

# HOW TAX DIVERSIONS WORK

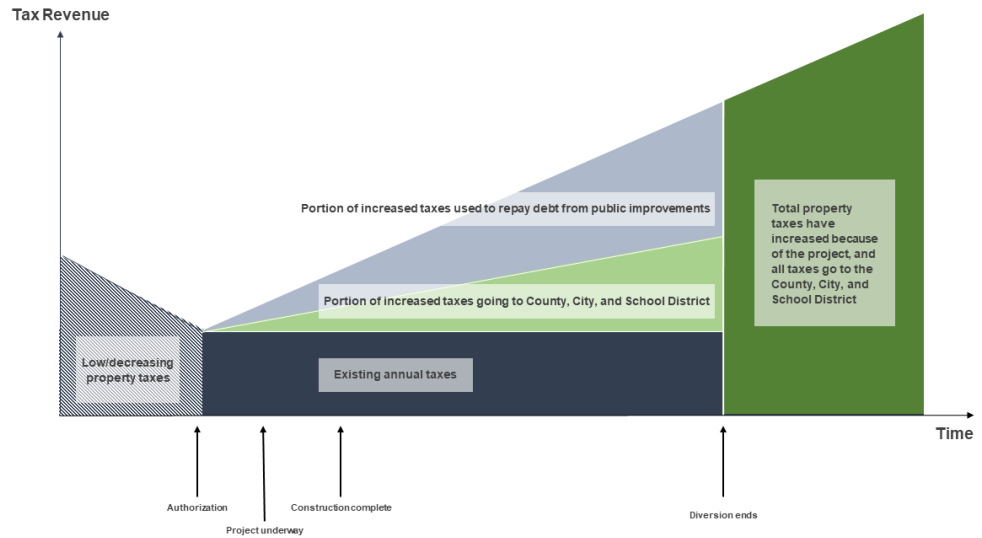
## 1. Authorization

Tax diversions are used in areas where inadequate infrastructure, environmental contamination, or blighted properties make private development difficult.

In order to address these issues, a tax diversion is authorized, and the public improvements are made possible by borrowing against the future increases in tax revenue from the new development. The private investment in a project makes it possible to depend on the future tax revenue, and in turn, the improvements made possible by the tax diversion make the private investment feasible to the developer.

## 2. Project underway

While a project is under construction, the work being done begins to increase the taxable value of the site. The surrounding properties begin to benefit from the work being done around them as perceptions about the area improve.



## 3. Construction complete

Once the project is completed, a portion of the additional tax revenue, known as “tax increment,” is used for a set period of time to pay down the debt that was used to finance the public improvements. Meanwhile, the County, City, and School District continue to receive the annual tax revenue they had been receiving before the project began.

## 4. Full tax benefit

Upon full repayment of all of the debt used for the public improvements, the County, City, and School District receive the full tax increment moving forward.

### Three Taxing Bodies

