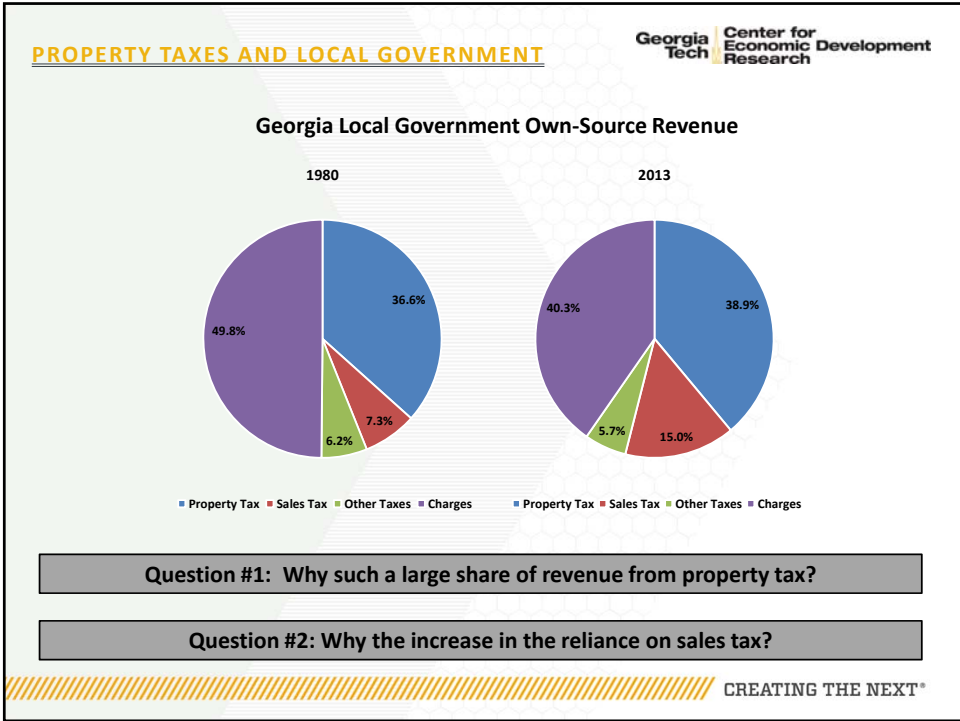
Georgia Tech Center for Economic Development Research



<p>Real Property <i>Attached directly to land or the land itself</i></p> <ul style="list-style-type: none">• Residential• Commercial	<p>Personal Property <i>Not affixed to or associated with land</i></p> <p>Tangible:</p> <ul style="list-style-type: none">• Machinery• Equipment• Vehicles	<p>Personal Property <i>Not affixed to or associated with land</i></p> <p>Intangible:</p> <ul style="list-style-type: none">• Stocks & Bonds• Financial Assets
--	--	---

When economic developers talk about tax “abatements” they are usually referring to commercial real and tangible personal property.

CREATING THE NEXT®



Georgia Tech Center for Economic Development Research

Myth: Growth and development mean an increasing tax base and better financial health for the local government.

Fact: A growing tax base isn't enough to guarantee financial health. Revenue must grow faster than expenditures.

CREATING THE NEXT®

ECONOMIC IMPACT ANALYSIS

Georgia Tech Center for Economic Development Research

TOTAL ECONOMIC IMPACT
IS THE SUM OF ALL THREE

BASIS FOR THE "MULTIPLIER"
TOTAL \leftrightarrow DIRECT = MULTIPLIER

+ ALWAYS POSITIVE

CAN BE MODELED FOR ANY GEOGRAPHY

MEASURED IN TERMS OF JOBS, INCOME, VALUE ADDED, & ECONOMIC OUTPUT

CREATING THE NEXT®

FISCAL IMPACT ANALYSIS

Georgia Tech Center for Economic Development Research

EXPENSE
EDUCATION
PUBLIC SAFETY
INCENTIVES, ETC.

REVENUE
PROPERTY TAX
SALES TAX
FEES, ETC.

BASED ON SPECIFIC CHARACTERISTICS OF YOUR COMMUNITY:

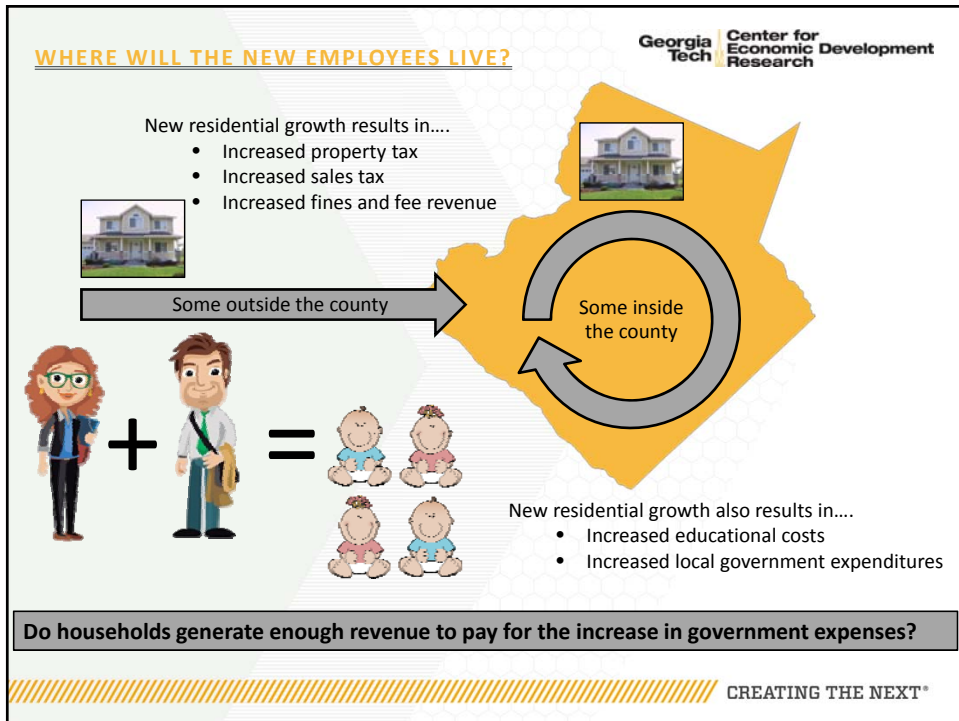
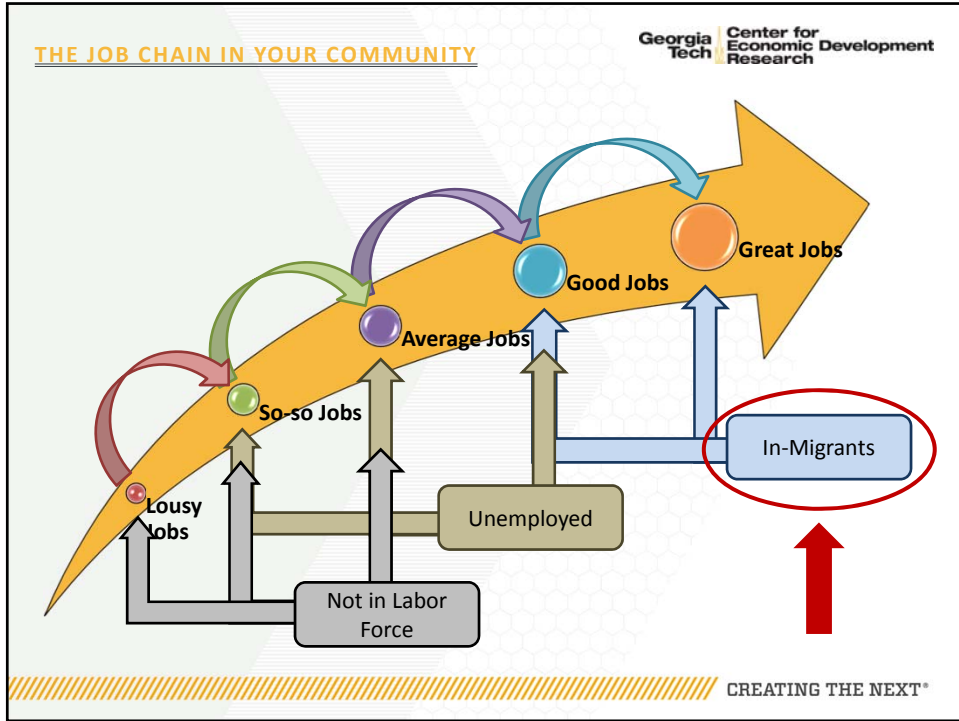
LAND USE, TAX STRUCTURE, COMMUTING PATTERNS, SERVICE DELIVERY, ETC.

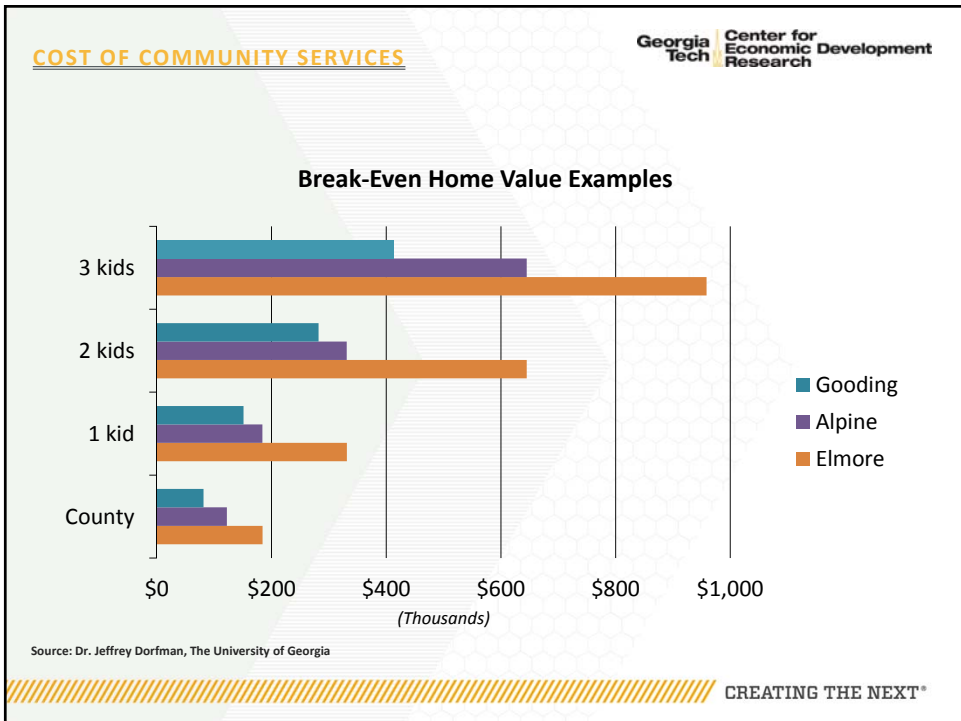
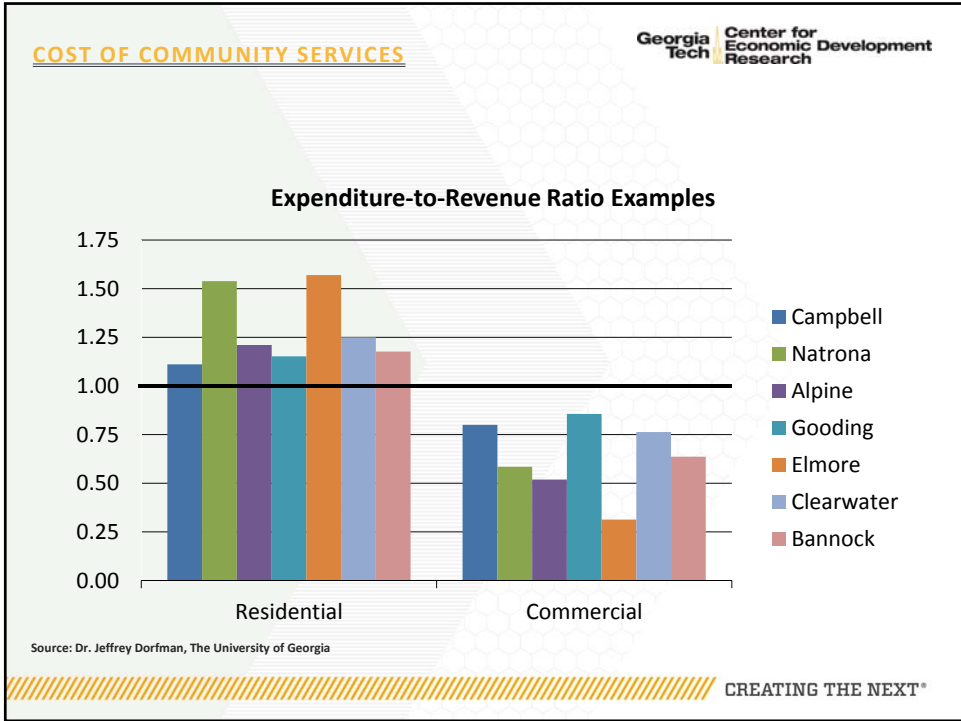
CHARACTERIZES INCENTIVES AND ECONOMIC DEVELOPMENT SPENDING AS AN INVESTMENT AND CAN DEMONSTRATE TO THE PUBLIC THAT INCENTIVE DECISIONS ARE NOT TAKEN LIGHTLY.

CAN HELP COMMUNITIES WEED OUT BAD DEALS!!

+ CAN BE POSITIVE OR NEGATIVE!

CREATING THE NEXT®





INCENTIVES: WHAT? WHEN? AND HOW?

Georgia Tech Center for Economic Development Research

What?

Some examples:

- Permit waivers
- Fee waivers
- Expedited permits
- Expedited plan review
- Custom training
- Revolving loan funds
- Tax abatements

When?

Traditionally used for industrial jobs, but...

- Could also be used to focus on capital investment
- Could be used to focus on redevelopment

How?

Depending on the incentive...

- Through local government ordinance
- In cooperation with local technical college
- In cooperation with other state & local agencies
- Through Development Authority policy & legal capabilities (bonds for title)

CREATING THE NEXT®

"BONDS FOR TITLE"

Georgia Tech Center for Economic Development Research

```

graph TD
    A[Development Authority creates bond; gives it to Company] --> B[Company gives deed to project to Development Authority]
    B --> C[Development Authority gives lease and $1 purchase option to Company]
    C --> D[Company pays rent to Development Authority; gets equal amount back as a bond payment]
    D --> E[Development Authority transfers its rights to Company as collateral for bond]
    E --> F[Company gives bond back to Development Authority; gets back title]
    F --> A
  
```

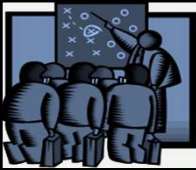



Source: Dan McRae (dmcrae@seyfarth.com)
 Copyright 2016. Used with permission subject to disclaimer at <http://www.danmrae.com/copyright.html>

CREATING THE NEXT®

Georgia Tech Center for Economic Development Research

INCENTIVE STRATEGY


How do you decide when to offer tax abatements via “bonds for title” or any other local incentive, such as permit waivers, fee waivers, expedited permit/plan review, training programs, revolving loan funds, etc.?

HAVE ONE!	SPECIFIC GOALS	UNIQUENESS	AFFORDABILITY
 <p>Put your strategy in place BEFORE a project comes looking at your community</p>	 <ul style="list-style-type: none"> • What does your community want to be? • Target industries? • Target areas? 	 <ul style="list-style-type: none"> • One size does not fit all • Your strategy needs to fit your goals • Every company has different needs ...ASK!! 	 <ul style="list-style-type: none"> • Understand the FISCAL impact of your offer • Don't get pulled into paying too much.

CREATING THE NEXT®

Georgia Tech Center for Economic Development Research


PROJECT EXAMPLES – DATA CENTER #1



110 new jobs

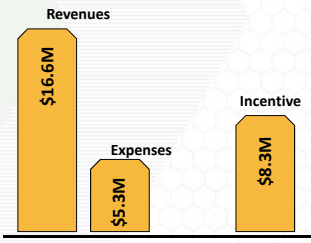
Incentives:

- 10-year phased in abatement on real property
- 4-year phased in abatement on personal property
- All abatements included the school tax



\$250M CAP EX

10-year fiscal analysis:





Category	Amount
Revenues	\$16.6M
Expenses	\$5.3M
Incentive	\$8.3M
NPV WITH INCENTIVE	\$3.4M

CREATING THE NEXT®

PROJECT EXAMPLES – DATA CENTER #2

Georgia Tech Center for Economic Development Research


19 new jobs
@\$83,000/yr.


\$250M CAP EX
\$1B initial estimate
\$600M revised
\$250M final

Incentives:

- 10-year phased in abatement on real property
- 4-year phased in abatement on personal property
- All abatements included the school tax
- \$174K in system development charge waiver

10-year fiscal analysis:

Revenues: \$8.9M
Expenses: \$245K
Incentive: \$3.5M

NPV WITH INCENTIVE: \$11.0M

CREATING THE NEXT®

Georgia Tech Center for Economic Development Research



QUESTIONS?

DR. ALFIE MEEK
DIRECTOR
CENTER FOR
ECONOMIC DEVELOPMENT RESEARCH


75 FIFTH ST. NW, SUITE 300
ATLANTA, GA 30308
404-385-1340 (O)

ALFIE@GATECH.EDU CREATING THE NEXT®

HTTP://CEDR.GATECH.EDU

Georgia Tech Center for Economic Development Research <http://cedr.gatech.edu>

Home About Us Latest News Our Services EDRP SEARCH



How can we help your community?

Our talented economic development professionals have the research and implementation experience needed to help economic developers, community leaders, and industries alike understand the **opportunities and challenges** in fostering local economic development.

See Our Services

The Center for Economic Development Research is a unit of Georgia Tech's **Enterprise Innovation Institute**.

Georgia Tech Enterprise Innovation Institute

Contact Us

Alfie Meek, Ph.D.
Director
404-385-1340

75 Fifth Street NW
Suite 300
Atlanta, GA 30308
[Directions to the Atlanta Office](#)

Become a Subscriber

Email Address *

First Name

Last Name

SUBSCRIBE

Latest News

loci™ | *The Gold Standard in Fiscal Impact Analysis Software* economic impact group

Home About LOCI Subscribe Access LOCI Resources Contact



LOCI™ is the nationally recognized local government fiscal impact tool originally developed at Georgia Institute of Technology. Now owned and supported by the Economic Impact Group, it was completely redesigned in 2013. LOCI™ is licensed by economic development agencies/departments, chambers, development authorities, and local governments throughout the United States.

LOCI... The Gold Standard in Fiscal Impact Analysis Software

Let's be honest: Fiscal Impact Analysis is a very difficult and time-consuming process. The amount of data required for fiscal impact analysis and the complexity of the analysis are two important reasons economic developers don't incorporate it into their protocol for projects. And on the occasions that fiscal impact analysis is required, the analysis is virtually always out-sourced.

"LOCI results are presented in a way that companies understand, providing them with assurance that local governments can fulfil their commitments while continuing to be a high-quality place where employees want to live."
—Economic Development America

New Subscribers

New users can purchase a one-year license quickly and easily. Our convenient and cost-effective pricing structure is designed for both large and small users.

www.lociapp.com