

Federal Highway Administration Webinar on Value Capture Strategies: Transportation Reinvestment Zones (TRZs)-The Primer

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Answers to Questions Posed During the Webinar

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Are there any states other than Texas and Utah with TRZ legislation?

No, at present Texas and Utah are the only states with TRZ legislation.

Why have only 16 TRZ's been established in 11 years, if it is easier than TIF?

There are only 16 currently active TRZs but more were established over this time frame. The main reason which kept TRZs from being used was that changes to TRZ enabling legislation to make them more flexible only occurred within the last five or six years.

Is state legislation required prior to a local government starting a TRZ?

It depends on how each state delegate powers to local governments. Some states grant all powers except those limited by the state legislature while other states grant only certain powers to local municipalities. In the former framework, a local government could enter into a TRZ while in the latter a local government could not without enabling legislation.

Does each state have specific laws pertaining to TRZ's? Can a State prohibit TRZ's for local governments?

No states except Texas and Utah have laws pertaining to TRZs currently. It depends on how a state delegates powers to municipal governments, as described in the previous question.

If a county creates a TRZ, can the municipalities be included under the county umbrella with buy in or appropriate wording in an ordinance or resolution for efficiency or do they need to create their own individual TRZs?

Each municipality and county must create their own TRZ since they have separate tax bases, but they can enter into a local agreement to jointly fund the project and funnel the money to the organization overseeing the TRZ to execute.

How is "unproductive and underdeveloped" defined? And has there been any recent push back on this definition as it relates to gentrification?

The municipalities decide which areas are considered "unproductive and underdeveloped" and the TRZ laws have no metric to guide this determination. So far there has not been pushback about TRZs.

How does this impact renters? Could this contribute to gentrification and displacement?

TRZs themselves do not have a direct impact on renters. The increase in property values, development activity and planned development projects within TRZs have the potential to result in gentrification and housing affordability.

How do TRZs help low-income residents?

The simple act of creating a TRZ does not have a positive or negative impact on residents. TRZs help generate the revenue to deliver a transportation project. The transportation project in turn, spurs economic development, including retail activity, land development, and associated employment generation. Low-income residents in turn benefit from increased accessibility proximity to employment opportunities, shopping, and an overall reduction in commuting costs. The downside could be the increased housing costs alluded to in the previous question, which communities may be able to mitigate by incorporating low-income housing development within the One.

Raymond L. Telles, Executive Director, Camino Real Regional Mobility Authority (CRRMA), El Paso, Texas; TRZ Program/Projects

Do Regional Mobility Authorities (RMAs) work with MPOs?

RMAs are one of the implementing agencies for transportation projects while MPOs handle the planning and federal funds. Across Texas, many regions include the RMA on the board of the MPO and even when not, there is usually a working relationship.

Are tax base year bases adjusted for inflation or other project influences in the TRZ?

The tax bases are not adjusted for inflation or any other reasons – the increment revenue generated each year within the area bounds goes into the TRZ fund.

If issuing TRZ bonds from tax increment, what is the typical debt service coverage? 125%, 150%, 175% or up to 200%?

No TRZ projects have issued bonds as of yet. This project packaged the funding as Build America Bonds through the State Infrastructure Bank (SIB) and the SIB was the sole holder of the bonds.

Have any TRZ projects been audited? If so, were any issues found?

Each TRZ project has been audited since they have used federal funding. No issues have been found thus far.

Andrew S. Gruber, Executive Director, Wasatch Front Regional Council (WFRC), UT

Do the tax increments (increases) have to be attributed to the transportation project?

The law is mute in this regard – it does not require the local government to demonstrate that the tax increment (or any portion of it) in any given year is a consequence of the transportation project. Property values depend on many variables, and it would be highly speculative to attribute a specific portion of the increment of a given year to a transportation project.

Do TRZ and/or Housing and Transit Reinvestment Zones (HTRZ) funds need to be identified in an environmental document established for the project?

No, there is no requirement of identifying these funds in project environmental documents.

What has been the duration of the HTRZ approval process (months, years)?

No HTRZs have been approved yet, but the expectation is that approvals will be granted within months.

Are the HTRZ committee votes unanimous or majority rule.

HTRZ committees are majority rule.

Questions for All Presenters

For states where TRZ are not currently an option (e.g. California), how can communities pursue starting a TRZ to utilize these strategies?

Utah reached out to Texas to learn how they implemented TRZs. The enhanced TIF districts in California have many of the same ingredients as TRZs which can help to develop TRZs there.

Have you found that TRZs that focus on already affluent or better off communities or areas as they already have growth and solid tax bases, or are TRZs so geographically broad that the increased funding can be used to direct improvements to less affluent communities?

On the first part of the question, TRZs have been used by a wide range of communities in Texas, with diverse property tax bases, ranging from small towns and cities in rural areas to communities in large urban areas. On the second part of the question, the improvements funded by a TRZ must be within the TRZ boundaries, so a TRZ's boundaries could conceivably stretch along a corridor, while the improvements funded by the zone may be located in one or more selected locations along the corridor. An example of this situation is the City of El Paso TRZ No.2, which stretches over a corridor several miles long encompassing sections of I-10 and other state highways.¹ The improvements funded using TRZ proceeds are located at selected locations of the corridor. One of these improvements is the Americas Interchange project on I-10, where TRZ funding was used to pay for two of the interchange's direct connectors.

¹ <https://www.crrma.org/information/publications>

Do you think they would work as well in low-growth communities?

There is potential for minimal revenue generation if the entire zone covers low-growth communities. However, it is possible to set the boundaries of the zone to include low-growth and high-growth areas so that the funds can be spend anywhere within the zone.

Can the TRZ use innovative transit options like ultralight Transit People Movers (TPM) network systems?

In general, TRZs can be used to fund transportation improvements in virtually every transportation mode. Texas law allows for the creation of a TRZ for a variety of transportation projects, including, among others, tolled and non-tolled roads; passenger or freight rail facilities; certain airports; pedestrian or bicycle facilities; intermodal hubs; parking garages; transit systems; bridges; certain border-crossing inspection facilities; and ferries.² On the other hand, Utah law does not define the specific transportation projects that can be funded using TRZ revenues. Instead, it allows the local governments to define the transportation need and proposed improvement within the zone.³

² Texas Transportation Code Sections 222.105–111

³ Utah Code § 59-2