OLR RESEARCH REPORT

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GEORGIA'S BLIGHT TAX PROGRAM

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You asked us to describe (1) Georgia's "blight tax" program and (2) the advantages and disadvantages of this approach to combat blight.

SUMMARY

In 2002, Georgia voters approved a constitutional amendment allowing counties and municipalities to establish a tax incentive program to encourage property owners to remediate or redevelop blighted properties. The program, named the Community Redevelopment Tax Incentive Program, operates like a "blight tax." It increases property taxes on blighted properties and subsequently decreases them for a period of time once the property is remediated or redeveloped.

Georgia's counties and municipalities may implement the program for all properties, except those being used as a primary residence, by adopting an ordinance that includes specific provisions. Among other things, the ordinance must establish (1) standards for determining whether a property is blighted; (2) a procedure for identifying blighted properties that provides the property owner with notice and a hearing opportunity; and (3) standards for remediating or redeveloping properties in order to remove a blighted property designation. The ordinance may also require the tax revenues attributed to the program to be segregated and restricted for community redevelopment purposes.

There are numerous advantages and disadvantages to a higher tax on blighted property. A blight tax could motivate property owners to stabilize and improve the blighted conditions on their properties or sell to others who are willing to do the work. It also allows local governments to recover the public service costs associated with blighted properties. Among its disadvantages, a blight tax could place a significant burden on low-income individuals, seniors, individuals with disabilities, and struggling businesses that have been unable to improve the blighted conditions due to economic circumstances or other reasons.

GEORGIA'S COMMUNITY REDEVELOPMENT TAX INCENTIVE PROGRAM

Georgia's constitution authorizes its counties and municipalities to establish a community redevelopment tax incentive program (Ga. Const. art. IX, § 2, para. VII). Those that choose to do so must adopt an ordinance that includes certain provisions. The ordinance must establish:

1. standards for determining whether a property is blighted;
2. a procedure for identifying blighted properties that provides the property owner with notice and a hearing opportunity;
3. an increased tax rate that applies to designated blighted properties;
4. standards for remediating or redeveloping properties in order to remove a blighted property designation; and
5. a decreased tax rate and the period of time it applies for eligible remediated properties.

Counties and municipalities may apply the program to all properties, except those being used as a primary residence. This includes commercial or industrial properties or residential properties that are vacant or used for purposes other than primary residences.

The program's tax rates must be determined by applying a factor to the county or municipal mill rate (e.g., twice or half the rate). To qualify for the decreased tax rate, the owner must submit a plan to the county or municipality for remediating or developing the property and, if it is accepted, comply with its terms. The ordinance may also require that the tax revenues attributed to the program be segregated from other property tax revenues and restricted for community redevelopment purposes (e.g., infrastructure improvements or upgrades, blighted property repair and clean-up, or other neighborhood revitalization efforts).

Albany, Georgia Example

Albany, Georgia chose to adopt this program and in 2008 enacted its own blight tax ordinance (Ord. No. 08-140, codified as § 36.203 et seq.). The ordinance imposes an increased mill rate of three times the city's general mill rate on properties that the Albany Municipal Court has designated as blighted. Once the blighted condition is remediated, the property is eligible for a decreased mill rate equal to one-half the city's general mill rate. The decreased rate applies for three years.

Under the ordinance, in order for a property (which cannot be a primary residence) to be designated as blighted and subject to the increased rate, it must be:

1. (a) unfit for human habitation or for commercial, industrial, or business use and (b) not compliant with applicable codes;

2. vacant and being used in connection with the commission of drug crimes; or

3. a public health or safety endangerment as a result of unsanitary or unsafe conditions.

The ordinance also establishes the process by which a property is designated as blighted. It begins when specified city officials ("public officers") or at least five city residents submit a request to the city alleging that the property meets the criteria described above. Next, a public officer must (1) investigate or inspect the property, (2) determine that it meets the criteria, and (3) file a complaint *in rem* against the property stating the blighted conditions and steps necessary to remediate them.

The city must provide the property owner a copy of the complaint and issue the owner a summons notifying him or her that a hearing will be held before Albany's Municipal Court. The hearing must occur between

15 and 45 days after the complaint is filed. The property owner has the right to (1) file an answer to the complaint, (2) appear in person or through an attorney, and (3) offer testimony at the hearing. If after the notice and hearing, the court determines that the property meets one of the criteria for blight, the city may identify the property as such and impose the increased tax rate on it. The court must also specify what must be done to remove the blighted condition designation and give the owner a deadline by which to comply.

Any revenue the city collects from the program must be segregated and applied to community development purposes.

ADVANTAGES AND DISADVANTAGES TO A BLIGHT TAX

There are various advantages to a higher tax on blighted property. First, the higher tax rate may motivate property owners to stabilize or improve blighted conditions. It may also encourage owners to sell blighted properties to others who are willing to do the work. If a property is vacant or underutilized, the higher tax may encourage the owner to rent it in order to pay the extra taxes. These actions could subsequently increase the blighted property's value and that of nearby properties.

Additionally, because blighted properties often demand a higher level of government services (e.g., public safety and code enforcement services) than other properties, the higher tax allows local governments to recover some of the costs associated with this increased burden.

The main disadvantage to a blight tax is that it could be particularly burdensome for low-income individuals, seniors, individuals with disabilities, and struggling businesses that have been unable to improve the blighted conditions due to economic circumstances or other reasons. In addition, property owners may pass on the cost of the increased taxes or repairs to low-income tenants or businesses that occupy these properties in the form of higher rents.

The higher tax could also encourage the property owner to demolish the structure to remove the blight, resulting in a grand list loss to the town. If the property has historic significance, its demolition could also represent a loss to the neighborhood's historic and architectural value. An additional disadvantage is that the blight tax would only apply to taxable properties. Blighted properties owned by tax-exempt property owners, like churches and charitable organizations, would not be impacted.

HYPERLINKS

Albany, Georgia Ordinance No. 08-140, http://www.albany.ga.us/filestorage/1798/2879/2949/08-140._Code_amendment_re_blight_%26_additonal_tax_levy.pdf, last visited September 9, 2013.

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