



## CENTER FOR INNOVATIVE FINANCE SUPPORT

### QUICK FACTS

Transportation Reinvestment Zones (TRZs) are a financial tool that establishes designated areas around transportation projects to help capture property tax increments.

TRZs are established in unproductive or underdeveloped areas that derive direct benefits from the transportation improvement.

TRZs can be used to capture both present and future economic growth created as a result of the transportation improvements, and they may be used in conjunction with other value capture methods.

### CONTACT

Thay N. Bishop  
404-562-3695  
[Thay.Bishop@dot.gov](mailto:Thay.Bishop@dot.gov)

[www.fhwa.dot.gov/ipd/value\\_capture](http://www.fhwa.dot.gov/ipd/value_capture)

## VALUE CAPTURE

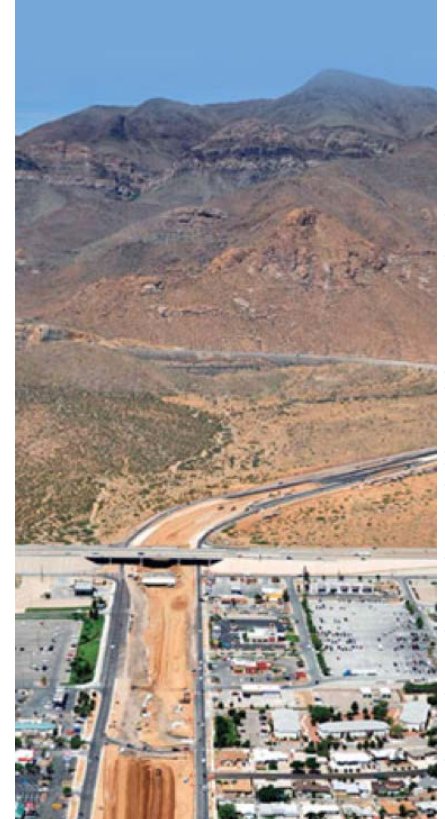
### Transportation Reinvestment Zones

Transportation reinvestment zones (TRZs) are designated areas located around transportation projects created to encourage development and capture property tax increments to help fund the improvements. TRZs can be used to capture both present and future economic growth created as a result of the transportation improvements, and they may be used in conjunction with other value capture methods. TRZs do not raise tax rates; rather, they allow sponsors to issue debt by leveraging new property tax revenues generated within the TRZ. In order to be designated as a TRZ, the land involved must be underdeveloped and receive direct benefits from the transportation improvement. Benefits may include improved access, public safety, and congestion reduction. Unlike tax increment financing, TRZs do not normally necessitate a board of directors. TRZs are a useful tool that can be used to support a broad range of transportation projects.

#### ESTABLISHING A TRZ PROJECT

Although there are differences in State legislative requirements for establishing and operating TRZs, they generally follow the same framework:

1. Boundaries for the zones must be established and a benchmark year should be designated when the collection of the tax increment would begin.
  2. The sponsoring entity should conduct a feasibility study to determine the terms and conditions of the value capture.
  3. Public hearings are conducted prior to implementing the TRZ to get feedback from the public.
  4. The financing details of the TRZ will be determined and a mechanism is established to issue TRZ-backed debt.
  5. A monitoring system is established to oversee the TRZ and track increment taxes collections
- Depending on the State, there are different mechanisms used to collect funds generated by TRZs. Texas uses a pass-through financing program, requiring communities to pay some project costs upfront. This money is repaid from future revenues generated by the TRZ. In Texas, TRZs may be established at the municipal or county level. Municipal TRZs are established by a city, with the tax increment defined as the value captured multiplied by municipal property tax rate. County TRZs are set up with the county and define the tax increment as the value captured multiplied by the county's annual property tax.



Source: <https://tti.tamu.edu/researcher/texas-legislature/defines-transportation-reinvestment-zones/>

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## PROJECT EXAMPLES

### I-10 AND LOOP 375 TRZ, EL PASO, TX

In 2008, the city of El Paso established the first TRZ in Texas to support the development of the I-10 and Loop 375 highway projects. Over the course of its lifetime, the TRZ is expected to generate about \$70 million in funds from the areas surrounding the highways. The TRZ set 2008 property tax levels as a

baseline and uses any incremental tax revenue to support the development of the highways, which are also an important part of El Paso's comprehensive mobility plan.



Source: <https://www.tylertexasonline.com/tyler-texas-toll-loop-49.htm>

### TOLL 49, SMITH COUNTY, TX

In Smith County, TX, a TRZ was established to help fund the expansion of the Lindale Relief Route portion of Toll 49 being developed by the North East Texas Regional Mobility Authority (NET RMA, a local toll authority). NET RMA established the TRZ and is directing 50 percent of the incremental tax revenue to the Toll 49 project and the remaining revenue for other county needs, including maintenance and improvements of the Smith County road system. Based on its initial financial studies, NET RMA forecasts that the TRZ will generate between \$12.9 million and \$16.9 million annually over the next 25 years to support the Toll 49 project. If the TRZ fails to meet those forecasts, NET RMA will use other funds to support the Toll 49 project. If the generated revenue is much less than projected, Smith County is not liable for the difference or for any debt assumed by NET RMA.

### FM 110 HAYS COUNTY, TX

In 2013, Hays County, TX, approved its first TRZ to support the construction of FM 110, an 11.25-mile highway in San Marcos, to the southwest of Austin. The project will encourage growth on the eastern side of I-35 and relieve traffic from the contested I-35 corridor. Hays County plans to allocate 50 percent of the tax revenue generated from the TRZ to repay \$48 million in debt leveraging future tax proceeds. The city of San Marcos anticipates that tax proceeds could increase by as much as \$71.3 million in the project area. Once the debt has been repaid, the city and county can terminate the TRZs and retain all the incremental property tax revenue.



OFFICE OF INNOVATIVE PROGRAM DELIVERY

## PROGRAM AREAS OF THE CENTER FOR INNOVATIVE FINANCE SUPPORT

The Center for Innovative Finance Support provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help transportation professionals deliver innovation.

### PUBLIC—PRIVATE PARTNERSHIPS

The Center for Innovative Finance Support's P3 program focuses on the potential of design–build–finance–operate–maintain (DBFOM) concessions funded through tolls or availability payments to reduce project cost, improve quality outcomes, and provide additional financing options.

### ALTERNATIVE PROJECT DELIVERY

The Center for Innovative Finance Support's Alternative Project Delivery program provides information on contractual arrangements that allow for greater private participation in infrastructure development by transferring risk and responsibility from public project sponsors to private sector engineers, contractors, and investors.

### PROJECT FINANCE

The Center for Innovative Finance Support's Project Finance program focuses on alternative financing, including State Infrastructure Banks (SIBs), Grant Anticipation Revenue Vehicles (GARVEEs), and Build America Bonds (BABs).

### TOLLING AND PRICING

The Center for Innovative Finance Support's Federal Tolling and Pricing program focuses on the use of tolling and other road user charges as a revenue source to fund highway improvements and the use of variably priced tolls as a tool to manage congestion.

### VALUE CAPTURE

The Center for Innovative Finance Support's Value Capture Strategies program explores strategies for tapping into the added value the transportation improvements bring to nearby properties as a means to provide new funding for surface transportation improvements.



U.S. Department of Transportation  
Federal Highway Administration