

## 2-171. Commercial and Industrial Property Rehabilitation Incentive Program

### Definitions

Assessed Value means the taxable value of real property as shown on the tax digest of the County.

Base Value means the Assessed Value of a Project as determined by the County's Board of Tax Assessors (BTA) on January 1 of the year in which the rehabilitation or renovation of the Project begins.

Commercial Use Structure means the selling or providing of goods or services to individuals, firms or corporations; provided that for purposes of this Program, mixed use structures (used for both residential and commercial purposes) constitute commercial use only when the square footage of that portion of the structure used for the sale or provision of goods and services exceeds fifty percent (50%) of the total square footage of the structure.

Corridor Study Area means the Atlanta Road Corridor Study Area, the Canton Road Corridor Study Area, the Veteran's Memorial Highway Corridor Study Area or the Veteran's Memorial Highway West Corridor Study Area, each as described in the exhibits to this ordinance or as amended or supplemented from time to time by the Cobb County Board of Commissioners.

County means Cobb County, Georgia, A Political Subdivision of the State of Georgia.

Development Authority means the Development Authority of Cobb County.

Exemption Amount means a percentage of the ad valorem property taxes resulting from the increase in the Assessed Value of a Commercial or Industrial Use Structures directly attributable to the substantial rehabilitation and/or renovation of the structure as approved by the Program.

Incremental Project Value means that portion of the assessed value of the project directly attributable to the rehabilitation and/or renovation of the commercial use structure(s) or industrial structure(s) approved by the program; provided , however, that such assessment shall be determined in the same manner, and with the same frequency, as other taxable commercial and industrial property assessments are determined by the BTA in and for the county.

Industrial Structure means a structure or part thereof used for manufacturing, processing, or assembling of material or manufactured products, or for research.

Owner means, for the purposes of this section, all persons or entities holding title (as referenced in the County's official tax records) to taxable real estate interests in Commercial Use Structures or Industrial Use Structures for which an exemption is requested.

Program means the Cobb County Commercial Property Rehabilitation Incentive Program.

Project means a commercial rehabilitation project for a Commercial Use Structure or an Industrial Use Structure approved for the Cobb County Commercial Property Rehabilitation Incentive Program by OED, BTA and the Development Authority.

Single Project means for purposes of this ordinance a project consisting of a single tax parcel which may include one or more buildings which is to be substantially rehabilitated or renovated within two (2) years of the issuance of the initial construction permit issued following acceptance to the Program.

Substantially rehabilitated or renovated commercial use structure or industrial use structure means an existing commercial use structure, no less than twenty (20) years of age (calculated from the date in which the original certificate of occupancy was issued), located in a Corridor Study Area or included among those sites listed in the Inventory of Redevelopment Sites (as shown on Exhibits 5 and 6 hereto), where the structure has been substantially rehabilitated or renovated so as to increase the Assessed Value thereof by not less than fifty (50) percent of the Base Value. Additional areas or sites may be added to or removed from these exhibits by action of the Cobb County Board of Commissioners.

Renovation/rehabilitation consists of capital improvements and includes, but is not limited to, the installation of improvements to the building (including fixtures or mechanical systems), parking, and public infrastructure. Ordinary upkeep and maintenance shall not be deemed a qualifying improvement for purposes of this Program.

#### 2-172. Purpose

The purpose of this Program is to encourage owners of older commercial use/industrial use property (twenty years or more in age) in select areas and sites around the County (as depicted in the Corridor Study Areas and the Redevelopment Sites specified on Exhibits 1 thru 6) to revitalize those properties. Additional areas or sites may be added to or removed from these exhibits by action of the Cobb County Board of Commissioners. The definitive objective of revitalizing these areas is to contribute to economic growth by creating jobs and improving the County's tax base. Proposed projects must adhere to any specific architectural and/or design guidelines that may apply in these areas or sites. If the type of work conducted meets the Program's requirements, and the BTA

approves the proposed project, the BTA will approve a valuation schedule on those improvements for up to five years based upon an escalating percentage of the fair market value of the improvements (excluding the value of land), provided these new improvements increase the assessed value by at least 50% or more of the current Assessed Value and does not propose an increase in square footage by more than 100%. This increase in Assessed Value, as determined by the BTA, must be a result of actual physical changes resulting from the rehabilitation or renovation and not a result of inflationary changes in the value of the property related to the state of the economy or other market forces. The BTA's decision regarding the current Assessed Value will be final and not appealable.

#### 2-173. Program Requirements

**Effective Date of Exemption Amount.** Only rehabilitative work performed after the approval of the application may be awarded an Exemption Amount under the Program. In addition, any adjusted valuation schedule approved by the BTA is to begin on the next succeeding January 1 following the issuance of a Certificate of Occupancy (C.O.) for the improvements. Initial and final inspections approved by the Fire Marshal and Chief Building Official are required to obtain a C.O. The applicant must provide the BTA with a copy of the final C.O. Certification of Age of Structures. The structure being improved must be a minimum of twenty years old (calculated from the date in which the original certificate of occupancy was issued).

**Location of Structures.** An approved Project must be located within the Corridor Study Area or included among those sites listed in the Inventory of Redevelopment Sites adopted by the Cobb County Board of Commissioners as may be amended from time to time.

**Single Project.** Improvements must be the result of a Single Project. Building permits must be issued within a 120-day period from the time of acceptance into the Program, and completed within two (2) years from the date that the initial construction permit was issued. A copy of which must be provided by the applicant to the BTA. **Personal Property and Land Value Excluded; Program Terminates on Sale.** The Program incentives, if granted, will not apply to personal property or the value of the land and will not apply retroactively to improvements made without prior OED and BTA approval. All program incentives terminate upon the sale or transfer of any portion/parcel of the Project.

**Timely Payment of Ad valorem Property Taxes.** Applicant's property taxes must be current and paid on time for a minimum of three (3) years and the applicant must have filed timely business personal property returns for each of the three (3) years prior to making application for said exemption in order to be eligible to participate in this program.

Vacant Land Excluded. The Program does not apply to projects built on vacant land.

Demolition of Existing Structures. The Program will apply to those projects in which the building is completely demolished and replaced by a new structure provided that the existing structure is at least twenty (20) years old as of the application date and provided the difference between the assessed value of the existing structure and the assessed value of the new structure increases by at least 50% or more of the current assessed value and does not increase square footage by more than 100%.

Single Parcel-ID. Separate applications must be submitted for each tax parcel in which the owner is seeking participation in the Program.

Permits. Appropriate building permits, and any other local, state or federal approvals, must be obtained prior to work commencement. County permitting fees will be assessed improvements on a parcel by parcel basis.

#### 2-174. Program Incentive

Approved applicants will receive a Program incentive in the form of an effective reduction in ad valorem property taxes equal to the Exemption Amount. The exemption amount, in a given year, is equal to a percentage of the amount of ad valorem property taxes otherwise due on the Incremental project Value. As further described herein, the Exemption Amount equals 100% of the ad valorem property taxes due on the Incremental Project Value in the first year of the program and reduces annually over the five-year program (in increments of 20 percentage points) to 20% in the fifth year of the program until the full value of ad valorem property taxes are due on the Incremental Project Value in the sixth year and thereafter.

The property tax incentive is made possible by titling ownership to the taxable assets into the name of the Development Authority (under Georgia law development authorities are exempt from ad valorem taxes on real property) which in turn leases these assets back to private entity. Title to the property reverts to the owner/applicant immediately upon the end of the lease. In addition, the Development Authority issues a notional amount taxable revenue bonds through a transaction commonly referred to as "Bonds for Title". Bonds are held by the applicant and not sold to the public. During the term of the lease, the applicant would be responsible for paying ad valorem property taxes on the "leasehold value" of the project improvements in the form of an effective reduction in ad valorem property taxes equal to the Exemption Amount resulting in a substantial reduction in the amount of property taxes which would have been due if the property was owned outright (in fee simple) by the applicant. The value of the "abatement" adjusts and diminishes each year as the revisionary interest ripens and fully vests at the end of the lease term. While the

Project is titled to the Development Authority under this Program, the BTA has agreed that the fair market value of the leasehold interest of the applicant in such assets will increase as the lease term progresses and for any year will equal the Base Value, plus the product of the "applicable percentage" for such year, multiplied by the fair market value of the fee value of such improved structure(s) in such year.

The "applicable percentage" established for a Project under this Program will be for a period of up to 5 years and will start on January 1<sup>st</sup> of the year following the completion of the Project. For the purposes of this section, the "applicable percentage" will be applied in the following manner:

Year  
1: 0%  
Year  
2: 20%  
Year  
3: 40%  
Year  
4: 60%  
Year  
5: 80%  
Year  
6: fully taxable

As an example, if an application is received on January 15<sup>th</sup>, then the applicant must wait until the next calendar year for the abatement to take effect. If the Base Value equals \$1,000,000 and the fair market value of the improvements equals \$500,000, then the total Assessed Value under the Program would equal \$1,000,000 in Year 1 ( $\$1,000,000 + (\$500,000 \times 0.0)$ ), \$1,100,000 in Year 2 ( $\$1,000,000 + (\$500,000 \times .20)$ ), \$1,200,000 in Year 3 ( $\$1,000,000 + (\$500,000 \times .40)$ ), \$1,300,000 in Year 4 ( $\$1,000,000 + (\$500,000 \times .60)$ ), \$1,400,000 in Year 5 ( $\$1,000,000 + (\$500,000 \times .80)$ ) and \$1,500,000 in Year 6 and thereafter before accounting for any market fluctuations in values generally. Note that the Assessed Value is the 40% value as distinguished from the "fair market value." Should the building proposed for rehabilitation be located in a Corridor Study Area or be included in the Inventory of Redevelopment Sites also be located in an Enterprise Zone established by the Board of Commissioners, the applicant shall not qualify for both property tax incentives. The applicant may qualify for other incentives available through the Enterprise Zone but may only do so at the discretion of Cobb County. This abatement program is not available to properties or projects within a Tax Allocation District (TAD).

The owner must submit a detailed list of their actual improvement costs to the Office of Economic Development (OED) for review. All proposals must be

reviewed with the Chairman of the Board of Commissioners as well as the applicable District Commissioner. The Owner must also acknowledge that the valuation methodology approved by OED and BTA is expressly conditioned upon the Owner's completion of the project as and within the two years allowed under this program. The Owner must further acknowledge that failure to complete or substantially complete the project, as determined in the sole discretion of OED, will constitute a sufficient basis for OED to recommend that BTA review and revise the valuation methodology approved under this program, including a termination of the Owner's right to the Exemption Amount.