Transportation Reinvestment Zones: Using Value Capture to Fund Transportation Capital Improvements

A Primer
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FOREWORD

State and local governments have traditionally relied on State and Federal transportation funding to maintain, improve, or expand their transportation networks. However, transportation needs have outpaced the availability of these funds, creating a funding gap that significantly impacts the ability of transportation agencies to deliver critically needed transportation projects. Value capture techniques have the potential to help communities narrow this funding gap, making possible the delivery of necessary transportation projects (1).

Value capture refers to a set of techniques that generally take a share of increases in property tax revenues, business activity, and economic growth linked to infrastructure investments to help fund those infrastructure improvements. Transportation reinvestment zones (TRZs) are a value capture technique available to local governments in the States of Texas and Utah. A TRZ creates funding for transportation projects by capturing and leveraging the real estate and land development values and business activity resulting from those transportation projects. TRZs allow local governments to leverage multiple traditional Federal and State funds to deliver transportation projects critical for their communities. Local governments often use TRZ revenues as a complementary funding source to help close the funding gap, meet local match when required, or pay for project development costs (2).

This primer was developed on behalf of the Federal Highway Administration’s (FHWA) Value Capture Implementation Team and is based on a review of relevant literature, interviews with practitioners, case studies, and lessons learned from practicing agencies. Its audience includes two groups of practitioners:

1. Practitioners from communities that do not currently use TRZs as a funding source for transportation projects but may be considering implementing one in the near future.
2. Practitioners from communities that already have implemented TRZs but are interested in learning more about other available TRZ financing methods.

This primer presents the basic concepts needed to understand how TRZs work and explains the implementation stages. Additionally, it highlights the role that TRZs play in the delivery of transportation projects, the types of projects that can be funded using TRZ revenues, and the TRZ financing methods commonly employed by local governments. Finally, this primer shares the opportunities and challenges associated with the use of TRZs to fund transportation projects and provides a case study that illustrates how the local government of a small community used TRZs to deliver a critically needed transportation project. The information contained in this primer is based on the current TRZ legal framework of the States of Texas and Utah. Like all value capture techniques, a TRZ is an optional funding tool that is not regulated or required by FHWA.
EXECUTIVE SUMMARY

The growth in local transportation needs has outpaced the availability of funding from traditional State and Federal sources, leading to a growing funding gap. Value capture funding techniques have helped communities throughout the country narrow this funding gap while accelerating the delivery of critically needed transportation projects. Value capture techniques rely on increases in property values, business activity, and economic growth linked to transportation infrastructure to help fund current or future transportation improvements (1).

Transportation reinvestment zones (TRZs) are a value capture technique that relies on the principles of tax increment financing (TIF) to help pay for transportation projects. A TRZ is very similar to a TIF district in that a TRZ is also a TIF mechanism used to set aside property and sales tax increments. However, a TRZ is explicitly dedicated to transportation improvements in almost every transportation mode. TIF districts are used to pay for a wider range of infrastructure improvements (e.g., transportation improvements, utilities, landscaping, streetscaping) and other development projects within a district (e.g., affordable housing, convention centers, hotels). Additionally, because TRZs are easier to create and have a less complex governance structure than TIF districts, TRZs have become a popular tool for transportation funding in Texas (3). TRZs allow local governments with taxing authority to set aside local funds generated by property and/or sales tax increments within the zone to fund transportation improvements. Transportation improvements in turn enhance mobility and promote economic development through land development and increased business activity, both of which boost property and sales tax revenues not only within the zone but well beyond its boundaries, benefiting the community at large.

Research has documented that the impacts of transportation projects on real property values concentrate in regions within 1 to 2 miles from the centerline of a corridor, which is well beyond the boundaries of a typical TRZ (4). This means that while only a portion of the tax increment revenue is temporarily dedicated to fund the transportation improvement, the economic development that is spurred by the project and takes place outside the zone yields a tax increment that can be invested in other community priorities within the zone or across the entire jurisdiction.

TRZs are generally not intended to serve as the sole funding mechanism to deliver a transportation improvement (2). Rather, TRZ revenues are often used as a complementary funding source to help close the funding gap, meet local match when required, or to pay for other project development costs. TRZs are currently available to local governments in Texas and Utah. Texas authorized TRZs in 2007, and the first TRZs were created in 2010. This primer provides an overview of basic TRZ concepts and a step-by-step description of their implementation process based on the current legal frameworks in Texas and Utah.†

In Texas, the law allows municipalities, counties, and port authorities to create TRZs to fund transportation improvements for all modes, including roads and bridges, passenger or freight rail facilities, certain airport facilities, pedestrian and bicycle facilities, parking garages, transit systems, ferries, and port facilities. On the other hand, Utah legislation authorizes the creation of TRZs by two or more public agencies, at least one of which must have land use authority over the area where the TRZ will be created.

† The legal framework for the creation of TRZs in Texas is laid out in the Texas Transportation Code Sections 222.105–111 and includes relatively detailed requirements for local governments to pursue their implementation. Utah enacted its TRZ enabling legislation in 2018 and amended it in 2019. To date, no TRZs have been created in Utah. The provisions governing the legal framework for TRZs in the State of Utah are contained in Section 11-13-227 of the Utah Code. The implementation guidance included in it, however, is relatively limited compared to Texas. Because the implementation guidance and experience with TRZs in Utah is limited, the information presented in this primer is largely based on the legal requirements and experience from the State of Texas. Nevertheless, to the extent guidance is available, relevant Utah-specific differences are highlighted throughout the document.
Utah law is very flexible in that it allows the local governments to define the transportation need and proposed improvement that will be funded through the TRZ mechanism.

Finally, like other transportation funding and financing techniques, TRZs offer opportunities that local governments can take advantage of and challenges they may need to overcome. This primer identifies four main areas of opportunity for local governments using TRZs:

1. Generation of funding without increasing tax rates or creating a new tax
2. The ability to accelerate, or even enable, the delivery of critical projects
3. Enhanced interagency collaboration to leverage different sources of funds
4. Promotion of equity and economic efficiency in project funding through the “beneficiary pays principle” (that is, those who benefit most from infrastructure investments pay more) (1) ii

There are three main areas where challenges may emerge:

1. A TRZ might be perceived as diverting resources needed to sustain other public services.
2. The uncertainty associated with real estate markets may increase the cost of borrowing from private capital markets or from Federal low-interest rate loan programs, such as the Transportation Infrastructure Finance and Innovation Act, Railroad Rehabilitation & Improvement Financing, and Private Activity Bonds.
3. For Texas counties, there could be potential legal challenges to their ability to use TRZ revenues to repay debt acquired to fund a transportation project.

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i This primer refers to “equity” as promoting fairness among users and taxpayers, and “efficiency” as the efficient use of resources.
ORGANIZATION OF THIS REPORT

A transportation reinvestment zone (TRZ) is a value capture technique that has the potential of complementing traditional Federal and State transportation funding sources to help local governments close the funding gap, comply with requirements for local matching funds, or pay for other project development costs. Currently, TRZs are available to local governments in Texas and Utah.

This primer’s objective is to help local governments understand the basics of TRZs as a funding source for transportation projects. This primer will:

- Examine how TRZs are implemented within the legal frameworks of Texas and Utah
- Describe how local governments can use TRZs and which transportation projects qualify to be funded with TRZ revenues
- Illustrate the opportunities and challenges that exist for local governments considering implementing a TRZ

The following paragraphs provide an overview of the content included in each chapter of the primer to assist the reader in navigating the document.

Chapter 1: Introduction

Chapter 1 introduces the TRZ as a value capture technique that allows local governments to plan and complete transportation improvements. The differences between TIFs and TRZs are explained in this chapter.

Chapter 2: Transportation Reinvestment Zone Basics

Chapter 2 defines basic TRZ concepts, discusses the circumstances that motivate local governments to create TRZs, and summarizes the TRZ legal frameworks in Texas and Utah.

Chapter 3: Implementation of a Transportation Reinvestment Zone

Chapter 3 describes the five-stage implementation process of TRZs in Texas.

Chapter 4: Use of Transportation Reinvestment Zones

Chapter 4 identifies which local government units in Texas and Utah are enabled by law to use TRZs as a transportation funding mechanism and outlines the types of transportation projects that can be funded with TRZ revenues. It also presents the main financing options available for TRZ revenue funds along with their advantages and disadvantages.

Chapter 5: Opportunities and Challenges of Transportation Reinvestment Zones

Chapter 5 discusses four main opportunities and three categories of challenges faced by communities that have used or have considered using TRZs.

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ii Because of the limited implementation guidance and experience with TRZs in Utah, the information presented in Chapter 3 is based on the legal requirements and implementation experience from Texas.
Chapter 6: Case Study

Chapter 6 provides a case study that illustrates how the small community of the Town of Horizon City, Texas, used a TRZ to deliver its Eastlake Boulevard Extension Phase 2 project. This is a clear example of how local governments can collaborate effectively to improve regional mobility.

Chapter 7: Concluding Remarks

Chapter 7 consolidates the key takeaways of the primer by summarizing the main features of a TRZ, including its role in the delivery of transportation projects and where it is being used, and outlining the opportunities that TRZs can provide local governments seeking new funding tools to improve mobility in their communities.
CHAPTER 1: INTRODUCTION

State and Federal transportation funds are the traditional funding sources for transportation projects. However, the growth in local transportation needs has outpaced the availability of these funds, creating a funding gap. Value capture techniques have the potential to help communities narrow this funding gap, making delivery of critically needed transportation projects possible. Value capture techniques rely on increases in property values, business activity, and economic growth linked to transportation infrastructure to help fund current or future transportation improvements (1). Transportation reinvestment zones (TRZs) are a value capture technique that relies on the principles of tax increment financing (TIF) to help pay for transportation projects.

TRZs are currently available to local governments in Texas and Utah. Texas authorized TRZs in 2007, and the first TRZs were created in 2010. Since then, the legal framework has evolved as a result of accumulating implementation experience, expanding the use of TRZs, and clarifying the process or requirements to establish them (5). The legal framework for creating TRZs in Texas is laid out in Chapter 222 of the Texas Transportation Code (see Appendix B) and includes relatively detailed requirements for local governments to pursue their implementation.iv

Utah enacted its TRZ-enabling legislation in 2018 and amended it in 2019. To date, no TRZs had been created in Utah. The provisions governing the State’s legal framework for TRZs are contained in Section 11-13-227 of the Utah Code (see Appendix C). The implementation provisions offer relatively limited guidance compared to Texas. Because of the limited implementation guidance and lack of experience with TRZs in Utah, the information presented in this primer is largely based on the legal requirements and experience from Texas. Nevertheless, to the extent guidance is available, relevant Utah-specific differences are highlighted throughout this document.v

This chapter first introduces the TRZ concept. Next, it summarizes the main similarities and differences between TRZs and TIF districts, which is another value capture technique that relies on the same principles. Finally, this chapter concludes with an outline of the role that TRZs generally play in the delivery of transportation projects.

1.1 TRZs as a Value Capture Technique

Creating a TRZ allows local governments to pledge funding contributions for a transportation project by capturing a portion of the land value increases, new development, and increased business activity spurred by the transportation improvement. When creating a TRZ, local governments designate a contiguous area around a transportation project as an impact zone to capture a portion of the increment in future local property and/or sales tax revenues resulting from the growth in the zone’s tax base.vi The incremental tax revenue is used to fund the transportation project. Thus, a portion of the land

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iv Texas Transportation Code § 222.105–111

v The Housing and Transit Reinvestment Zone Act was signed into law on March 22, 2021. The law creates a detailed framework for the creation of Housing and Transit Reinvestment Zones, a housing and transit-focused tax increment financing type of mechanism that relies on property and/or sales and use tax increments. The law does not amend or modify the existing framework for the more general TRZs allowed under Utah Code § 11-13-227 and discussed in this primer. The bill, which is included in Appendix C, took effect on May 5, 2021. More details on this new transit and housing value capture mechanism available to local governments in the State of Utah can be consulted by following this link: https://le.utah.gov/~2021/bills/static/SB0217.html#63n-3-610.

vi Although dedicating the sales tax increment within a TRZ is allowed by the Texas Transportation Code (222.105–111), none of the existing or planned TRZs in Texas to date have included sales tax increment provisions. Utah Code § 11-13-227 also allows local governments to dedicate a portion of sales tax increment collected within the zone, but as noted earlier, no TRZs have been created in Utah to date.
development and economic activity attributable to the project is used to fund the improvement. This allows the community to accelerate project delivery and thus reap the benefits of the increased business and economic activity spurred by the project earlier.

1.2 TRZs and TIF Districts: Similarities and Differences

A TRZ is very similar to a TIF district in that a TRZ is also a TIF mechanism used to reallocate property tax increments for public investments within the zone. However, a TRZ is explicitly dedicated to transportation improvements in almost every transportation mode. TIF districts, on the other hand, are used to pay for a wider range of infrastructure improvements (e.g., transportation improvements, utilities, landscaping, and streetscaping) and other development projects within a district (e.g., affordable housing, convention centers, and hotels). Two other key differences between a TRZ and a TIF district have made TRZs a popular tool for transportation funding.

First, TRZs are easier to create. In Texas, for example, TRZs can be initiated by a local government and require approval only from its governing body (city council or commissioners court) after public hearings are held. On the other hand, like TIF districts in most states, a tax increment reinvestment zone (TIRZ)—the Texas version of a TIF district—has a more complex initiation mechanism. A TIRZ can be initiated by a municipality or by petition of the property owners who own the majority of the appraised property value within the zone. If initiated by the city, a majority of the property owners have to approve. In addition, a TIRZ can only be initiated by a city if not more than 10 percent of the land within the TIRZ is residential.

Second, TRZs have a less complex structure. According to Texas law, a TRZ does not require a separate oversight structure once it has been approved by the local governing body. On the other hand, the Texas Tax Code requires setting up a TIF Board of Directors for a TIRZ.

1.3 Role of TRZs in Delivering Transportation Projects

TRZs create funding for transportation projects by capturing and leveraging the growth in real estate/land development value and economic/business activity resulting from a transportation project. TRZs have played a pivotal role in the delivery of transportation projects for local communities. By using TRZs, local governments can leverage multiple traditional and nontraditional funding sources, including Federal and State transportation funds, tolls, and other value capture mechanisms, to expedite, or in some cases make possible, the execution of critically needed transportation projects.

TRZs are generally not intended to serve as the sole funding mechanism to deliver a transportation improvement. Rather, TRZ revenues are often used as a complementary funding source to help local governments close the funding gap, meet local match when required, or to pay for project development costs. A TRZ can be created to support single or multiple transportation improvements. Finally, neighboring local governments can establish TRZs within their jurisdictions and combine revenues to fund transportation projects that enhance regional mobility and traffic safety.

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vi Texas Tax Code § 311.001-311.021.
CHAPTER 2: TRANSPORTATION REINVESTMENT ZONE BASICS

Chapter 2 reviews basic TRZ concepts required to understand how TRZs work, the circumstances appropriate for their use, and the legal framework currently governing TRZs in Texas and Utah. This chapter consists of three sections. The first section outlines the TRZ terminology used in this primer. The second section discusses the circumstances that frequently motivate local governments to create a TRZ to fund a transportation project. Finally, the third section discusses the legal framework and authority governing TRZs as a value capture mechanism in Texas and Utah.

2.1 Definitions

For the purposes of this primer, a TRZ is defined as a contiguous area around a transportation project designated by a local government as an impact zone. It is an area where a portion of the annual increment in future local property and/or sales tax revenues resulting from the growth in the zone’s tax base will be captured and used to support funding and financing of the project.

Other concepts associated with this definition are described in the bullets below and illustrated in
Figure 1,\textsuperscript{viii} using a property tax example based on Texas law.\textsuperscript{iv}

- **Captured appraised value**: The captured appraised value of taxable real property within the zone for a year is defined as the total appraised value of all taxable real property for that year less the tax increment base, as illustrated by triangle (a).

- **Tax increment base**: The tax increment base of the zone for the duration of the TRZ is defined as the total appraised value of all taxable real property within the zone in the year in which the zone was designated (the base year), as illustrated by rectangle (b).

- **Annual property tax increment**: The annual tax increment for any given year is defined as the amount of property taxes levied and collected by the local government for that year on the captured appraised value of taxable real property within the zone, as illustrated by triangle (c).

- **Property tax**: The property tax revenue collected from the tax increment base is transferred to the local government General Revenue Fund for municipal operating and capital expenses, as illustrated by rectangle (d).

Annual tax increment revenues (triangle [c]) are obtained by subtracting the tax increment base (rectangle [b]) from the captured appraised value in each future year and multiplying it by the property tax rate of the local government creating the TRZ. Then, some or all of the resulting annual tax increment revenue is deposited in a separate "ad valorem tax increment account"\textsuperscript{ix} to fund the project or repay debt (if future TRZ revenues have been used as collateral to secure a loan or issue bonds).

\textsuperscript{viii} Tables and figures included throughout this document were created for this primer, unless otherwise indicated.

\textsuperscript{iv} An ad valorem tax is a tax based on the determined value of the item being taxed. In the context of TRZs, the term refers to local property and sales taxes. The term "ad valorem tax increment account" is used in Sections 222.107(f) and 222.1075(f) of the Texas Transportation Code. See Appendix B.
2.2 Circumstances Motivating Creation of TRZs

A TRZ is a value capture mechanism that enhances the ability of a local government to expedite the delivery of critical transportation projects for its community. TRZs are generally not used to fully fund a project, but instead are used to leverage other transportation funding sources and help close funding gaps. However, closing these gaps has allowed communities to expedite, or make possible in some instances, the delivery of transportation improvements that otherwise would have been implemented much later.

A TRZ can be created to support a single or multiple transportation improvements. As described next in Section 2.3.1, Texas law gives local governments multiple options for using TRZ revenues. For example, it is possible for neighboring local governments to partner with each other to deliver TRZ-funded projects that enhance mobility and spur economic development regionally. Texas law allows a local government to create a TRZ with the objective of funding a project that is partially or completely outside its boundaries in one or more neighboring jurisdictions. Texas law only requires that a TRZ be designated for the same project by one or more counties or municipalities in whose boundaries the project is located, and that the local governments involved enter an agreement for "joint support." For example, neighboring local governments or jurisdictions that overlap geographically (e.g., a municipality and a port authority) could each set up a TRZ and use the revenue to jointly support funding of a project of common interest located outside the boundaries of one of them.

Like other value capture techniques, TRZs can promote equity and economic efficiency through the beneficiary pays principle. In the transportation context, this economic principle holds that the most efficient allocation of resources occurs when those who use and benefit from the transportation system (or improvements to it) pay—in proportion to the benefit they receive—for some of its capital costs.
Beneficiaries can include property owners and developers within the zone who benefit from increases in property values due to proximity to new or improved infrastructure. Beneficiaries may also include business owners if the improved infrastructure lowers transportation costs for nearby businesses or makes markets more accessible \(^1\).

2.3 Legal Framework

Legislation in Texas and Utah allows local governments to create TRZs in certain circumstances and for specific projects. Texas first adopted legislation authorizing the creation of TRZs in 2007, with the first TRZs being created in 2010. As of 2020, 16 active TRZs in Texas supported a wide variety of transportation projects (see Table 4 in Appendix A). On the other hand, the State of Utah enacted its TRZ-enabling legislation in 2018 and amended it in 2019. To date, no TRZs have been created in Utah. The following paragraphs summarize the legal framework governing TRZs in Texas and Utah.

2.3.1 Legal Framework in Texas

The legal framework for TRZs in the State of Texas originated with legislation first enacted by Senate Bill (SB) 1266 in the 80th Legislative Session in 2007. SB 1266 amended Chapter 222 of the Transportation Code, and the TRZ provisions currently appear in Sections 222.105–111. The legal framework evolved in subsequent legislative sessions primarily in response to the experiences of first adopters—municipalities and counties that created TRZs or considered creating TRZs under the original legislation and identified issues that required clarification or amendments that could expand their practical use. As a result, subsequent legislative sessions passed amendments to the law that expanded the use of TRZs and clarified the process or requirements to establish one \(^5\).

In 2007, SB 1266 provided for the development of two types of TRZs with a focus on State highway infrastructure, municipal TRZs, and county TRZs. It is important to note that while Texas counties are explicitly allowed to create TRZs, their ability to use tax increment revenue as collateral for a loan or to issue bonds could be constitutionally challenged. Several Texas Attorney General opinions have made it clear that use of county TRZ revenue as debt collateral could be constitutionally challenged, and that even collecting and using county TRZ funds on a pay-as-you-go basis may also be subject to constitutional challenge. More specifically, the Attorney General opinions indicate that a county is prevented by the State constitution’s equal and uniform provision from pledging tax increment revenue from an area to repay debt issued for a project (including a transportation project) aimed at developing or redeveloping that area. This has rendered Texas counties unable to use TRZ revenue to fund transportation improvements, which effectively prevents them from considering TRZs as a value capture technique for generating transportation funding.\(^x\)

As noted earlier, the legal framework governing TRZs has been amended several times since 2007. In 2011, legislation was enacted to make procedural changes regarding implementation and to allow for increased flexibility in the adoption and implementation of TRZs. In 2013, new amendments expanded the concept to all modes of transportation and enabled port authorities and navigation districts to establish port authority TRZs. This expanded the modes and types of projects eligible for TRZ funding to rail, transit, parking lots, ferries, and airports, among others. Changes were also introduced to allow local

\(^x\) The Texas Attorney General cites article VIII, section 1(a) of the Texas constitution. See letter from Texas Attorney General Ken Paxton to Representative Joseph C. Pickett dated February 26, 2015: [https://www2.texasattorneygeneral.gov/opinions/opinions/51paxton/op/2015/kp0004.pdf](https://www2.texasattorneygeneral.gov/opinions/opinions/51paxton/op/2015/kp0004.pdf)
governments to complete multiple projects within the same TRZ, as well as create TRZs to support projects located in other jurisdictions, as noted earlier(5).

Today, the Texas Transportation Code includes relatively detailed requirements for local governments to pursue the implementation of TRZs. Section 222.106(c) gives a local government the ability to create a TRZ if it determines: xi

1. An area to be unproductive and underdeveloped.
2. That the creation of the zone will promote public safety; facilitate the improvement, development, or redevelopment of property; facilitate the movement of traffic; and enhance the municipality’s ability to sponsor a transportation project.

Note: A finding of blight is not a requirement to set up a TRZ.

The types of projects eligible for TRZ funding follow the definitions of transportation projects set forth in Sections 370.003 and 55.001 of the Texas Transportation Code and includes the following for municipal and county TRZs:

- Tolled and non-tolled roads
- Passenger or freight rail facilities
- Certain airports
- Pedestrian or bicycle facilities
- Intermodal hubs
- Parking facilities and equipment to collect parking fees
- Transit systems
- Tolled and non-tolled bridges
- Certain border-crossing inspection facilities
- Ferries
- Other improvements in a properly designated TRZ

Port authority and navigation district TRZ funding can be used for “a port project,” which is defined as “a project that is necessary or convenient for the proper operation of a maritime port or waterway and that will improve the security, movement, and intermodal transportation of cargo or passengers in commerce and trade, including dredging, disposal, and other projects.”xii

xi The requirements to form a TRZ for port authorities and navigation districts are somewhat different from those for a municipality or county and are laid out in Section 222.1075 of the Texas Transportation Code. The law authorizes port authorities and navigation districts to form a TRZ after finding that (a) the area within the TRZ is unproductive and underdeveloped, and (b) forming the TRZ would improve the security, movement, and intermodal transportation of cargo or passengers in commerce and trade.

xii Texas Transportation Code § 222.105–1075.
As noted in the introduction, a TRZ can only be initiated by a local government and requires approval only from its governing body (city council or commissioner’s court) after public hearings are held.\textsuperscript{xiii} The Texas law does not limit the maximum size or footprint of a TRZ if it falls within the local government’s jurisdiction and conforms to a contiguous geographic area.\textsuperscript{xiv} The boundaries of a TRZ may be amended at any time to accommodate changes in the limits of the project for which the zone was originally created. However, property already within the zone may not be removed or excluded from the zone if the local government has already assigned any part of the increment to secure debt or other obligations to fund the project. Conversely, TRZ boundaries can be expanded and properties added to the zone provided that the local government goes through the same process required to originally create the zone (including public notices and hearings required by law).\textsuperscript{xv} A newly created TRZ can include within its boundaries property that is part of a pre-existing TIF arrangement, a tax abatement, or other tax incentives. However, property tax increment revenue from such property is not payable into the TRZ tax increment account until commitments related to the preexisting arrangement, agreement, or abatement are fulfilled or expire.\textsuperscript{xvi}

Texas law does not require local governments to dedicate 100 percent of the annual tax increment revenue to a project. All or a portion of the funds specified by the local government within the zone must be used to fund the transportation project (or projects) for which the zone was created. The remaining portion of the tax increment collected within the zone may be retained by the local government and used for any other general revenue fund purposes.\textsuperscript{xvii}

In practice, this means that local governments retain a great deal of flexibility in deciding what percentage of the annual tax increment revenues is dedicated to paying for a project. Texas law also requires that annual property tax increments from property within the zone be deposited into a tax increment account.\textsuperscript{xviii} The local government may then enter into an agreement with a public or private entity to implement a project within the zone and pledge all or a specified amount of the tax increment revenue to the payment of the costs of that project.\textsuperscript{xix}

Texas law states that a TRZ terminates on December 31 of the year in which the local government completes any contractual requirement that included the pledge of TRZ revenue. In addition, a TRZ terminates on December 31 of the 10th year after the year the zone was designated, if the local government has not used the zone for its designated purpose prior to that date.\textsuperscript{x}

Finally, Texas law sets forth specific requirements governing the implementation of a TRZ. These requirements are covered in detail in Chapter 3.

\textsuperscript{xiii} Texas Transportation Code § 222.106(c)–(e).
\textsuperscript{xiv} Texas Transportation Code § 222.106(c).
\textsuperscript{xv} Texas Transportation Code § 222.106(i-2).
\textsuperscript{xvi} Texas Transportation Code § 222.106(h).
\textsuperscript{xvii} Texas Transportation Code § 222.106(i).
\textsuperscript{xviii} Texas Transportation Code § 222.106(j).
\textsuperscript{xix} Texas Transportation Code § 222.106(h).
\textsuperscript{x} Texas Transportation Code § 222.106(i-1).
\textsuperscript{x} Texas Transportation Code § 222.106(j).
2.3.2 Legal Framework in Utah

The Utah State Legislature approved SB 136 in its 2018 General Session, enacting Utah Code Section 11-13-227, which lays out the State’s legal framework for TRZs. Amendments were approved in the 2019 General Session (SB 72) to add clarifications on the independence of TRZ agreements from other local government decisions dealing with transit services, land use, and the sale or acquisition of local government-owned real property. More specifically, SB 72 clarifies that entering into a TRZ agreement does not affect or depend on:

1. Separate local government actions dealing with the creation, operation, or funding of public transit services
2. Land-use regulations
3. Local government actions dealing with the acquisition, management, and disposal of public property

In general, the legal framework for TRZs in Utah is broader and less detailed than it is in Texas. Although this may allow for more flexibility, the experience in Texas has shown that adding more specific guidance to the original enabling legislation has encouraged more local governments to consider using the tool (5).

In terms of initiating a TRZ, Utah law requires two or more public agencies, one of which must have land use authority over the proposed zone, to agree upon the basic elements of the zone, including transportation infrastructure need and proposed improvement, boundaries and base year, and terms for sharing future sales and/or property tax revenue. Before an agreement is approved as required in Section 11-13-202.5, and before a TRZ agreement is approved, Utah law requires holding a public hearing regarding the details of the proposed TRZ. There is no requirement for determining whether the area is unproductive or underdeveloped, or for a finding of blight.

Regarding which entities are authorized to establish a TRZ, Utah law allows several different types of public agencies to participate in creating a TRZ, as long as one of them has land use authority within the zone’s boundaries. Public agencies with land use authority in Utah include municipalities and counties. Other eligible public agencies without land use authority may include the State and political subdivisions, departments or divisions of the State. A Utah TRZ is governed by an interlocal agreement(s) between the establishing public entities. Utah law is mute regarding the duration of a TRZ.

Utah law does not explicitly allow or disallow changes in the footprint or boundaries of a TRZ once it has been created and is mute regarding limitations on the size of its boundaries. However, given that a requirement for the creation of a TRZ is that at least one of the agencies has land use authority over the zone, it can be inferred that the zone boundaries must be within such agency’s jurisdiction.

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xxi Relevant Utah Code sections: § 10-8-2; § 10-9a, § 17-27a, and § 17-50-312.
xxii Utah Code § 11-13-227(2)(a)-(e).
xxiv Utah Code § 11-13-227(2).
The use of TRZ funds is not limited to local, State, or Federal transportation projects. Utah law is flexible by allowing the participating public agencies to determine the transportation need and improvement within the zone, instead of defining which transportation improvements are eligible.xxvi

CHAPER 3: IMPLEMENTATION OF A TRANSPORTATION REINVESTMENT ZONE

This chapter presents the process of implementing a TRZ. Because of the limited implementation guidance and experience with TRZs in Utah, the information presented in this chapter is largely based on the legal requirements and implementation experience available from Texas.xxvii The TRZ implementation process in Texas consists of five sequential stages, as presented in Figure 2 (6). In Texas, experience has shown that it takes about 6 months to establish a TRZ, that is, to complete the first three stages shown in Figure 2.

Figure 2. Texas TRZ implementation stages [adapted from Leveraging the Value of Land and Landside Access to Fund Port Infrastructure in Texas. (6)]

The TRZ implementation process involves a significant amount of interagency collaboration, as the information and support needed to complete the process benefits from the involvement of a number of stakeholders. In addition to the local government’s governing body and other officials, potential stakeholders include agencies such as the State Department of Transportation (DOT); the regional transportation planning body (e.g., metropolitan planning organization [MPO]); and the local appraisal district (or equivalent). As a result, developing strong stakeholder relations and agency champions is critical. The following sections describe each implementation stage in detail.

3.1 Initiation

This stage consists of identifying an eligible target area for TRZ funding. According to Texas law, this is an area that may be considered unproductive or underdeveloped, and where the creation of a zone will: promote public safety; facilitate the improvement, development, or redevelopment of property and the movement of traffic; and enhance the municipality’s ability to sponsor a transportation project. At this stage, the municipality identifies a candidate project and may conduct a preliminary feasibility analysis to

xxvii This section complements the legal framework discussion in Chapter 0. The legal requirements mentioned in the process described in this section have been primarily drawn from the Texas Transportation Code § 222.105–111. References to Utah law complement the text where relevant to highlight difference and similarities.
assess its potential as the basis for a TRZ. Also at this stage, the local government may commence internal and external stakeholder engagement to build support for the project.

Texas local governments that have implemented TRZs have generally developed one or more of the following preliminary analyses:

- An economic impact study of the proposed project and the economic value it could create within the zone.
- An evaluation of potential tax increment revenue. Such assessments rely on appraisal data, pace of development within the zone and land use dynamics, and forecasts for real property values.
- An analysis that demonstrates that the land within the zone is unproductive or underdeveloped, and that the transportation project will promote upzoning (i.e., change to a land use that increases the value of the property) or development.

Some of the data sources that are used for these types of analyses include State DOTs, county appraisal districts, the State Comptrollers of Public Accounts, and various other economic resources and sites. The types of data may include:

- **Project-related information**: This includes project costs, proposed limits, and project type (e.g., new road or transit link, capacity additions on an existing link).
- **Cadastral data**: This includes both appraisal data and geographic data. Appraisal data contain appraisal value (e.g., market or taxable values); land use (e.g., agricultural, residential, industrial, or commercial); development status (i.e., vacant or developed); and acreage of each individual parcel. Geographic data refers to information that identifies the exact location of the parcels.
- **Land zoning data**: Land zoning data define the types of land uses that are permitted on a specific tract of land. For instance, new industrial developments are not permitted in areas zoned for commercial and residential development.
- **Socioeconomic data**: This includes gross domestic product, population, or employment trends, because it is widely accepted that these factors influence parcel value growth and pace of development.

The results of these preliminary analyses could be used to initiate a dialogue with stakeholders, such as State DOTs, MPOs, and others, to build support. Identifying a TRZ champion facilitates this process because of the significant amount of interagency collaboration required.

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xxviii For further guidance on the evaluation of potential tax increment revenue, please refer to the sources below:

- Aldrete, R., et al. Tools for Port Authority Transportation Reinvestment Zones (TRZ) and TRZs for Multimodal Applications (No. FHWA/TX-17/0-6890-1). Texas A&M Transportation Institute, 2017.
3.2 Zone Formation

This second stage of the process consists of three steps:

1. Determination of zone boundaries
2. Provision of a 60-day notice
3. Refinement of the TRZ preliminary analyses performed in stage 1

3.2.1 Determination of Zone Boundaries

The first step of this stage is to define zone boundaries and identify the parcels that will be included in the TRZ. The local government determines zone boundaries by designating a contiguous geographic area within its jurisdiction. All properties included within the TRZ boundaries are identified and listed. Next, the local government computes the tax increment base (see rectangle [b] in
Figure 1) of the zone by summing the total appraised value of all taxable real property within the zone for the year in which the TRZ will be established (base year).

As noted in Section 2.3.1, Texas law does not limit the size or footprint of a TRZ if it falls within the local government’s jurisdiction and forms a contiguous geographic area. A starting point for setting TRZ boundaries is to consider the limits of the transportation project. This is critical because TRZ revenues cannot be used to fund transportation improvements outside the zone.iii Once the approximate limits of the transportation project have been defined, the size of the buffer around the transportation project that will form the TRZ can be defined.

Research has demonstrated that the impacts of highway improvement projects on real property values concentrate in regions within 1 to 2 miles from the project (4). However, experience has shown that actual boundaries are driven by practical considerations, such as the size of the local government’s tax base within the zone relative to its total tax base. If a TRZ is too large relative to the local government’s tax base, it may have a negative impact on the local government’s general revenue fund and its ability to sustain other local services or provide future property tax relief for economic development purposes. In practice, this has meant that the boundaries of existing Texas municipal and county TRZs in most cases do not exceed a distance of 1 mile from the centerline of a corridor and are often in the range of ¼- to ½-mile (3). Chapter 6 describes how the Town of Horizon City, Texas, determined the boundaries of a TRZ.

iii In some cases, final project boundaries (e.g., a road alignment) may be unknown at the time the TRZ is established. To address this issue, the Texas Transportation Code § 222.105–107 enables local governments to expand TRZ boundaries to accommodate changes in the limits of the project for which the zone was originally created. However, removing properties from a TRZ after it has been adopted is not allowed if future revenues from those properties have been pledged to secure debt or other obligations to fund the project.
3.2.2 Provision of 60-Day Notice

Both Texas and Utah laws require holding a public hearing prior to establishing a TRZ. In Texas, the local government is required to allow at least a 60-day notice period before designating the TRZ. The local government is also required to hold a public hearing on the creation of the TRZ not later than the 30th day before the date that the TRZ is expected to be designated. Finally, it is required to publish the notice of the public hearing at least 7 days prior to the date of the hearing, and the intent to create the zone must be published in a newspaper with general circulation in the county where the zone is located.

3.2.3 Refinement of TRZ Preliminary Analyses

During this 60-day period, local governments have the opportunity to refine the preliminary analyses performed during the initiation stage (stage 1) of the implementation process. The objective of this refinement is to ensure the TRZ will generate enough revenue to meet the expected financial commitments (e.g., debt service) entered into by the local government.

3.3 Public Hearing and Adoption

Once initiation and zone formation stages are completed, Texas law requires the local government to hold a public hearing on the creation and benefits of the zone, which should take place no later than the 30th day before the TRZ is designated by the local government governance body. No later than the 30th day after the hearing, the local government governance body convenes and holds a vote on the creation of the zone by order, resolution, or ordinance (depending on the type of local government creating the TRZ). The resolution or ordinance should:

1. Describe the boundaries of the TRZ with sufficient clarity to identify with ordinary and reasonable certainty the territory included in the TRZ
2. Provide that the TRZ takes effect immediately upon adoption of the resolution or order and that the base year shall be the year of passage of the order or resolution or some year in the future
3. Assign a name to the TRZ for identification purposes
4. Establish a TRZ ad valorem tax increment account
5. Describe the expected outcomes of the project

Neither Texas nor Utah TRZs require approval from taxing entities other than those creating the TRZ. According to the Texas legislation, a TRZ requires approval only by the governing body of the local government unit setting it up (e.g., municipality, county, port authority, or navigation district). On the other hand, Utah Code states that approval and agreement is required from two public agencies, at least one of which has land use authority over the zone. In other words, in Utah, agencies other than the two establishing the TRZ do not have an approval role in the creation of a TRZ.

xxx Utah Code § 11-13-227
3.4 Operation

According to Texas law, once the TRZ is established in the base year, every subsequent year, the tax increment revenue generated within the zone is deposited into the local government’s TRZ tax increment account. At this stage, the local government may enter into an agreement with a public (e.g., city, county, or regional mobility authority) or private (e.g., agent) entity to implement the project. The public or private entity may also acquire financial obligations, such as bonds or loans, to fund the capital cost of the project. The operation stage is depicted below in Figure 3.

Figure 3. TRZ operation stage [adapted from Leveraging the Value of Land and Landside Access to Fund Port Infrastructure in Texas. (6)]

The project should be located within the TRZ, and the local government may assign all or a specified amount of the tax increment revenue to fund the project. Specifically, Texas law states that local governments are not required to dedicate 100 percent of the annual tax increment revenue to the project. Rather, Texas law explicitly states that a local government may pledge and assign all or a specified amount of the tax increment revenue to the payment of the costs of the project. In this regard, Utah law states that the public entities establishing the TRZ will specify the amount of the tax increment revenue that will be dedicated to fund the project at the time of creating the TRZ. Under the laws of both Texas and Utah, if there is a surplus in any given year after the bond, loan, or any other annual obligations are met, the local government can transfer the surplus to its general revenue fund and use it for a different purpose. This flexibility allows local governments to reap the benefits of increased tax revenues resulting from development spurred by the project once revenue within the zone exceeds the annual TRZ debt service obligations. At that point, a local government has several options for using the excess tax increment revenue, including:

- Retiring TRZ debt earlier (thus, terminating the TRZ earlier than planned)
- Redirecting the excess incremental revenue to the general revenue fund for other municipal services
- Securing a new loan to pay for other transportation improvements within the zone
Although not required by law, once a TRZ is established, experience in Texas indicates that monitoring annual tax increment revenues generated within the zone is a valuable tool for local governments to assess value capture performance (6). Local governments can use this information to evaluate actual tax increment revenues versus the estimates developed in stages 1 and 2 of the implementation process. Additionally, local governments can monitor land use dynamics, pace of development, development status of parcels located within the TRZ, and business activity, among other performance measures.

By monitoring annual tax increment revenues, the local government can also foresee potential tax increment revenue shortfalls that may compromise its ability to meet acquired obligations and develop contingency plans. For example, the local government can identify early on any non-real estate market-related issues, such as a private legal dispute between landowners, which can slow the development of a significant area within the zone. Depending on the specifics of the issue and the magnitude of its revenue impact on TRZ revenue, monitoring tax increment revenues can provide an opportunity for the municipality to facilitate a solution or develop a contingency plan (e.g., an expansion of the TRZ or a renegotiation of the terms of the loan). It is also important for a locality to know whether development is occurring faster than expected, as that may allow the municipality to renegotiate project debt and pay it off earlier.

3.5 Termination

According to Texas law, a TRZ terminates on December 31 of the year in which the local government completes any contractual requirement that included the pledge of TRZ revenue. Additionally, a TRZ terminates on December 31 of the 10th year after the year the zone was designated, if the local government has not used the zone for its designated purpose prior to that date.
CHAPTER 4: USE OF TRANSPORTATION REINVESTMENT ZONES

This chapter identifies the local governments with taxing authority that can use TRZs to fund transportation projects. It also describes the types of projects that could be partially or completely funded with TRZ revenues. Finally, this chapter discusses the most common TRZ financing mechanisms.

4.1 Local Jurisdictions That Can Use TRZs

Texas law allows municipalities, counties, and port authorities to establish TRZs within their taxing jurisdiction. However, in practice, counties have faced legal issues when trying to establish a TRZ. In this regard, the Texas Attorney General has indicated that Texas counties are constitutionally prevented from using tax increment financing (TIF) revenue to repay debt incurred for a project (including a transportation project) aimed at developing or redeveloping an area within the county. More specifically, the Texas Attorney General has made it clear that using county TRZ revenue to secure debt could be constitutionally challenged, and that even collecting and using county TRZ funds on a pay-as-you-go basis may also be subject to constitutional challenge.

Figure 4. Local jurisdictions that can use TRZs. (Source: Texas A&M Transportation Institute)

- Municipalities
- Port authorities
- Counties*

State of Texas

- Two or more public agencies, at least one of them being a county or municipality

State of Utah

Local governments (in Texas) or public entities (in Utah) can jointly dedicate their TRZ resources to one project or sets of projects to enhance mobility and promote economic development across jurisdictions.

* According to the Texas Attorney General, the ability of a county to use TRZ revenue as debt collateral could be constitutionally challenged.
On the other hand, Utah law indicates that a TRZ can be created by two or more public agencies, provided that at least one agency has land use authority over the area where the TRZ will be created. xxx According to Utah Code, public entities with land use authority include municipalities and counties.xxxi,xxi Moreover, the Utah Code also states that municipalities and counties are the public entities that have the taxing authority (i.e., sales and use tax and property tax) required to create a TRZ. xxxi,xxii,xxiii

In cases where there is a common interest and it is politically and economically appropriate, local governments (in Texas) or public entities (in Utah) can jointly dedicate their TRZ resources to one project or sets of projects to enhance mobility and promote economic development across jurisdictions. For example, Texas law allows for joint administration of TRZs created by adjoining municipalities in order to facilitate funding projects that have a common interest across two or more municipal jurisdictions. Additionally, there are cases where two or more local government taxing jurisdictions overlap geographically. For example, under the Texas legal framework for TRZs, a port authority and one or more municipalities within the port authority boundaries could set up separate TRZs and jointly fund a project of common interest.

4.2 Type of Projects That Can Be Funded With TRZs

As noted in Section 2.3.1, Texas law allows for the creation of a TRZ for a variety of transportation projects, including, among other examples, 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. Moreover, Texas law does not limit the use of TRZ funds to State or Federal transportation projects.iv In practice, this means that TRZ funds can be used on local transportation projects not linked to a State facility as long as the local government is not planning to seek State infrastructure bank (SIB) loan financing and is instead planning to use the pay-as-you-go or municipal bond financing options. The restriction to projects linked to a State facility is not connected to the use of TRZ funds or to the TRZ statute, but rather to the choice of SIB financing (see Section 4.3.3 for more details).

In Texas, TRZs have been used to fund projects in a variety of settings. There are examples of projects in large urban areas, such as El Paso, and in suburban communities, such as the Town of Horizon City. Rural communities, such as El Campo, have also successfully used TRZs to fund transportation improvements (3). As a result, the scale of improvements where TRZs have been applied ranges from direct connect links at large interchanges on the interstate system to smaller capacity additions on the State highway system.

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. Moreover, Utah law does not explicitly require a finding of underdevelopment or blight as a precondition for establishing the zone.xxx This translates into more

xxx Utah Code § 11-9A.
xxx Utah Code § 17-27.
xxxi Utah Code § 59-12
xxii Utah Code § 59-2
flexibility for local governments when selecting a transportation project to fund. Finally, Utah law does not limit the use of TRZ funds to local, State, or Federal transportation projects.

4.3 TRZ Financing Methods

TRZs are generally not intended to serve as the sole funding mechanism to deliver a transportation improvement (2). Rather, TRZ revenues are often used as a complementary funding source to help local governments meet the local match when required to access certain traditional State and Federal funds or to pay for project development costs. There is no legal requirement or limit on the portion of a project’s cost that can be funded using TRZ revenue. However, in practice, TRZ experience to date indicates that TRZ funding is primarily used as a gap financing tool to pay only for a portion of the project cost. In these cases, paying for 100 percent of the project cost could put an undue burden on local government funding and financing. (7)

Experience in Texas has shown that there are three main financing options available for TRZ revenue funds, each with its own advantages and disadvantages. These are: (1) pay-as-you-go, (2) municipal bond financing, and (3) SIB loans. xxxv TRZs generate revenue in annual increments, commencing in the base year (the year in which the TRZ is created), as illustrated in

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Figure 1. Since annual revenues are driven by growth in the tax base within the zone relative to the base year, the initial years normally provide relatively small increments in revenue growth. Small annual increments in the early years of the TRZ means limited flexibility in using the funds on a pay-as-you-go basis. As a result, TRZs are most effective when future TRZ revenues are pledged to secure capital needed to implement the project through debt (e.g., municipal bond financing or a loan).xxxvi

4.3.1 Pay-As-You-Go

Pay-as-you-go refers to the financing of improvements using current revenues, such as general taxation, fees, and service charges (8). Under this option, the local government has to maintain annual project expenditures within the budget constraints set by actual annual TRZ revenue. This strategy has the advantage of not entailing a financial (interest) cost, but also has the significant disadvantage of a slow project delivery because of capital constraints.

xxxvi The incremental growth nature of TRZ revenue flows also means that in order to adequately serve debt commitments acquired for the project, local governments may be forced to supplement TRZ revenue from general revenue funds in order to meet payments in the early years. Over time, this situation would reverse as annual incremental revenue grows and exceed annual debt service commitments.
4.3.2 Municipal Bond Financing

Municipal bonds are debt securities issued by States and local governments (e.g., municipalities and counties) to fund day-to-day obligations or capital expenses, such as transportation projects. In this option, the local government may seek financing from the capital markets, pledging future TRZ revenue as a collateral. This option has the advantage of providing earlier availability of capital as well as the flexibility to use TRZ funds to pay for any transportation project, including projects off the State highway system. However, municipal bond financing entails significant transaction and financial (interest) costs because of the risk associated with the real estate market.

4.3.3 State Infrastructure Bank (SIB)

SIBs are a revolving fund established and operated by States. SIBs provide funds to local governments via direct loans and credits to pay for transportation projects. SIB funds are a mix of Federal and State funds. In most cases, SIBs offer low transaction costs and interest rates.

Under this option, the local government may seek long-term debt from the State using future TRZ revenue as collateral. This option has the benefits of earlier availability of capital coupled with much lower transaction costs and highly advantageous financial (interest) costs. However, SIB loans may entail competition with other local governments for limited funds. Finally, it is important to note that if Federal funds are used to establish the principal for the loans, the use of SIB funds is limited to projects that are eligible for funding under Title 23 of the U.S. Code. This usually means that a project should be classified as a Federal-aid highway above rural minor collector and included in the statewide transportation improvement plan.

4.3.4 Other Financing Methods

Some municipalities in Texas have become more creative in identifying financing options for TRZ revenue. For example, the Eastlake Boulevard Extension Phase 2 project presented in Chapter 0 as a case study is a project that relied exclusively on local entities and local funding. Two local governments, the Town of Horizon City and El Paso County, partnered with a regional agency, the Camino Real Regional Mobility Authority (CRRMA), to fund and finance the project under a unique financing arrangement. A detailed description of this arrangement is presented in Chapter 0.

First, El Paso County and CRRMA signed an interlocal agreement providing CRRMA with access to the county’s vehicle registration fee (VRF) revenues to issue bonds and tasking it with developing a slate of projects throughout the county. Next, Horizon City signed a three-party interlocal agreement with El Paso County and CRRMA. The agreement provided for the development and financing of Horizon City’s local share of the Eastlake Boulevard Extension Phase 2. The agreement committed CRRMA and El Paso County to fund the Horizon City’s share of project costs using county VRF proceeds. In turn, Horizon City committed to repay CRRMA principal and interest using TRZ revenues over a period of 18 years and to acquire the right-of-way for the project. The county funded its share of the project using the VRF revenues. Finally, CRRMA served as the vehicle to issue bonds backed by the county VRFs, as well as the clearinghouse to reimburse the county for the portion of the VRFs using revenues from Horizon City’s TRZ. This financing plan had two significant benefits.
First, Horizon City avoided issuing its own TRZ revenue bonds, which would have been more costly because of the risk associated with the real estate market. Second, Horizon City did not need to pursue a Texas Department of Transportation (TxDOT) SIB loan, which would have delayed the project due to the Federal review process (11).
CHAPTER 5: OPPORTUNITIES AND CHALLENGES OF TRANSPORTATION REINVESTMENT ZONES

Chapter 5 discusses the opportunities and challenges associated with local governments using TRZs as a funding source for transportation projects.

5.1 Opportunities

A TRZ offers four main opportunities to local governments. These include: (1) political and public support, (2) acceleration of project delivery, (3) interagency collaboration, and (4) promotion of equity and economic efficiency.

5.1.1 Political and Public Support

From the political and public support standpoint, TRZs are not a new tax and do not cause or require an increase in tax rates. Creating a TRZ to fund a transportation project does not require an increase in existing property or sales tax rates. Zone revenue is only realized if the real property tax base within it grows through land development, land use upzoning, land value increase, or a combination of these. In the case of sales tax TRZs, revenues are generated by increases in economic and business activity within the zone that eventually translates into an increase in sales tax collection. As a result, local governments face little to no political or public resistance when creating TRZs.

5.1.2 Acceleration of Project Delivery

As illustrated in the case study presented in Chapter 0, TRZs have helped communities expedite, or in some cases make possible, the delivery of critical transportation projects that would otherwise have been delayed for years. Expediting projects like these may enhance mobility and promote economic development and business activity well beyond the zone, which could benefit local communities. As noted earlier, the land development and value impacts of a highway improvement project can extend up to 2 miles from the centerline of the improvement, which is well beyond the limits of most TRZs. The resulting increases in business activity and the value of the local government’s tax base in turn result in tax revenue increases (assuming a constant tax rate) that may benefit the community at large.

5.1.3 Interagency Collaboration

Creating a TRZ generally entails a great deal of interagency collaboration, which provides opportunities to leverage funds across agencies, including the State DOT, the regional MPO, neighboring local governments, and others. When a local government considers creating a TRZ to support a regionally significant project, it signals to other stakeholders in the region not only that the project is a priority, but also that the local government is open to finding collaborative and creative ways to improve the region’s mobility. Experience in Texas has shown that the resulting interagency trust and collaboration has helped accelerate projects across entire regions, not only within a single local jurisdiction, and developed creative financing approaches that leverage resources from all stakeholders.
5.1.4 Promotion of Equity and Economic Efficiency

As noted in Section 2.2, TRZs are a funding mechanism that can promote equity and economic efficiency through the beneficiary pays principle. In fact, TRZ revenues partly reflect the benefits resulting from increased accessibility accruing to property owners, developers, and businesses within the zone through increased property values and increased sales and economic activity.

5.2 Challenges

Like other value capture techniques, TRZs have certain challenges associated with their use as a funding source for transportation projects. These challenges can be classified into three categories: (1) political and public support, (2) revenue uncertainty, and (3) legal issues (applicable only to counties in Texas).

5.2.1 Political and Public Support

In Texas, citizens have occasionally expressed concerns at public hearings about the local government’s ability to sustain services within the zone as a result of dedicating a portion of the incremental property tax revenue to a transportation project. As noted in the case study presented in Chapter 6, TRZs are a relatively new tool for local governments, and sometimes these concerns arise when local policy makers and the public are not familiar with how they work. Typically, these concerns are eased when citizens learn that the transportation project is likely to result in increased property tax revenue well beyond the TRZ boundaries, resulting in a net increase in the ability of the local government to provide services. No TRZs have been established in Utah yet, so there is no record of public hearing objections at this time.

5.2.2 Revenue Uncertainty

TRZ revenues are subject to uncertainty because they are driven by conditions in the real estate market (in the case of property tax TRZs), and/or by business and economic activity (in the case of a sales tax TRZ), within the zone. Two real estate market forces drive TRZ property tax revenue. The first is the demand for development of undeveloped land and/or redevelopment of already developed land; both increase the value of properties. The second market force is the general increase in existing property values, also driven by demand. Similarly, sales tax TRZ revenue is driven by business activity (particularly retail), which generally follows real estate development. An economic recession is likely to have a detrimental effect on business activity, property values, and the real estate market in general. Depending on how long a recession lasts, it may significantly affect future incremental property and sales tax revenues. These challenges are frequently translated into a high cost of borrowing from private capital markets. As a result, SIB loans have been one of the most cost-effective financing options for local governments for projects that are on the State highway system (8).
5.2.3 Legal Issues (for Texas Counties)

Counties in Texas have not been able to use TRZ revenues to secure long-term financing to pay for transportation projects. Although Texas law explicitly allows counties to create TRZs, there are questions as to whether the Texas constitution allows counties to borrow funds to pay for a project. According to a Texas Attorney General opinion, the equal and uniform taxation requirement in the Texas Constitution Article VIII, Section 1A may prohibit a county from using TRZ/TIRZ revenue to pay for a project (including a transportation project) aimed at developing or redeveloping a specific area within the county. The creation of a zone and use of its incremental tax revenue for a project may be considered to cause an unequal distribution of the ad valorem tax burden. xxxviii

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CHAPTER 6: CASE STUDY

The Eastlake Boulevard Extension Phase 2 project provides an example of how a small community facing rapid growth challenges was able to effectively collaborate with other local governments to improve regional mobility and tap into TRZs as an innovative transportation funding tool to deliver a critical transportation project.

The Eastlake Boulevard Extension Phase 2 project was jointly funded by the Town of Horizon City, using municipal TRZ revenues, and El Paso County, which used vehicle registration fee (VRF) revenues. The Town of Horizon City and El Paso County partnered with a regional agency, the Camino Real Regional Mobility Authority (CRRMA), which in turn issued bonds backed by the county’s VRFs to pay for the project. The paragraphs that follow describe the project in more detail and summarize lessons learned that could be of interest to other local governments facing similar situations or challenges.

6.1 Background

The Town of Horizon City is located approximately 20 miles southeast of the City of El Paso in El Paso County, Texas. The town has grown very rapidly in the last two decades, its population increasing from 5,233 in 2000 to 16,735 in 2010 and reaching 19,741 by 2018, according to the U.S. Census estimate. Horizon City’s general fund revenue budget for 2020 was approximately $10 million, and its largest revenue source is the property tax. The town covers about 8.7 square miles and is mostly landlocked, abutting the City of El Paso and the extraterritorial jurisdictions of the City of El Paso and the City of Socorro.

In the face of these geographical and financial constraints, Horizon City has turned to strategic planning and management and has been forced to consider innovative funding to meet its transportation infrastructure and mobility needs. Horizon City developed and adopted its first comprehensive plan, the Vision 2020 Plan, in 2011. The Vision 2020 Plan also included the town’s first Major Thoroughfare System Plan. In 2020, a new comprehensive and strategic plan, Shaping our Horizon: 2030, was adopted, along with amendments to the Major Thoroughfare System Plan. In 2014, the town adopted its first Capital Improvement Program (CIP), which included $15 million for infrastructure projects and issued certificates of obligation to fund local projects. Since then, Horizon City has continued to invest in infrastructure with a combination of local and Federal funds and a 2018 CIP debt issuance totaling $13 million to fund park projects. The town’s most recent CIP totals $117.7 million of funded and unfunded projects.

In 2013, the Texas Department of Transportation (TxDOT), El Paso County, CRRMA, Horizon City, and the City of Socorro partnered to develop the El Paso County Comprehensive Mobility Plan (CMP). The plan, endorsed by the El Paso MPO, presented a long-term mobility vision for the El Paso region and outlined objectives, strategies, and policy measures to achieve this vision. The 2013 El Paso County CMP consisted of a set of 16 multimodal projects, including pedestrian facilities, spread throughout El Paso County (see Figure 5). The plan included accelerating projects outside the boundaries of the City of El Paso to meet connectivity and growth requirements to the Town of Horizon City and its neighbor to the south of I-10, the City of Socorro (see projects 9, 10, 11, and 12 in Figure 5). The total estimated cost of the 2013 El Paso County CMP was $406 million, and the funding package included $260 million in

\[\text{xxxix The extraterritorial jurisdiction of a municipality is the unincorporated area that is contiguous to the corporate boundaries of the municipality.}\]
Federal and State funds, $132 million in county VRF revenues, $9 million from the City of Socorro, and $5 million from Horizon City\(^\text{(15)}\).

The Eastlake Boulevard Extension Phase 2 (referred to as Eastlake Widening Project #11 in Figure 5), was the project to which Horizon City dedicated its contribution. The project was critical for the town, as it significantly improved the town’s access to I-10 and connectivity to the City of El Paso, as well as to its neighboring City of Socorro. The project consisted of reconstructing and widening the existing Eastlake Boulevard from Darrington Road to Horizon Boulevard from four to six lanes, and initial estimates were for approximately $19 million\(^\text{(15)}\).

Figure 5. The 2013 El Paso County CMP.\(^\text{(15)}\)

<table>
<thead>
<tr>
<th>Map No.</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>I-10 COLLECTOR DISTRIBUTOR Lanes</td>
</tr>
<tr>
<td>02</td>
<td>I-10/BORDER HIGHWAY CONNECTORS</td>
</tr>
<tr>
<td>03</td>
<td>I-10/EXIT 85 TO AIRWAY RAMP IMPROVEMENTS</td>
</tr>
<tr>
<td>04</td>
<td>LP 375/SPUR 361 DIRECT CONNECTOR</td>
</tr>
<tr>
<td>05</td>
<td>I-10/1110 BRIDGE REPLACEMENT</td>
</tr>
<tr>
<td>06</td>
<td>I-10/10 COLLECTOR DISTRIBUTOR Lanes – MESA PARK</td>
</tr>
<tr>
<td>07</td>
<td>I-10/LP 375 DIRECT Connectors</td>
</tr>
<tr>
<td>08</td>
<td>DELTA OVERPASS</td>
</tr>
<tr>
<td>09</td>
<td>EASTLAKE WIDENING PROJECT #9</td>
</tr>
<tr>
<td>10</td>
<td>OLD HUECO TANKS</td>
</tr>
<tr>
<td>11</td>
<td>EASTLAKE WIDENING PROJECT #11</td>
</tr>
<tr>
<td>12</td>
<td>ROJAS WIDENING</td>
</tr>
<tr>
<td>13</td>
<td>FM 1110 CONSTRUCTION/UPGRADE</td>
</tr>
<tr>
<td>14</td>
<td>GREG/EDGEMERE</td>
</tr>
<tr>
<td>15</td>
<td>ARTERIAL 1</td>
</tr>
<tr>
<td>16</td>
<td>MANUEL F. AGUILERA HIGHWAY</td>
</tr>
</tbody>
</table>

After reviewing different options to generate its local match contribution to the El Paso County CMP funding package, Horizon City decided to try a relatively new transportation funding tool for Texas local governments: a TRZ. To determine the TRZ boundaries, local officials considered two different buffer sizes around the proposed corridor within municipal limits. The first buffer considered all properties within a ¼-mile distance from the centerline of the corridor, and a second considered all properties within a ½-mile distance from the corridor’s centerline; this ensured all parcels were within the project’s influence area. Future tax increment revenue projections were conducted for each buffer size to determine which buffer size would most likely generate the revenue required to support the local match, without significantly impacting the town’s general revenue fund and its ability to meet other capital and operating needs. After reviewing the revenue projections and assessing the characteristics of each buffer size in terms of amount of developable land and associated real estate risks, the ½-mile buffer was selected as a TRZ baseline. Subsequently, local officials reviewed in detail the parcels included within the buffer.
to identify any strategically located parcels that would be excluded from the TRZ in order to preserve the ability to provide targeted property incentives for businesses to locate within the zone.

The Horizon City Town Council approved the creation of TRZ No. 1 in November 2012. The Town Council designated the TRZ to include all parcels within a buffer of approximately ½-mile on either side of the roadway, which included 2,104 parcels and a total extension of 1,939 acres (see Figure 6). About 40 percent of the TRZ acreage was zoned as residential, with most of the remainder being vacant and zoned as either commercial or agricultural (16). Based on the amount of potentially developable land, the construction of the Eastlake Boulevard Extension Phase 2 was expected to create a significant amount of growth, which would in turn generate the TRZ revenues needed to pay for the town’s share of the project cost.

In the spring of 2013, an unexpected change in ownership of a large parcel within the TRZ (a private golf course) created a situation that led the Town Council to rescind TRZ No. 1 and adopt a new TRZ with revised boundaries. The Horizon Regional Municipal Utility District (HRMUD), a local government unit that provides water utility services to Horizon City, acquired the golf course to facilitate disposal of its treated wastewater. The change in ownership from private to public meant that the parcel became exempt from paying property taxes, creating the need to revise TRZ revenue estimates. After rescinding TRZ No. 1, the Town of Horizon created TRZ No. 2 with slightly revised boundaries and adopted it by ordinance in December of 2014. (17) TRZ No. 2 was expected to generate revenues to finance up to $6 million in project costs, approximately the amount needed by Horizon City to meet its cost share for the Eastlake Boulevard Extension Phase 2. (11)

Figure 6. Map of Horizon City TRZ No. 2 and Eastlake Boulevard Extension Phase 2. (14)
6.2 Project Finance

The Eastlake Boulevard Extension Phase 2 project relied exclusively on local entities and local funding, which allowed the project to move rapidly from design through construction (11). Starting in 2015, a series of interlocal agreements were signed between and among the 2013 El Paso County CMP partners. First, El Paso County and CRRMA signed an interlocal agreement providing CRRMA with access to the county’s VRF receipts to issue bonds and tasking it with developing (i.e., designing and building) a slate of the county’s 2013 CMP projects (12).

In November 2016, Horizon City signed a three-party interlocal agreement with El Paso County and CRRMA (13). This agreement provided for the development and financing of Horizon City’s local share of the Eastlake Boulevard Extension Phase 2. The agreement committed CRRMA and El Paso County to fund Horizon City’s share of project costs using county VRF receipts. The town committed to repay CRRMA principal and interest using TRZ No. 2 revenues over a period of 18 years. The town also committed to acquiring the right-of-way for the project. The county funded its share of the project using VRF receipts. Finally, CRRMA served as the vehicle to issue bonds backed by the county VRFs and as the clearinghouse to reimburse the county for the portion of the VRFs using revenues from Horizon City’s TRZ No. 2 (11).

This unique arrangement allowed Horizon City to move from project planning through design and construction in less than 5 years. The project was completed under budget and 9 months ahead of the original schedule. The TRZ financing plan was partly responsible for this for two reasons. First, the town avoided issuing its own TRZ revenue bonds, which would have been more costly because of the risk associated with the real estate market. Second, the town did not need to pursue a TxDOT SIB loan, which would have delayed the project due to the Federal review process (11). The milestones below provide a comprehensive picture of the project timeline:

- December 2014 – Horizon City TRZ No. 2 adopted
- March 2015 – Interlocal agreement executed by El Paso County and CRRMA regarding access to county’s VRF receipts
- July 2015 – Design contract awarded by CRRMA
- July 2016 – Bids opened
- November 2016 – Three-party agreement executed by CRRMA, El Paso County, and Horizon City
- January 2017 – Project construction began
- April 11, 2018 – Ribbon-cutting ceremony
- October 2018 – Horizon City accepted project for maintenance
- May 2020 – Horizon City made its first payment to CRRMA

Additionally, the development agreement with a single executing agency, CRRMA, and the accelerated schedule enabled El Paso County and Horizon City to benefit from project cost savings (11). While the initial estimate called for a project cost of just over $19 million, the actual cost to complete was $16.7 million, resulting in savings of about $2.3 million. Table 1 and Table 2 below provide the initial and final cost estimates for the project design and construction as well as the funding breakdown between El Paso County (77.3%) and Horizon City (22.7%) (11).
Table 1. Eastlake Blvd. Ext. Phase 2 project: Estimated costs and funding sources (11).

<table>
<thead>
<tr>
<th>Item</th>
<th>Estimated Cost</th>
<th>County Portion</th>
<th>Horizon City Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering &amp; Environmental</td>
<td>$2,269,525</td>
<td>$1,754,343</td>
<td>$515,182</td>
</tr>
<tr>
<td>Construction</td>
<td>$16,785,565</td>
<td>$12,975,242</td>
<td>$3,810,323</td>
</tr>
<tr>
<td>Total Estimate</td>
<td>$19,055,090</td>
<td>$14,729,585</td>
<td>$4,325,505</td>
</tr>
</tbody>
</table>

Table 2. Eastlake Blvd. Ext. Phase 2 project: Actual costs and funding sources (11).

<table>
<thead>
<tr>
<th>Item</th>
<th>Estimated Cost</th>
<th>County Portion</th>
<th>Horizon City Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering &amp; Environmental</td>
<td>$1,536,643</td>
<td>$1,187,825</td>
<td>$348,818</td>
</tr>
<tr>
<td>Construction</td>
<td>$15,143,338</td>
<td>$11,705,800</td>
<td>$3,437,538</td>
</tr>
<tr>
<td>Maintenance (10/2018 - 05/2019)</td>
<td>$42,073</td>
<td>$32,523</td>
<td>$9,551</td>
</tr>
<tr>
<td>Total Estimate</td>
<td>$16,722,054</td>
<td>$12,926,148</td>
<td>$3,795,907</td>
</tr>
</tbody>
</table>

6.3 Lessons Learned

The Eastlake Boulevard Extension Phase 2 project is an example of effective cooperation among local government agencies to improve regional mobility and transportation infrastructure. El Paso County and the Town of Horizon City were confronted with an urgent need to improve their transportation infrastructure, provide connectivity to the rest of the El Paso metropolitan area for its rapidly growing population, and generate economic development. The town’s leadership saw an opportunity to advance its economic goals through the transportation investments envisioned in the 2013 El Paso County CMP. Despite being a small and young community, Horizon City took the bold step of using a relatively new funding tool, a TRZ, to negotiate a unique funding and development agreement with other local entities to make the project happen (19).

However, this process was not easy and required forging partnerships and developing trusted relationships with other local entities. It also required implementing management processes and tools, such as a CIP, to manage its growing capital improvement project portfolio. The CIP allows the town to better understand and effectively plan the Eastlake Boulevard Extension Phase 2 project financing agreement, in addition to its growing list of other capital projects (19).

As the town developed the Eastlake Boulevard Extension Phase 2 project, the local government encountered and addressed both internal and external challenges, resulting in other lessons learned for the future. Table 3 describes these challenges, how the town addressed them, and summarizes the lessons learned (19).
Table 3. Eastlake Blvd. Ext. Phase 2 project: Challenges and lessons learned (19).

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Description</th>
<th>Lesson Learned</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Challenges</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introducing new funding concept to policymakers</td>
<td>Introducing the concept and specifics of TRZs, a then little-known funding source, to the city council was an important step, since the council would have to vote in favor of directing the increment to fund the specific transportation project. The 2013 CMP originated externally to the council; therefore, bringing the plan to the city council required planning and coordination to successfully present the concept of value capture and its specific application to the project. Project leaders also coordinated with town finance.</td>
<td>Allow plenty of time for ongoing discussions with policymakers and key municipal staff, particularly when the municipality is new to the funding source. It is important that policymakers feel comfortable with the concepts and have enough time to explore different scenarios and ask questions about funding projections and project development.</td>
</tr>
<tr>
<td>Determining zone size</td>
<td>Determining the right buffer size for the zone is usually a balancing act for municipalities. The zone should be adequate to cover contingencies that may arise as the TRZ-funded projects are developed; however, if the zone is too large, the municipality could include properties that are not directly benefited from the TRZ transportation improvements. The town, in partnership with Texas A&amp;M Transportation Institute, developed the most appropriate buffer for the situation. That is, the buffer size that best balanced the following goals: (1) all parcels were within the project’s potential development influence area (i.e., up to 2 miles in some cases); (2) the municipality’s tax base within the zone was not too big compared to its total tax base (i.e., it does not compromise its general revenue fund); and (3) the buffer was large enough to support the required local match.</td>
<td>Sizing the zone appropriately requires the CIP managers to work with the municipalities’ financial staff and team to analyze the zone’s projected revenues.</td>
</tr>
<tr>
<td><strong>External Challenges</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coordinating with external partners</td>
<td>As the first agreement of its kind, coordination with El Paso County and CRRMA under the 2013 Comprehensive Mobility Plan was critical. Staff and Horizon City policymakers met with county leaders and county management repeatedly to discuss the project, the town’s commitment to its funding share, and the three-party agreement and participating parties’ responsibilities.</td>
<td>Communicating with partner agencies is critical to project success. Designating a team to lead those discussions fosters collaboration and helps ensure that conversations are consistent and ongoing.</td>
</tr>
<tr>
<td>Challenge</td>
<td>Description</td>
<td>Lesson Learned</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>External Challenges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right-of-way acquisition</td>
<td>The town committed to securing the necessary right-of-way for the extension. Three distinct property owners were involved, and the town worked to secure either rights-of-way or permanent easements. It was critical to work with property owners and utility companies in order to maintain the project’s schedule.</td>
<td>Negotiate with property owners as early as possible in the project development process to reduce delays in right-of-way acquisition.</td>
</tr>
<tr>
<td>Changes in property designation</td>
<td>While the TRZ’s financial analysis anticipated land use could change to commercial, the models did not anticipate that a significant change from private to public ownership would occur, yet it did. The golf course sale from private ownership to the HRMUD was material enough for the tow that the town determined the best approach was to recalibrate the financial analysis and re-establish the TRZ so the golf course, now a public property, was no longer included in the zone. Fortunately, the timing of the project was not negatively affected by the creation of TRZ No.2.</td>
<td>Expect the unexpected and be prepared to deal with it.</td>
</tr>
</tbody>
</table>
CHAPTER 7: CONCLUDING REMARKS

A TRZ is a value capture technique that relies on increases in property values, business activity, and economic growth linked to transportation infrastructure to help pay for the transportation project. TRZs allow local governments with taxing authority in Texas and Utah to pledge local funds that help close transportation funding gaps and accelerate the delivery of critical mobility projects. Transportation investment in turn enhances mobility and promotes economic development through land development and value increases not only within the zone but well beyond its boundaries, benefiting the community at large.

This primer provides an overview of basic TRZ concepts and a step-by-step description of their implementation process based on the current legal frameworks in Texas and Utah. In Texas, the law allows municipalities, counties, and port authorities to create TRZs to fund transportation improvements for all modes, including roads and bridges, passenger or freight rail facilities, certain airport facilities, pedestrian and bicycle facilities, parking garages, transit systems, ferries, and port facilities. Utah legislation authorizes the creation of TRZs by two or more public agencies, at least one of which must have land use authority over the area where the TRZ will be created. Utah law is very flexible in that it allows the local governments to define the transportation need and proposed improvement that will be funded through the TRZ mechanism.

Finally, like other transportation funding and financing techniques, TRZs offer opportunities that local governments can take advantage of and challenges they may need to overcome. This primer identifies four main areas of opportunity for local governments using TRZs:

1. Generation of funding without increasing tax rates or creating a new tax
2. The ability to accelerate, or even enable, the delivery of critical projects
3. Enhanced interagency collaboration to leverage different sources of funds
4. Promotion of equity and economic efficiency in project funding through the “beneficiary pays principle.”

There are also three main areas where challenges may emerge:

1. Public concerns about diverting resources needed to sustain other public services, which may be assuaged by demonstrating the development potential of the project.
2. The uncertainty associated with real estate markets, which may increase the cost of borrowing from private capital markets but that may be mitigated by borrowing instead from a State infrastructure bank (if available).
3. For Texas counties, potential legal challenges to their ability to use TRZ revenues to repay debt acquired to fund a transportation project.
TRZs offer clear opportunities for local governments seeking new tools to promote mobility and economic development in their community. While there may be challenges to implementing a TRZ for the first time, the growing number of communities already using TRZs can offer valuable lessons on how to overcome such challenges. This primer attempts to document some of the most notable strategies and experiences of communities that have successfully used TRZs to develop their transportation systems.
CHAPTER 8: REFERENCES


# Appendix A: Active Texas TRZs

Table 4. Active Texas TRZs (as of December 2020)

<table>
<thead>
<tr>
<th>TRZ Name and Location</th>
<th>TRZ Type</th>
<th>Date Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of El Paso TRZ No. 2</td>
<td>Municipal</td>
<td>December 2010</td>
</tr>
<tr>
<td>City of El Paso TRZ No. 3</td>
<td>Municipal</td>
<td>December 2010</td>
</tr>
<tr>
<td>City of El Campo TRZ No. 1</td>
<td>Municipal</td>
<td>December 2012</td>
</tr>
<tr>
<td>Town of Horizon City TRZ No. 1</td>
<td>Municipal</td>
<td>November 2012</td>
</tr>
<tr>
<td>City of Socorro TRZ No. 1</td>
<td>Municipal</td>
<td>October 2012</td>
</tr>
<tr>
<td>City of San Marcos TRZ No. 1</td>
<td>Municipal</td>
<td>December 2013</td>
</tr>
<tr>
<td>The Town of Pecos City TRZ No. 1</td>
<td>Municipal</td>
<td>December 2013</td>
</tr>
<tr>
<td>The Town of Pecos City TRZ No. 2</td>
<td>Municipal</td>
<td>December 2013</td>
</tr>
<tr>
<td>Cameron County TRZ No. 6</td>
<td>County</td>
<td>December 2015</td>
</tr>
<tr>
<td>Hidalgo County TRZ No. 2</td>
<td>County</td>
<td>December 2011</td>
</tr>
<tr>
<td>El Paso County TRZ No. 1</td>
<td>County</td>
<td>December 2012</td>
</tr>
<tr>
<td>Hays County TRZ No. 1</td>
<td>County</td>
<td>December 2013</td>
</tr>
<tr>
<td>Port of Beaumont TRZ No. 1</td>
<td>Port Authority and Navigation District</td>
<td>December 2013</td>
</tr>
<tr>
<td>Port of Arthur TRZ No. 1</td>
<td>Port Authority and Navigation District</td>
<td>December 2013</td>
</tr>
<tr>
<td>Sabine-Neches Navigation District TRZ No. 1</td>
<td>Port Authority and Navigation District</td>
<td>December 2013</td>
</tr>
<tr>
<td>Port of Brownsville TRZ No. 1</td>
<td>Port Authority and Navigation District</td>
<td>December 2013</td>
</tr>
<tr>
<td>Town of Horizon City TRZ No. 1</td>
<td>Municipal</td>
<td>December 2014</td>
</tr>
</tbody>
</table>

Source: Compiled by Texas A&M Transportation Institute with input from the Texas Department of Transportation.
CHAPTER 10: APPENDIX B: TEXAS STATUTORY PROVISIONS REGARDING TRZs

Texas Transportation Code

Sec. 222.105 Purposes

The purposes of Sections 222.106 (Municipal Transportation Reinvestment Zones) and 222.107 (County Transportation Reinvestment Zones) are to:

(1) promote public safety;

(2) facilitate the improvement, development, or redevelopment of property;

(3) facilitate the movement of traffic; and

(4) enhance a local entity’s ability to sponsor a transportation project.

Sec. 222.106 Municipal Transportation Reinvestment Zones

(a) In this section:

(1) the amount of a municipality’s tax increment for a year is the amount of ad valorem taxes levied and collected by the municipality for that year on the captured appraised value of real property taxable by the municipality and located in a transportation reinvestment zone under this section;

(2) the captured appraised value of real property taxable by a municipality for a year is the total appraised value of all real property taxable by the municipality and located in a transportation reinvestment zone for that year less the tax increment base of the municipality; and

(3) the tax increment base of a municipality is the total appraised value of all real property taxable by the municipality and located in a transportation reinvestment zone for the year in which the zone was designated under this section.

(b) This section applies only to a municipality in which a transportation project is to be developed under Section 222.104 (Pass-through Tolls) or 222.108 (Transportation Reinvestment Zones for Other Transportation Projects).

(c) If the governing body determines an area to be unproductive and underdeveloped and that action under this section will further the purposes stated in Section 222.105 (Purposes), the governing body of the municipality by ordinance may designate a contiguous geographic area in the jurisdiction of the municipality to be a transportation reinvestment zone to promote one or more transportation projects.

(d) The governing body must comply with all applicable laws in the application of this chapter.
(e) Not later than the 30th day before the date the governing body of the municipality proposes to adopt an ordinance designating an area as a transportation reinvestment zone under this section, the governing body must hold a public hearing on the designation of the zone and its benefits to the municipality and to property in the proposed zone. At the hearing, an interested person may speak for or against the creation of the zone or its boundaries. Not later than the seventh day before the date of the hearing, notice of the hearing and the intent to create the zone must be published in a newspaper having general circulation in the municipality.

(f) Compliance with the requirements of this section constitutes designation of an area as a transportation reinvestment zone without further hearings or other procedural requirements.

(g) The ordinance designating an area as a transportation reinvestment zone must:

1. describe the boundaries of the zone with sufficient definiteness to identify with ordinary and reasonable certainty the territory included in the zone;

2. provide that the zone takes effect immediately on passage of the ordinance and that the base year shall be the year of passage of the ordinance or some year in the future;

3. assign a name to the zone for identification, with the first zone designated by a municipality designated as “Transportation Reinvestment Zone Number One, (City or Town, as applicable) of (name of municipality),” and subsequently designated zones assigned names in the same form, numbered consecutively in the order of their designation;

4. designate the base year for purposes of establishing the tax increment base of the municipality;

5. establish a tax increment account for the zone; and

6. contain findings that promotion of the transportation project or projects will cultivate the improvement, development, or redevelopment of the zone.

(h) From taxes collected on property in a zone, the municipality shall pay into the tax increment account for the zone the tax increment produced by the municipality, less any amount allocated under previous agreements, including agreements under Chapter 380 (Miscellaneous Provisions Relating to Municipal Planning and Development), Local Government Code, or Chapter 311 (Tax Increment Financing Act), Tax Code.

(i) All or the portion specified by the municipality of the money deposited to a tax increment account must be used to fund the transportation project or projects for which the zone was designated, as well as aesthetic improvements within the zone. Any remaining money deposited to the tax increment account may be used for other purposes as determined by the municipality. A municipality may issue bonds to pay all or part of the cost of a transportation project and may pledge and assign all or a specified amount of money in the tax increment account to secure repayment of those bonds.

(i-1) The governing body of a municipality may contract with a public or private entity to develop, redevelop, or improve a transportation project in a transportation reinvestment zone and may pledge and assign all or a specified amount of money in the tax increment account to that entity. After a pledge or assignment is made, the governing body of the municipality may not rescind its pledge or assignment until the contractual commitments that are the subject of the pledge or assignment have been satisfied.
(i-2) To accommodate changes in the limits of a project for which a reinvestment zone was designated, the boundaries of a zone may be amended at any time, except that property may not be removed or excluded from a designated zone if any part of the tax increment account has been assigned or pledged directly by the municipality or through another entity to secure bonds or other obligations issued to obtain funding or development of a project, and property may not be added to a designated zone unless the governing body of the municipality complies with Subsections (e) and (g).

(j) Except as provided by Subsections (i-1) and (k), a transportation reinvestment zone terminates on December 31 of the year in which the municipality completes:

(1) all contractual requirements that included the pledge or assignment of all or a portion of money deposited to a tax increment account; or

(2) the repayment of money owed under an agreement for development, redevelopment, or improvement of the project or projects for which the zone was designated.

(k) A transportation reinvestment zone terminates on December 31 of the 10th year after the year the zone was designated, if before that date the municipality has not entered into a contract described in Subsection (i-1) or otherwise not used the zone for the purpose for which it was designated.

(l) Any surplus remaining in a tax increment account on termination of a zone may be used for other purposes as determined by the municipality.

**Sec. 222.107 County Transportation Reinvestment Zones**

(a) In this section:

(1) the amount of a county’s tax increment for a year is the amount of ad valorem taxes levied and collected by the county for that year on the captured appraised value of real property taxable by the county and located in a transportation reinvestment zone under this section;

(2) the captured appraised value of real property taxable by a county for a year is the total appraised value of all real property taxable by the county and located in a transportation reinvestment zone for that year less the tax increment base of the county; and

(3) the tax increment base of a county is the total appraised value of all real property taxable by the county and located in a transportation reinvestment zone for the year in which the zone was designated under this section.

(b) This section applies only to a county in which a transportation project is to be developed under Section 222.104 (Pass-through Tolls) or 222.108 (Transportation Reinvestment Zones for Other Transportation Projects).
(c) The commissioners court of the county, after determining that an area is unproductive and underdeveloped and that action under this section would further the purposes described by Section 222.105 (Purposes), by order or resolution may designate a contiguous geographic area in the jurisdiction of the county to be a transportation reinvestment zone to promote one or more transportation projects.

(d) The commissioners court must comply with all applicable laws in the application of this chapter.

(e) Not later than the 30th day before the date the commissioners court proposes to designate an area as a transportation reinvestment zone under this section, the commissioners court must hold a public hearing on the creation of the zone, its benefits to the county and to property in the proposed zone, and the possible abatement of ad valorem taxes or the grant of other relief from ad valorem taxes imposed by the county on real property located in the zone. At the hearing, an interested person may speak for or against the designation of the zone, its boundaries, or the possible abatement of or the relief from county taxes on real property in the zone. Not later than the seventh day before the date of the hearing, notice of the hearing and the intent to create a zone must be published in a newspaper having general circulation in the county.

(f) The order or resolution designating an area as a transportation reinvestment zone must:

1. describe the boundaries of the zone with sufficient definiteness to identify with ordinary and reasonable certainty the territory included in the zone;

2. provide that the zone takes effect immediately on adoption of the order or resolution and that the base year shall be the year of passage of the order or resolution or some year in the future;

3. assign a name to the zone for identification, with the first zone designated by a county designated as “Transportation Reinvestment Zone Number One, County of (name of county),” and subsequently designated zones assigned names in the same form numbered consecutively in the order of their designation;

4. designate the base year for purposes of establishing the tax increment base of the county;

5. establish an ad valorem tax increment account for the zone; and

6. contain findings that promotion of the transportation project or projects will cultivate the improvement, development, or redevelopment of the zone.

(g) Compliance with the requirements of this section constitutes designation of an area as a transportation reinvestment zone without further hearings or other procedural requirements.

(h) The commissioners court may:

1. from taxes collected on property in a zone, pay into a tax increment account for the zone an amount equal to the tax increment produced by the county less any amounts allocated under previous agreements, including agreements under Section 381.004 (Community and Economic Development Programs), Local Government Code, or Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code;
(2) by order or resolution enter into an agreement with the owner of any real property located in the transportation reinvestment zone to abate all or a portion of the ad valorem taxes or to grant other relief from the taxes imposed by the county on the owner's property in an amount not to exceed the amount calculated under Subsection (a)(1) for that year;

(3) by order or resolution elect to abate all or a portion of the ad valorem taxes imposed by the county on all real property in a zone; or

(4) grant other relief from ad valorem taxes on property in a zone.

(h-1) All abatements or other relief granted by the commissioners court in a transportation reinvestment zone must be equal in rate. In any ad valorem tax year, the total amount of the taxes abated or the total amount of relief granted under this section may not exceed the amount calculated under Subsection (a)(1) for that year, less any amounts allocated under previous agreements, including agreements under Chapter 381 (County Development and Growth), Local Government Code, or Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code.

(h-2) To further the development of the transportation project or projects for which the transportation reinvestment zone was designated, a county may assess all or part of the cost of the transportation project or projects against property within the zone. The assessment against each property in the zone may be levied and payable in installments in the same manner as provided by Sections 372.016-372.018, Local Government Code, provided that the installments do not exceed the total amount of the tax abatement or other relief granted under Subsection (h). The county may elect to adopt and apply the provisions of Sections 372.015-372.020 and 372.023 (Payment of Costs), Local Government Code, to the assessment of costs and Sections 372.024-372.030, Local Government Code, to the issuance of bonds by the county to pay the cost of a transportation project. The commissioners court of the county may contract with a public or private entity to develop, redevelop, or improve a transportation project in the transportation reinvestment zone, including aesthetic improvements, and may pledge and assign to that entity all or a specified amount of the revenue the county receives from the tax increment or the installment payments of the assessments for the payment of the costs of that transportation project. After a pledge or assignment is made, the commissioners court of the county may not rescind its pledge or assignment until the contractual commitments that are the subject of the pledge or assignment have been satisfied. Any amount received from the tax increment or the installment payments of the assessments not pledged or assigned in connection with a transportation project may be used for other purposes as determined by the commissioners court.

(i) In the alternative, to assist the county in developing a transportation project, if authorized by the commission under Chapter 441 (Road Utility Districts), a road utility district may be formed under that chapter that has the same boundaries as a transportation reinvestment zone created under this section.

(i-1) Repealed by Acts 2013, 83rd Leg., R.S., Ch. 114, Sec. 11, eff. September 1, 2013.

(j) In any ad valorem tax year, a road utility district formed as provided by Subsection (i) may impose taxes on property in the district at a rate that when applied to the property in the district would impose taxes in an amount equal to the amount of taxes abated by the commissioners court of the county under Subsection (h). Notwithstanding Section 441.192 (Maintenance Tax)(a), an election is not required to approve the imposition of the taxes.
(k) A road utility district formed as provided by Subsection (i) may enter into an agreement to fund development of a project or to repay funds owed to the department. Any amount paid for this purpose is considered to be an operating expense of the district. Any taxes collected by the district that are not paid for this purpose may be used for any district purpose.

(k-1) To accommodate changes in the limits of a project for which a reinvestment zone was designated, the boundaries of a zone may be amended at any time, except that property may not be removed or excluded from a designated zone if any part of the tax increment or assessment has been assigned or pledged directly by the county or through another entity to secure bonds or other obligations issued to obtain funding or development of a project, and property may not be added to a designated zone unless the commissioners court of the county complies with Subsections (e) and (f).

(l) Except as provided by Subsection (m), a transportation reinvestment zone, a tax abatement agreement entered into under Subsection (h), or an order or resolution on the abatement of taxes or the grant of relief from taxes under that subsection terminates on December 31 of the year in which the county completes:

(1) all contractual requirements that included the pledge or assignment of all or a portion of:

(A) money deposited to a tax increment account; or

(B) the assessments collected under this section; or

(2) the repayment of money owed under an agreement for the development, redevelopment, or improvement of the project or projects for which the zone was designated.

(m) A transportation reinvestment zone terminates on December 31 of the 10th year after the year the zone was designated, if before that date the county has not used the zone for the purpose for which it was designated.

Sec. 222.108 Transportation Reinvestment Zones for Other Transportation Projects

(a) A municipality or county may establish a transportation reinvestment zone for one or more transportation projects. If all or part of a transportation project is subject to oversight by the department, at the option of the governing body of the municipality or county, the department, to the extent permitted by law, shall delegate full responsibility for the development, design, letting of bids, and construction of the project, including project inspection, to the municipality or county. After assuming responsibility for a project under this subsection, a municipality or county shall enter into an agreement with the department that prescribes:

(1) the development process;

(2) the roles and responsibilities of the parties; and

(3) the timelines for any required reviews or approvals.

(b) Any portion of a transportation project developed under Subsection (a) that is on the state highway system or is located in the state highway right-of-way must comply with applicable state and federal
requirements and criteria for project development, design, and construction, unless the department grants an exception to the municipality or county.

(c) The development, design, and construction plans and specifications for the portions of a project described by Subsection (b) must be reviewed and approved by the department under the agreement entered into under Subsection (a).

(d) In this section, “transportation project” includes:

(1) transportation projects described by Section 370.003 (Definitions); and

(2) port security, transportation, or facility projects described by Section 55.001 (Definitions)(5).

**Sec. 222.109 Reduction Prohibited**

(a) A municipality or county may not be penalized with a reduction in traditional transportation funding because of the designation and use of a transportation reinvestment zone under this chapter. Any funding from the department committed to a project before the date that a transportation reinvestment zone is designated may not be reduced because the transportation reinvestment zone is designated in connection with that project.

(b) The department may not reduce any allocation of traditional transportation funding to any of its districts because a district contains a municipality or county that contains a transportation reinvestment zone designated under this chapter.

**Sec. 222.110 Sales Tax Increment**

(a) In this section, "sales tax base" for a transportation reinvestment zone means the amount of sales and use taxes imposed by a municipality under Section 321.101 (Tax Authorized)(a), Tax Code, or by a county under Chapter 323 (County Sales and Use Tax Act), Tax Code, as applicable, attributable to the zone for the year in which the zone was designated under this chapter.

(1) Expired.

(2) Expired.

(b) The governing body of a municipality or county may determine, in an ordinance or order designating an area as a transportation reinvestment zone or in an ordinance or order adopted subsequent to the designation of a zone, the portion or amount of tax increment generated from the sales and use taxes imposed by a municipality under Section 321.101 (Tax Authorized)(a), Tax Code, or by a county under Chapter 323 (County Sales and Use Tax Act), Tax Code, attributable to the zone, above the sales tax base, to be used as provided by Subsection (e). Nothing in this section requires a municipality or county to contribute sales tax increment under this subsection.

(c) A county that designates a portion or amount of sales tax increment under Subsection (b) must establish a tax increment account. A municipality or county shall deposit the designated portion or amount of tax increment under Subsection (b) to the entity’s respective tax increment account.
(d) Before pledging or otherwise committing money in the tax increment account under Subsection (c),
the governing body of a municipality or county may enter into an agreement, under Subchapter E,
Chapter 271 (Purchasing and Contracting Authority of Municipalities, Counties, and Certain Other Local
Governments), Local Government Code, to authorize and direct the comptroller to:

(1) withhold from any payment to which the municipality or county may be entitled the amount of the
payment into the tax increment account under Subsection (b);

(2) deposit that amount into the tax increment account; and

(3) continue withholding and making additional payments into the tax increment account until an amount
sufficient to satisfy the amount due has been met.

(e) The sales and use taxes to be deposited into the tax increment account under this section may be
disbursed from the account only to:

(1) pay for projects authorized under Section 222.104 (Pass-through Tolls) or 222.108 (Transportation
Reinvestment Zones for Other Transportation Projects); and

(2) notwithstanding Sections 321.506 (Use of Tax Revenue by Municipality) and 323.505 (Use of Tax
Revenue), Tax Code, satisfy claims of holders of tax increment bonds, notes, or other obligations issued
or incurred for projects authorized under Section 222.104 (Pass-through Tolls) or 222.108 (Transportation
Reinvestment Zones for Other Transportation Projects).

(f) The amount deposited by a county to a tax increment account under this section is not considered to
be sales and use tax revenue for the purpose of property tax reduction and computation of the county tax
rate under Section 26.041 (Tax Rate of Unit Imposing Additional Sales and Use Tax), Tax Code.

(g) Not later than the 30th day before the date the governing body of a municipality or county proposes to
designate a portion or amount of sales tax increment under Subsection (b), the governing body shall hold
a public hearing on the designation of the sales tax increment. At the hearing, an interested person may
speak for or against the designation of the sales tax increment. Not later than the seventh day before the
date of the hearing, notice of the hearing must be published in a newspaper having general circulation in
the county or municipality, as appropriate.

(h) The hearing required under Subsection (g) may be held in conjunction with a hearing held under
Section 222.106 (Municipal Transportation Reinvestment Zones)(e) or 222.107 (County Transportation
Reinvestment Zones)(e) if the ordinance or order designating an area as a transportation reinvestment
zone under Section 222.106 (Municipal Transportation Reinvestment Zones) or 222.107 (County
Transportation Reinvestment Zones) also designates a sales tax increment under Subsection (b).

(i) Repealed by Acts 2017, 85th Leg., R.S., Ch. 214 (S.B. 1305), Sec. 5, eff. December 31, 2017.

(1) Expired.

(2) Expired.

Sec. 222.111 Transportation Reinvestment Zones for Projects Located in Other Jurisdictions
Notwithstanding any other law, the governing body of a county or municipality may designate a transportation reinvestment zone for a transportation project located outside the boundaries of the county or municipality if:

(1) the county or municipality finds that:

(A) the project will benefit the property and residents located in the zone; and

(B) the creation of the zone will serve a public purpose of that county or municipality;

(2) a zone has been designated for the same project by one or more counties or municipalities in whose boundaries the project is located; and

(3) an agreement for joint support of the designated zones is entered into under this section by:

(A) the county or municipality whose boundaries do not contain the project; and

(B) one or more of the counties or municipalities that have designated a zone for the project and in whose boundaries the project is located.

Sec. 222.1075 Port Authority Transportation Reinvestment Zone

(a) In this section:

(1) "Port authority" means a port authority or navigation district created or operating under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(2) "Port commission" means the governing body of a port authority or navigation district.

(3) "Port project" means a project that is necessary or convenient for the proper operation of a maritime port or waterway and that will improve the security, movement, and intermodal transportation of cargo or passengers in commerce and trade, including dredging, disposal, and other projects.

(b) In this section:

(1) the amount of a port authority’s tax increment for a year is the amount of ad valorem taxes levied and collected by the port authority or by the commissioners court on behalf of the port authority for that year on the captured appraised value of real property taxable by the port authority and located in a transportation reinvestment zone under this section;

(2) the captured appraised value of real property taxable by a port authority for a year is the total appraised value of all real property taxable by the port authority and located in a transportation reinvestment zone for that year less the tax increment base of the port authority; and

(3) the tax increment base of a port authority is the total appraised value of all real property taxable by the port authority and located in a transportation reinvestment zone for the year in which the zone was designated under this section.
(c) The port commission of the port authority, after determining that an area is unproductive or underdeveloped and that action under this section would improve the security, movement, and intermodal transportation of cargo or passengers in commerce and trade, by order or resolution may designate a contiguous geographic area in the jurisdiction of the port authority to be a transportation reinvestment zone to promote a port project and for the purpose of abating ad valorem taxes or granting other relief from taxes imposed by the county on real property located in the zone.

(d) The port commission must comply with all applicable laws in the application of this chapter.

(e) Not later than the 30th day before the date the port commission proposes to designate an area as a transportation reinvestment zone under this section, the port commission must hold a public hearing on the creation of the zone, its benefits to the port authority and to property in the proposed zone, and the abatement of ad valorem taxes or the grant of other relief from ad valorem taxes imposed by the port authority on real property located in the zone. At the hearing, an interested person may speak for or against the designation of the zone, its boundaries, or the abatement of or other relief from port authority taxes on real property in the zone. Not later than the seventh day before the date of the hearing, notice of the hearing and the intent to create a zone must be published in a newspaper having general circulation in the county in which the zone is proposed to be located.

(f) The order or resolution designating an area as a transportation reinvestment zone must:

1. describe the boundaries of the zone with sufficient definiteness to identify with ordinary and reasonable certainty the territory included in the zone;

2. provide that the zone takes effect immediately on adoption of the order or resolution and that the base year shall be the year of passage of the order or resolution or some year in the future;

3. assign a name to the zone for identification, with the first zone designated by a county designated as “Transportation Reinvestment Zone Number One, (name of port authority),” and subsequently designated zones assigned names in the same form numbered consecutively in the order of their designation;

4. designate the base year for purposes of establishing the tax increment base of the port authority;

5. establish an ad valorem tax increment account for the zone; and

6. contain findings that promotion of a port project will improve the security, movement, and intermodal transportation of cargo or passengers in commerce and trade.

(g) Compliance with the requirements of this section constitutes designation of an area as a transportation reinvestment zone without further hearings or other procedural requirements.

(h) The port commission may:

1. from taxes collected on property in a zone, including maintenance and operation taxes, pay into a tax increment account for the zone an amount equal to the tax increment produced by the port authority less any amounts allocated under previous agreements, including agreements under Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code;
(2) from a tax increment account for the zone, repay any loan or other debt incurred to finance a port project under this section;

(3) by order or resolution enter into an agreement with the owner of any real property located in the transportation reinvestment zone to abate all or a portion of the ad valorem taxes or to grant other relief from the taxes imposed by the port authority on the owner’s property in an amount not to exceed the amount calculated under Subsection (b)(1) for that year;

(4) by order or resolution elect to abate all or a portion of the ad valorem taxes imposed by the port authority on all real property in a zone; or

(5) grant other relief from ad valorem taxes on property in a zone.

(i) All abatements or other relief granted by the port commission in a transportation reinvestment zone must be equal in rate. In any ad valorem tax year, the total amount of the taxes abated or the total amount of other relief granted under this section may not exceed the amount calculated under Subsection (b)(1) for that year, less any amounts allocated under previous agreements, including agreements under Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code.

(j) To further the development of the port project for which the transportation reinvestment zone was designated, a port authority may assess all or part of the cost of the port project against property within the zone. The assessment against each property in the zone may be levied and payable in installments in the same manner as provided for municipal and county public improvement districts under Sections 372.016-372.018, Local Government Code, provided that the installments do not exceed the total amount of the tax abatement or other relief granted under Subsection (h). The port authority has the powers provided to municipalities and counties under Sections 372.015-372.020 and 372.023 (Payment of Costs), Local Government Code, for the issuance of bonds by the port authority to pay the cost of a port project. The port commission of the port authority may contract with a public or private entity to develop, redevelop, or improve a port project in the transportation reinvestment zone, including aesthetic improvements, and may pledge and assign to that entity all or a specified amount of the revenue the port authority receives from installment payments of the assessments for the payment of the costs of that port project. After a pledge or assignment is made, if the entity that received the pledge or assignment has itself pledged or assigned that amount to secure bonds or other obligations issued to obtain funding for the port project, the port commission of the port authority may not rescind its pledge or assignment until the bonds or other obligations secured by the pledge or assignment have been paid or discharged. Any amount received from installment payments of the assessments not pledged or assigned in connection with the port project may be used for other purposes associated with the port project or in the zone.

(k) To accommodate changes in the limits of the project for which a reinvestment zone was designated, the boundaries of a zone may be amended at any time, except that property may not be removed or excluded from a designated zone if any part of the assessment has been assigned or pledged directly by the port authority or through another entity to secure bonds or other obligations issued to obtain funding of the project, and property may not be added to a designated zone unless the port commission of the port authority complies with Subsections (e) and (f).

(l) Except as provided by Subsection (m), a tax abatement agreement entered into under Subsection (h), or an order or resolution on the abatement of taxes or the grant of other relief from taxes under that
subsection, terminates on December 31 of the year in which the port authority completes any contractual requirement that included the pledge or assignment of assessments collected under this section.

(m) A transportation reinvestment zone terminates on December 31 of the 10th year after the year the zone was designated, if before that date the port authority has not used the zone for the purpose for which it was designated
CHAPTER 11: APPENDIX C: UTAH STATUTORY PROVISIONS REGARDING TRZS


(1) Subject to the provisions of this part, any two or more public agencies may enter into an agreement with one another to create a transportation reinvestment zone as described in this section.

(2) To create a transportation reinvestment zone, two or more public agencies, at least one of which has land use authority over the transportation reinvestment zone area, shall:

(a) define the transportation infrastructure need and proposed improvement;
(b) define the boundaries of the zone;
(c) establish terms for sharing sales tax revenue among the members of the agreement;
(d) establish a base year to calculate the increase of property tax revenue within the zone;
(e) establish terms for sharing any increase in property tax revenue within the zone; and
(f) before an agreement is approved as required in Section 11-13-202.5, hold a public hearing regarding the details of the proposed transportation reinvestment zone.

(3) Any agreement to establish a transportation reinvestment zone is subject to the requirements of Sections 11-13-202, 11-13-202.5, 11-13-206, and 11-13-207.

(4)(a) Each public agency that is party to an agreement under this section shall annually publish a report including a statement of the increased tax revenue and the expenditures made in accordance with the agreement.

(b) Each public agency that is party to an agreement under this section shall transmit a copy of the report described in Subsection (4)(a) to the state auditor.

(5) If any surplus revenue remains in a tax revenue account created as part of a transportation reinvestment zone agreement, the parties may use the surplus for other purposes as determined by agreement of the parties.

(6)(a) An action taken under this section is not subject to:

(i) Section 10-8-2;
(ii) Title 10, Chapter 9a, Municipal Land Use, Development, and Management Act;
(iii) Title 17, Chapter 27a, County Land Use, Development, and Management Act; or
(iv) Section 17-50-312.

(b) An ordinance, resolution, or agreement adopted under this title is not a land use regulation as defined in Sections 10-9a-103 and 17-27a-103.
11.2 Housing and Transit Reinvestment Zone Act

LONG TITLE
This bill enacts the Housing and Transit Reinvestment Zone Act.

Highlighted Provisions:
This bill:
▸ enacts the Housing and Transit Reinvestment Zone Act;
▸ defines terms;
▸ establishes objectives and requirements for a municipality or public transit county to create a housing and transit reinvestment zone to capture tax increment revenue within a defined area around certain public transit facilities;
▸ requires a municipality or public transit county to submit a housing and transit reinvestment zone proposal to the Governor's Office of Economic Development;
▸ requires the Governor's Office of Economic Development to initiate an analysis of the feasibility, efficiency, and other aspects of the proposed housing and transit reinvestment zone;
▸ creates and defines membership of a committee to review the proposed housing and transit reinvestment zone;
▸ requires the committee to evaluate the proposed housing and transit reinvestment zone and approve if certain criteria are met;
▸ requires participation from local taxing entities if the housing and transit reinvestment zone proposal meets the statutory requirements and is approved by the committee;
▸ defines permitted uses and administration of tax increment revenue generated pursuant to the housing and transit reinvestment zone;
▸ provides procedures for a housing and transit reinvestment zone that overlaps with a community reinvestment project;
▸ provides for certain protections of tax increment revenues;
▸ requires a certain portion of sales and use tax increment generated within a sales and use tax boundary that corresponds to the housing and transit reinvestment zone boundary to be deposited into the Transit Transportation Investment Fund;
▸ amends provisions related to prioritization of certain funds related to transportation for a project that is part of an housing and transit reinvestment zone; and
▸ makes technical changes.

Money Appropriated in this Bill:
None

Other Special Clauses:
This bill provides a special effective date.

Utah Code Sections Affected:
AMENDS:
59-12-103, as last amended by Laws of Utah 2020, Fifth Special Session, Chapter 20
72-1-102, as last amended by Laws of Utah 2020, Chapters 243 and 377
72-1-304, as last amended by Laws of Utah 2020, Chapter 377
72-2-124, as last amended by Laws of Utah 2020, Chapters 366 and 377
72-2-201, as last amended by Laws of Utah 2020, Chapter 366
ENACTS:
63N-3-601, Utah Code Annotated 1953
63N-3-602, Utah Code Annotated 1953
63N-3-603, Utah Code Annotated 1953
63N-3-604, Utah Code Annotated 1953
63N-3-605, Utah Code Annotated 1953
63N-3-606, Utah Code Annotated 1953
63N-3-607, Utah Code Annotated 1953
Be it enacted by the Legislature of the state of Utah:

Section 1. Section 59-12-103 is amended to read:

59-12-103. Sales and use tax base -- Rates -- Effective dates -- Use of sales and use tax revenues.

(1) A tax is imposed on the purchaser as provided in this part on the purchase price or sales price for amounts paid or charged for the following transactions:

(a) retail sales of tangible personal property made within the state;

(b) amounts paid for:

(i) telecommunications service, other than mobile telecommunications service, that originates and terminates within the boundaries of this state;

(ii) mobile telecommunications service that originates and terminates within the boundaries of one state only to the extent permitted by the Mobile Telecommunications Sourcing Act, 4 U.S.C. Sec. 116 et seq.; or

(iii) an ancillary service associated with a:

(A) telecommunications service described in Subsection (1)(b)(i); or

(B) mobile telecommunications service described in Subsection (1)(b)(ii);

(c) sales of the following for commercial use:

(i) gas;

(ii) electricity;

(iii) heat;

(iv) coal;

(v) fuel oil; or

(vi) other fuels;

(d) sales of the following for residential use:

(i) gas;

(ii) electricity;

(iii) heat;

(iv) coal;

(v) fuel oil; or

(vi) other fuels;

(e) sales of prepared food;

(f) except as provided in Section 59-12-104, amounts paid or charged as admission or user fees for theaters, movies, operas, museums, planetariums, shows of any type or nature, exhibitions, concerts, carnivals, amusement parks, amusement rides, circuses, menageries, fairs, races, contests, sporting events, dances, boxing matches, wrestling matches, closed circuit television broadcasts, billiard parlors, pool parlors, bowling lanes, golf, miniature golf, golf driving ranges, batting cages, skating rinks, ski lifts, ski runs, ski trails, snowmobile trails, tennis courts, swimming pools, water slides, river runs, jeep tours, boat tours, scenic cruises, horseback rides, sports activities, or any other amusement, entertainment, recreation, exhibition, cultural, or athletic activity;

(g) amounts paid or charged for services for repairs or renovations of tangible personal property, unless Section 59-12-104 provides for an exemption from sales and use tax for:

(i) the tangible personal property; and

(ii) parts used in the repairs or renovations of the tangible personal property described in Subsection (1)(g)(i), regardless of whether:

(A) any parts are actually used in the repairs or renovations of that tangible personal property;

(B) the particular parts used in the repairs or renovations of that tangible personal property are exempt from a tax under this chapter;

(h) except as provided in Subsection 59-12-104(7), amounts paid or charged for assisted cleaning or washing of tangible personal property;
(i) amounts paid or charged for tourist home, hotel, motel, or trailer court accommodations and services that are regularly rented for less than 30 consecutive days;
(j) amounts paid or charged for laundry or dry cleaning services;
(k) amounts paid or charged for leases or rentals of tangible personal property if within this state the tangible personal property is:
   (i) stored;
   (ii) used; or
   (iii) otherwise consumed;
(l) amounts paid or charged for tangible personal property if within this state the tangible personal property is:
   (i) stored;
   (ii) used; or
   (iii) consumed; and
(m) amounts paid or charged for a sale:
   (i) (A) of a product transferred electronically; or
   (B) of a repair or renovation of a product transferred electronically; and
   (ii) regardless of whether the sale provides:
      (A) a right of permanent use of the product; or
      (B) a right to use the product that is less than a permanent use, including a right:
         (I) for a definite or specified length of time; and
         (II) that terminates upon the occurrence of a condition.
(2) (a) Except as provided in Subsections (2)(b) through (e), a state tax and a local tax are imposed on a transaction described in Subsection (1) equal to the sum of:
   (i) a state tax imposed on the transaction at a tax rate equal to the sum of:
      (A) (I) through March 31, 2019, 4.70%; and
      (II) beginning on April 1, 2019, 4.70% plus the rate specified in Subsection (13)(a); and
   (B) (I) the tax rate the state imposes in accordance with Part 18, Additional State Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a county in which the state imposes the tax under Part 18, Additional State Sales and Use Tax Act; and
   (II) the tax rate the state imposes in accordance with Part 20, Supplemental State Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a city, town, or the unincorporated area of a county in which the state imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and
   (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the transaction under this chapter other than this part.
(b) Except as provided in Subsection (2)(d) or (e) and subject to Subsection (2)(j), a state tax and a local tax are imposed on a transaction described in Subsection (1)(d) equal to the sum of:
   (i) a state tax imposed on the transaction at a tax rate of 2%; and
   (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the transaction under this chapter other than this part.
(c) Except as provided in Subsection (2)(d) or (e), a state tax and a local tax are imposed on amounts paid or charged for food and food ingredients equal to the sum of:
   (i) a state tax imposed on the amounts paid or charged for food and food ingredients at a tax rate of 1.75%; and
   (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the amounts paid or charged for food and food ingredients under this chapter other than this part.
(d) (i) For a bundled transaction that is attributable to food and food ingredients and tangible personal property other than food and food ingredients, a state tax and a local tax is imposed on the entire bundled transaction equal to the sum of:
   (A) a state tax imposed on the entire bundled transaction equal to the sum of:
      (I) the tax rate described in Subsection (2)(a)(i)(A); and
      (II) (Aa) the tax rate the state imposes in accordance with Part 18, Additional State
Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a county in which the state imposes the tax under Part 18, Additional State Sales and Use Tax Act; and

(Bb) the tax rate the state imposes in accordance with Part 20, Supplemental State Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a city, town, or the unincorporated area of a county in which the state imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and

(B) a local tax imposed on the entire bundled transaction at the sum of the tax rates described in Subsection (2)(a)(ii).

(ii) If an optional computer software maintenance contract is a bundled transaction that consists of taxable and nontaxable products that are not separately itemized on an invoice or similar billing document, the purchase of the optional computer software maintenance contract is 40% taxable under this chapter and 60% nontaxable under this chapter.

(iii) Subject to Subsection (2)(d)(iv), for a bundled transaction other than a bundled transaction described in Subsection (2)(d)(i) or (ii):

(A) if the sales price of the bundled transaction is attributable to tangible personal property, a product, or a service that is subject to taxation under this chapter and tangible personal property, a product, or service that is not subject to taxation under this chapter, the entire bundled transaction is subject to taxation under this chapter unless:

(I) the seller is able to identify by reasonable and verifiable standards the tangible personal property, product, or service that is not subject to taxation under this chapter from the books and records the seller keeps in the seller's regular course of business; or

(II) state or federal law provides otherwise; or

(B) if the sales price of a bundled transaction is attributable to two or more items of tangible personal property, products, or services that are subject to taxation under this chapter at different rates, the entire bundled transaction is subject to taxation under this chapter at the higher tax rate unless:

(I) the seller is able to identify by reasonable and verifiable standards the tangible personal property, product, or service that is subject to taxation under this chapter at the lower tax rate from the books and records the seller keeps in the seller's regular course of business; or

(II) state or federal law provides otherwise.

(iv) For purposes of Subsection (2)(d)(iii), books and records that a seller keeps in the seller's regular course of business includes books and records the seller keeps in the regular course of business for nontax purposes.

(e) (i) Except as otherwise provided in this chapter and subject to Subsections (2)(e)(ii) and (iii), if a transaction consists of the sale, lease, or rental of tangible personal property, a product, or a service that is subject to taxation under this chapter, and the sale, lease, or rental of tangible personal property, other property, a product, or a service that is not subject to taxation under this chapter, the entire transaction is subject to taxation under this chapter unless:

(A) separately states the portion of the transaction that is not subject to taxation under this chapter on an invoice, bill of sale, or similar document provided to the purchaser; or

(B) is able to identify by reasonable and verifiable standards, from the books and records the seller keeps in the seller's regular course of business, the portion of the transaction that is not subject to taxation under this chapter.

(ii) A purchaser and a seller may correct the taxability of a transaction if:

(A) after the transaction occurs, the purchaser and the seller discover that the portion of the transaction that is not subject to taxation under this chapter was not separately stated on an invoice, bill of sale, or similar document provided to the purchaser because of an error or ignorance of the law; and

(B) the seller is able to identify by reasonable and verifiable standards, from the books and records the seller keeps in the seller's regular course of business, the portion of the transaction that is not subject to taxation under this chapter.

(iii) For purposes of Subsections (2)(e)(i) and (ii), books and records that a seller keeps in the seller's regular course of business includes books and records the seller keeps in the regular course of business for nontax purposes.
regular course of business for nontax purposes.

(f) (i) If the sales price of a transaction is attributable to two or more items of tangible personal property, products, or services that are subject to taxation under this chapter at different rates, the entire purchase is subject to taxation under this chapter at the higher tax rate unless the seller, at the time of the transaction:

(A) separately states the items subject to taxation under this chapter at each of the different rates on an invoice, bill of sale, or similar document provided to the purchaser; or

(B) is able to identify by reasonable and verifiable standards the tangible personal property, product, or service that is subject to taxation under this chapter at the lower tax rate from the books and records the seller keeps in the seller's regular course of business.

(ii) For purposes of Subsection (2)(f)(i), books and records that a seller keeps in the seller's regular course of business includes books and records the seller keeps in the regular course of business for nontax purposes.

(g) Subject to Subsections (2)(h) and (i), a tax rate repeal or tax rate change for a tax rate imposed under the following shall take effect on the first day of a calendar quarter:

(i) Subsection (2)(a)(i)(A);

(ii) Subsection (2)(b)(i);

(iii) Subsection (2)(c)(i); or


(h) (i) A tax rate increase takes effect on the first day of the first billing period that begins on or after the effective date of the tax rate increase if the billing period for the transaction begins before the effective date of a tax rate increase imposed under:

(A) Subsection (2)(a)(i)(A);

(B) Subsection (2)(b)(i);

(C) Subsection (2)(c)(i); or


(ii) The repeal of a tax or a tax rate decrease applies to a billing period if the billing statement for the billing period is rendered on or after the effective date of the repeal of the tax or the tax rate decrease imposed under:

(A) Subsection (2)(a)(i)(A);

(B) Subsection (2)(b)(i);

(C) Subsection (2)(c)(i); or


(i) (i) For a tax rate described in Subsection (2)(i)(ii), if a tax due on a catalogue sale is computed on the basis of sales and use tax rates published in the catalogue, a tax rate repeal or change in a tax rate takes effect:

(A) on the first day of a calendar quarter; and

(B) beginning 60 days after the effective date of the tax rate repeal or tax rate change.

(ii) Subsection (2)(i)(i) applies to the tax rates described in the following:

(A) Subsection (2)(a)(i)(A);

(B) Subsection (2)(b)(i);

(C) Subsection (2)(c)(i); or


(iii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may by rule define the term "catalogue sale.*

(j) (i) For a location described in Subsection (2)(j)(ii), the commission shall determine the taxable status of a sale of gas, electricity, heat, coal, fuel oil, or other fuel based on the predominant use of the gas, electricity, heat, coal, fuel oil, or other fuel at the location.

(ii) Subsection (2)(j)(i) applies to a location where gas, electricity, heat, coal, fuel oil, or other fuel is furnished through a single meter for two or more of the following uses:

(A) a commercial use;

(B) an industrial use; or

(C) a residential use.

(3) (a) The following state taxes shall be deposited into the General Fund:

(i) the tax imposed by Subsection (2)(a)(i)(A);
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(ii) the tax imposed by Subsection (2)(b)(i); (iii) the tax imposed by Subsection (2)(c)(i); or (iv) the tax imposed by Subsection (2)(d)(i)(A)(I).

(b) The following local taxes shall be distributed to a county, city, or town as provided in this chapter: (i) the tax imposed by Subsection (2)(a)(ii); (ii) the tax imposed by Subsection (2)(b)(ii); (iii) the tax imposed by Subsection (2)(c)(ii); and (iv) the tax imposed by Subsection (2)(d)(i)(B).

(4) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1, 2003, the lesser of the following amounts shall be expended as provided in Subsections (4)(b) through (g):

(i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated: (A) by a 1/16% tax rate on the transactions described in Subsection (1); and (B) for the fiscal year; or

(ii) $17,500,000.

(b) (i) For a fiscal year beginning on or after July 1, 2003, 14% of the amount described in Subsection (4)(a) shall be transferred each year as dedicated credits to the Department of Natural Resources to:

(A) implement the measures described in Subsections 79-2-303 (3)(a) through (d) to protect sensitive plant and animal species; or

(B) award grants, up to the amount authorized by the Legislature in an appropriations act, to political subdivisions of the state to implement the measures described in Subsections 79-2-303 (3)(a) through (d) to protect sensitive plant and animal species.

(ii) Money transferred to the Department of Natural Resources under Subsection (4)(b)(i) may not be used to assist the United States Fish and Wildlife Service or any other person to list or attempt to have listed a species as threatened or endangered under the Endangered Species Act of 1973, 16 U.S.C. Sec. 1531 et seq.

(iii) At the end of each fiscal year:

(A) 50% of any unexpended dedicated credits shall lapse to the Water Resources Conservation and Development Fund created in Section 73-10-24; (B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan Program Subaccount created in Section 73-10c-5; and (C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan Program Subaccount created in Section 73-10c-5.

(c) For a fiscal year beginning on or after July 1, 2003, 3% of the amount described in Subsection (4)(a) shall be deposited each year in the Agriculture Resource Development Fund created in Section 4-18-106.

(d) (i) For a fiscal year beginning on or after July 1, 2003, 1% of the amount described in Subsection (4)(a) shall be transferred each year as dedicated credits to the Division of Water Rights to cover the costs incurred in hiring legal and technical staff for the adjudication of water rights.

(ii) At the end of each fiscal year:

(A) 50% of any unexpended dedicated credits shall lapse to the Water Resources Conservation and Development Fund created in Section 73-10-24; (B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan Program Subaccount created in Section 73-10c-5; and (C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan Program Subaccount created in Section 73-10c-5.

(e) (i) For a fiscal year beginning on or after July 1, 2003, 41% of the amount described in Subsection (4)(a) shall be deposited into the Water Resources Conservation and Development Fund created in Section 73-10-24 for use by the Division of Water Rights.

(ii) In addition to the uses allowed of the Water Resources Conservation and Development Fund under Section 73-10-24, the Water Resources Conservation and Development Fund may also be used to:
(A) conduct hydrologic and geotechnical investigations by the Division of Water Resources in a cooperative effort with other state, federal, or local entities, for the purpose of quantifying surface and ground water resources and describing the hydrologic systems of an area in sufficient detail so as to enable local and state resource managers to plan for and accommodate growth in water use without jeopardizing the resource;

(B) fund state required dam safety improvements; and

(C) protect the state’s interest in interstate water compact allocations, including the hiring of technical and legal staff.

(f) For a fiscal year beginning on or after July 1, 2003, 20.5% of the amount described in Subsection (4)(a) shall be deposited into the Utah Wastewater Loan Program Subaccount created in Section 73-10c-5 for use by the Water Quality Board to fund wastewater projects.

(g) For a fiscal year beginning on or after July 1, 2003, 20.5% of the amount described in Subsection (4)(a) shall be deposited into the Drinking Water Loan Program Subaccount created in Section 73-10c-5 for use by the Division of Drinking Water to:

(i) provide for the installation and repair of collection, treatment, storage, and distribution facilities for any public water system, as defined in Section 19-4-102;

(ii) develop underground sources of water, including springs and wells; and

(iii) develop surface water sources.

(5) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1, 2006, the difference between the following amounts shall be expended as provided in this Subsection (5), if that difference is greater than $1:

(i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated for the fiscal year by a 1/16% tax rate on the transactions described in Subsection (1); and

(ii) $17,500,000.

(b) (i) The first $500,000 of the difference described in Subsection (5)(a) shall be:

(A) transferred each fiscal year to the Department of Natural Resources as dedicated credits; and

(B) expended by the Department of Natural Resources for watershed rehabilitation or restoration.

(ii) At the end of each fiscal year, 100% of any unexpended dedicated credits described in Subsection (5)(b)(i) shall lapse to the Water Resources Conservation and Development Fund created in Section 73-10-24.

(c) (i) After making the transfer required by Subsection (5)(b)(i), $150,000 of the remaining difference described in Subsection (5)(a) shall be:

(A) transferred each fiscal year to the Division of Water Resources as dedicated credits; and

(B) expended by the Division of Water Resources for cloud-seeding projects authorized by Title 73, Chapter 15, Modification of Weather.

(ii) At the end of each fiscal year, 100% of any unexpended dedicated credits described in Subsection (5)(c)(i) shall lapse to the Water Resources Conservation and Development Fund created in Section 73-10-24.

(d) After making the transfers required by Subsections (5)(b) and (c), 85% of the remaining difference described in Subsection (5)(a) shall be deposited into the Water Resources Conservation and Development Fund created in Section 73-10-24 for use by the Division of Water Resources for:

(i) preconstruction costs:

(A) as defined in Subsection 73-26-103(6) for projects authorized by Title 73, Chapter 26, Bear River Development Act; and

(B) as defined in Subsection 73-28-103(8) for the Lake Powell Pipeline project authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act;

(ii) the cost of employing a civil engineer to oversee any project authorized by Title 73, Chapter 26, Bear River Development Act;

(iii) the cost of employing a civil engineer to oversee the Lake Powell Pipeline project authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act; and

(iv) other uses authorized under Sections 73-10-24, 73-10-25.1, and 73-10-30, and
Subsection (4)(e)(ii) after funding the uses specified in Subsections (5)(d)(i) through (iii).

(e) After making the transfers required by Subsections (5)(b) and (c) and subject to Subsection (5)(f), 15% of the remaining difference described in Subsection (5)(a) shall be transferred each year as dedicated credits to the Division of Water Rights to cover the costs incurred for employing additional technical staff for the administration of water rights.

(f) At the end of each fiscal year, any unexpended dedicated credits described in Subsection (5)(e) over $150,000 lapse to the Water Resources Conservation and Development Fund created in Section 73-10-24.

(6) Notwithstanding Subsection (3)(a) and for taxes listed under Subsection (3)(a), the amount of revenue generated by a 1/16% tax rate on the transactions described in Subsection (1) for the fiscal year shall be deposited as follows:

(a) for fiscal year 2016-17 only, 100% of the revenue described in this Subsection (6) shall be deposited into the Transportation Investment Fund of 2005 created by Section 72-2-124;

(b) for fiscal year 2017-18 only:

(i) 80% of the revenue described in this Subsection (6) shall be deposited into the Transportation Investment Fund of 2005 created by Section 72-2-124; and

(ii) 20% of the revenue described in this Subsection (6) shall be deposited into the Water Infrastructure Restricted Account created by Section 73-10g-103;

(c) for fiscal year 2018-19 only:

(i) 60% of the revenue described in this Subsection (6) shall be deposited into the Transportation Investment Fund of 2005 created by Section 72-2-124; and

(ii) 40% of the revenue described in this Subsection (6) shall be deposited into the Water Infrastructure Restricted Account created by Section 73-10g-103;

(d) for fiscal year 2019-20 only:

(i) 40% of the revenue described in this Subsection (6) shall be deposited into the Transportation Investment Fund of 2005 created by Section 72-2-124; and

(ii) 60% of the revenue described in this Subsection (6) shall be deposited into the Water Infrastructure Restricted Account created by Section 73-10g-103;

(e) for fiscal year 2020-21 only:

(i) 20% of the revenue described in this Subsection (6) shall be deposited into the Transportation Investment Fund of 2005 created by Section 72-2-124; and

(ii) 80% of the revenue described in this Subsection (6) shall be deposited into the Water Infrastructure Restricted Account created by Section 73-10g-103;

(f) for a fiscal year beginning on or after July 1, 2021, 100% of the revenue described in this Subsection (6) shall be deposited into the Water Infrastructure Restricted Account created by Section 73-10g-103.

(7) (a) Notwithstanding Subsection (3)(a), in addition to the amounts deposited in Subsection (6), and subject to Subsection (7)(b), for a fiscal year beginning on or after July 1, 2012, the Division of Finance shall deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124:

(i) a portion of the taxes listed under Subsection (3)(a) in an amount equal to 8.3% of the revenues collected from the following taxes, which represents a portion of the approximately 17% of sales and use tax revenues generated annually by the sales and use tax on vehicles and vehicle-related products:

(A) the tax imposed by Subsection (2)(a)(i)(A) at a 4.7% rate;

(B) the tax imposed by Subsection (2)(b)(i); and

(C) the tax imposed by Subsection (2)(c)(i); and

(D) the tax imposed by Subsection (2)(d)(i)(A)(I); plus

(ii) an amount equal to 30% of the growth in the amount of revenues collected in the current fiscal year from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) that exceeds the amount collected from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) in the 2010-11 fiscal year.

(b) (i) Subject to Subsections (7)(b)(ii) and (iii), in any fiscal year that the portion of the sales and use taxes deposited under Subsection (7)(a) represents an amount that is a total
lower percentage of the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) generated in the current fiscal year than the total percentage of sales and use taxes deposited in the previous fiscal year, the Division of Finance shall deposit an amount under Subsection (7)(a) equal to the product of:

(A) the total percentage of sales and use taxes deposited under Subsection (7)(a) in the previous fiscal year; and

(B) the total sales and use tax revenue generated by the taxes described in Subsections (7)(a)(i)(A) through (D) in the current fiscal year.

(ii) In any fiscal year in which the portion of the sales and use taxes deposited under Subsection (7)(a) would exceed 17% of the revenues collected from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) in the current fiscal year, the Division of Finance shall deposit 17% of the revenues collected from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) for the current fiscal year under Subsection (7)(a).

(iii) In all subsequent fiscal years after a year in which 17% of the revenues collected from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) was deposited under Subsection (7)(a), the Division of Finance shall annually deposit 17% of the revenues collected from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) in the current fiscal year under Subsection (7)(a).

(8) (a) Notwithstanding Subsection (3)(a), and in addition to the amounts deposited under Subsections (6) and (7), for the 2016-17 fiscal year only, the Division of Finance shall deposit $64,000,000 of the revenues generated by the taxes listed under Subsection (3)(a) into the Transportation Investment Fund of 2005 created by Section 72-2-124.

(b) Notwithstanding Subsection (3)(a), and in addition to the amounts deposited under Subsections (6) and (7), for the 2017-18 fiscal year only, the Division of Finance shall deposit $63,000,000 of the revenues generated by the taxes listed under Subsection (3)(a) into the Transportation Investment Fund of 2005 created by Section 72-2-124.

(c) (i) Notwithstanding Subsection (3)(a), in addition to the amounts deposited under Subsections (6) and (7), and subject to Subsection (8)(c)(ii), for a fiscal year beginning on or after July 1, 2018, the commission shall annually deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124 a portion of the taxes listed under Subsection (3)(a) in an amount equal to 3.68% of the revenues collected from the following taxes:

(A) the tax imposed by Subsection (2)(a)(i)(A) at a 4.7% rate;

(B) the tax imposed by Subsection (2)(b)(i);

(C) the tax imposed by Subsection (2)(c)(i); and

(D) the tax imposed by Subsection (2)(d)(i)(A)(I).

(ii) For a fiscal year beginning on or after July 1, 2019, the commission shall annually reduce the deposit into the Transportation Investment Fund of 2005 under Subsection (8)(c)(i) by an amount that is equal to 35% of the amount of revenue generated in the current fiscal year by the portion of the tax imposed on motor and special fuel that is sold, used, or received for sale or use in this state that exceeds 29.4 cents per gallon.

(iii) The commission shall annually deposit the amount described in Subsection (8)(c)(ii) into the Transit and Transportation Investment Fund created in Section 72-2-124.

(9) Notwithstanding Subsection (3)(a), for each fiscal year beginning with fiscal year 2009-10, $533,750 shall be deposited into the Qualified Emergency Food Agencies Fund created by Section 35A-8-1009 and expended as provided in Section 35A-8-1009.

(10) (a) Notwithstanding Subsection (3)(a), except as provided in Subsection (10)(c), in addition to any amounts deposited under Subsections (6), (7), and (8), and for the 2016-17 fiscal year only, the Division of Finance shall deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124 the amount of tax revenue generated by a .05% tax rate on the transactions described in Subsection (1).

(b) Notwithstanding Subsection (3)(a), except as provided in Subsection (10)(c), and in addition to any amounts deposited under Subsections (6), (7), and (8), the Division of Finance shall deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124 the amount of revenue described as follows:

(i) for fiscal year 2017-18 only, 83.33% of the amount of revenue generated by a .05%
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499 tax rate on the transactions described in Subsection (1);
500 (ii) for fiscal year 2018-19 only, 66.67% of the amount of revenue generated by a .05%
501 tax rate on the transactions described in Subsection (1);
502 (iii) for fiscal year 2019-20 only, 50% of the amount of revenue generated by a .05%
503 tax rate on the transactions described in Subsection (1);
504 (iv) for fiscal year 2020-21 only, 33.33% of the amount of revenue generated by a .05%
505 tax rate on the transactions described in Subsection (1); and
506 (v) for fiscal year 2021-22 only, 16.67% of the amount of revenue generated by a .05%
507 tax rate on the transactions described in Subsection (1).
508 (c) For purposes of Subsections (10)(a) and (b), the Division of Finance may not
509 deposit into the Transportation Investment Fund of 2005 any tax revenue generated by amounts
510 paid or charged for food and food ingredients, except for tax revenue generated by a bundled
511 transaction attributable to food and food ingredients and tangible personal property other than
512 food and food ingredients described in Subsection (2)(d).
513 (11) Notwithstanding Subsection (3)(a), beginning the second fiscal year after the
514 fiscal year during which the Division of Finance receives notice under Section 63N-2-510 that
515 construction on a qualified hotel, as defined in Section 63N-2-502, has begun, the Division of
516 Finance shall, for two consecutive fiscal years, annually deposit $1,900,000 of the revenue
517 generated by the taxes listed under Subsection (3)(a) into the Hotel Impact Mitigation Fund,
518 created in Section 63N-2-512.
519 (12) (a) Notwithstanding Subsection (3)(a), for the 2016-17 fiscal year only, the
520 Division of Finance shall deposit $26,000,000 of the revenues generated by the taxes listed
521 under Subsection (3)(a) into the Throughput Infrastructure Fund created by Section 35A-8-308.
522 (b) Notwithstanding Subsection (3)(a), for the 2017-18 fiscal year only, the Division of
523 Finance shall deposit $27,000,000 of the revenues generated by the taxes listed under
524 Subsection (3)(a) into the Throughput Infrastructure Fund created by Section 35A-8-308.
525 (13) (a) The rate specified in this subsection is 0.15%.
526 (b) Notwithstanding Subsection (3)(a), the Division of Finance shall:
527 (i) on or before September 30, 2019, transfer the amount of revenue collected from the
528 rate described in Subsection (13)(a) beginning on April 1, 2019, and ending on June 30, 2019,
529 on the transactions that are subject to the sales and use tax under Subsection (2)(a)(i)(A) into
530 the Medicaid Expansion Fund created in Section 26-36b-208; and
531 (ii) for a fiscal year beginning on or after July 1, 2019, annually transfer the amount of
532 revenue collected from the rate described in Subsection (13)(a) on the transactions that are
533 subject to the sales and use tax under Subsection (2)(a)(i)(A) into the Medicaid Expansion
534 Fund created in Section 26-36b-208.
535 (14) Notwithstanding Subsection (3)(a), for each fiscal year beginning with fiscal year
536 2020-21, the Division of Finance shall deposit $200,000 into the Transportation Investment Fund of 2005 under Subsections (6) through (8) to the General Fund.
537 (b) If the total revenue deposited into the Transportation Investment Fund of 2005
538 under Subsections (6) through (8) is less than $1,813,400 for a fiscal year, the Division of
539 Finance shall transfer the total revenue deposited into the Transportation Investment Fund of
540 2005 under Subsections (6) through (8) during the fiscal year to the General Fund.
541 (16) Notwithstanding Subsection (3)(a), and as described in Section 63N-3-610,
542 beginning one year after the sales and use tax boundary for a housing and transit reinvestment
543 zone is established, the commission, at least annually, shall transfer an amount equal to 15% of
544 the sales and use tax increment within an established sales and use tax boundary, as defined in
545 Section 63N-3-602, into the Transit Transportation Investment Fund created in Section
546 72-2-124.
547 Section 2. Section 63N-3-601 is enacted to read:
Part 6. Housing and Transit Reinvestment Zone Act

63N-3-601. Title.
This part is known as the "Housing and Transit Reinvestment Zone Act."

Section 3. Section 63N-3-602 is enacted to read:

63N-3-602. Definitions.

As used in this part:

(1) "Affordable housing" means the same as that term is defined in Section 11-38-102.

(2) "Agency" means the same as that term is defined in Section 17C-1-102.

(3) "Base taxable value" means a property's taxable value as shown upon the
assessment roll last equalized during the base year.

(4) "Base year" means, for a proposed housing and transit reinvestment zone area, a
year determined by the last equalized tax roll before the adoption of the housing and transit
reinvestment zone.

(5) (a) "Commuter rail" means a heavy-rail passenger rail transit facility operated by a
large public transit district.

(b) "Commuter rail" does not include a light-rail passenger rail facility of a large public
transit district.

(6) "Commuter rail station" means a station, stop, or terminal along an existing
commuter rail line, or along an extension to an existing commuter rail line or new commuter
rail line that is included in a metropolitan planning organization's adopted long-range
transportation plan.

(7) "Dwelling unit" means one or more rooms arranged for the use of one or more
individuals living together, as a single housekeeping unit normally having cooking, living,
sanitary, and sleeping facilities.

(8) "Enhanced development" means the construction of mixed uses including housing,
commercial uses, and related facilities, at an average density of 50 dwelling units or more per
acre on the developable acres.

(9) "Enhanced development costs" means extra costs associated with structured
parking costs, vertical construction costs, horizontal construction costs, life safety costs,
structural costs, conveyor or elevator costs, and other costs incurred due to the increased height
of buildings or enhanced development.

(10) "Horizontal construction costs" means the additional costs associated with
earthwork, over excavation, utility work, transportation infrastructure, and landscaping to
achieve enhanced development in the housing and transit reinvestment zone.

(11) "Housing and transit reinvestment zone" means a housing and transit reinvestment
zone created pursuant to this part.

(12) "Housing and transit reinvestment zone committee" means a housing and transit
reinvestment zone committee created pursuant to Section 63N-3-605.

(13) "Large public transit district" means the same as that term is defined in Section
17B-2a-802.

(14) "Metropolitan planning organization" means the same as that term is defined in
Section 72-1-208.5.

(15) "Mixed use development" means development with a mix of multi-family
residential use and at least one additional land use.

(16) "Municipality" means the same as that term is defined in Section 10-1-104.

(17) "Participant" means the same as that term is defined in Section 17C-1-102.

(18) "Participation agreement" means the same as that term is defined in Section
17C-1-102.

(19) "Public transit county" means a county that has created a small public transit
district.

(20) "Public transit hub" means a public transit depot or station where four or more
routes serving separate parts of the county-created transit district stop to transfer riders between
routes.
(21) "Sales and use tax base year" means a sales and use tax year determined by the first year pertaining to the tax imposed in Section 59-12-103 after the sales and use tax boundary for a housing and transit reinvestment zone is established.

(22) "Sales and use tax boundary" means a boundary created as described in Section 63N-3-604, based on state sales and use tax collection that corresponds as closely as reasonably practicable to the housing and transit reinvestment zone boundary.

(23) "Sales and use tax increment" means the difference between:

(a) the amount of state sales and use tax revenue generated each year following the sales and use tax base year by the sales and use tax from the area within a housing and transit reinvestment zone designated in the housing and transit reinvestment zone proposal as the area from which sales and use tax increment is to be collected; and

(b) the amount of state sales and use tax revenue that was generated from that same area during the sales and use tax base year.

(24) "Sales and use tax revenue" means revenue that is generated from the tax imposed under Section 59-12-103.

(25) "Small public transit district" means the same as that term is defined in Section 17B-2a-802.

(26) "Tax commission" means the State Tax Commission created in Section 59-1-201.

(27) "Tax increment" means the difference between:

(a) the amount of property tax revenue generated each tax year by a taxing entity from the area within a housing and transit reinvestment zone designated in the housing and transit reinvestment zone proposal as the area from which tax increment is to be collected, using the current assessed value and each taxing entity's current certified tax rate as defined in Section 59-2-924; and

(b) the amount of property tax revenue that would be generated from that same area using the base taxable value and each taxing entity's current certified tax rate as defined in Section 59-2-924.

(28) "Taxing entity" means the same as that term is defined in Section 17C-1-102.

(29) "Vertical construction costs" means the additional costs associated with construction above four stories and structured parking to achieve enhanced development in the housing and transit reinvestment zone.

Section 4. Section 63N-3-603 is enacted to read:

63N-3-603. Applicability, requirements, and limitations on a housing and transit reinvestment zone.

(1) A housing and transit reinvestment zone proposal created under this part shall promote the following objectives:

(a) higher utilization of public transit;

(b) increasing availability of housing, including affordable housing;

(c) conservation of water resources through efficient land use;

(d) improving air quality by reducing fuel consumption and motor vehicle trips;

(e) encouraging transformative mixed-use development and investment in transportation and public transit infrastructure in strategic areas;

(f) strategic land use and municipal planning in major transit investment corridors as described in Subsections 10-9a-403(3) and (4); and

(g) increasing access to employment and educational opportunities.

(2) In order to accomplish the objectives described in Subsection (1), a municipality or public transit county that initiates the process to create a housing and transit reinvestment zone as described in this part shall ensure that the proposal for a housing and transit reinvestment zone includes:

(a) except as provided in Subsection (3), at least 10% of the proposed housing units within the housing and transit reinvestment zone are affordable housing units;

(b) a dedication of at least 51% of the developable area within the housing and transit reinvestment zone to residential development with an average of 50 multi-family dwelling units per acre or greater; and

(c) mixed-use development.
(3) A municipality or public transit county that, at the time the housing and transit reinvestment zone proposal is approved by the housing and transit reinvestment zone committee, meets the affordable housing guidelines of the United States Department of Housing and Urban Development at 60% area median income is exempt from the requirement described in Subsection (2)(a).

(4) A municipality or public transit county may only propose a housing and transit reinvestment zone that:

(a) subject to Subsection (5):

(i) (A) for a municipality, does not exceed a 1/3 mile radius of a commuter rail station; or

(B) for a public transit county, does not exceed a 1/3 mile radius of a public transit hub; and

(ii) has a total area of no more than 125 noncontiguous square acres;

(b) subject to Section 63N-3-607, proposes the capture of a maximum of 80% of each taxing entity's tax increment above the base year for a term of no more than 25 consecutive years on each parcel within a 45-year period not to exceed the tax increment amount approved in the housing and transit reinvestment zone proposal; and

(c) the commencement of collection of tax increment, for all or a portion of the housing and transit reinvestment zone, will be triggered by providing notice as described in Subsection (6).

(5) If a parcel is bisected by the 1/3 mile radius, the full parcel may be included as part of the housing and transit reinvestment zone area and will not count against the limitations described in Subsection (4)(a).

(6) The notice of commencement of collection of tax increment required in Subsection (4)(c) shall be sent by mail or electronically to:

(a) the tax commission;

(b) the State Board of Education;

(c) the state auditor;

(d) the auditor of the county in which the housing and transit reinvestment zone is located;

(e) each taxing entity affected by the collection of tax increment from the housing and transit reinvestment zone; and

(f) the Governor's Office of Economic Development.

Section 5. Section 63N-3-604 is enacted to read:

63N-3-604. Process for a proposal of a housing and transit reinvestment zone -- Analysis.

(1) Subject to approval of the housing and transit reinvestment zone committee as described in Section 63N-3-605, in order to create a housing and transit reinvestment zone, a municipality or public transit county that has general land use authority over the housing and transit reinvestment zone area, shall:

(a) prepare a proposal for the housing and transit reinvestment zone that:

(i) demonstrates that the proposed housing and transit reinvestment zone will meet the objectives described in Subsection 63N-3-603(1);

(ii) explains how the municipality or public transit county will achieve the requirements of Subsection 63N-3-603(2)(a);

(iii) defines the specific transportation infrastructure needs, if any, and proposed improvements;

(iv) defines the boundaries of:

(A) the housing and transit reinvestment zone; and

(B) the sales and use tax boundary corresponding to the housing and transit reinvestment zone boundary, as described in Section 63N-3-610;

(v) identifies any development impediments that prevent the development from being a market-rate investment and proposed strategies for addressing each one;

(vi) describes the proposed development plan, including the requirements described in Subsections 63N-3-603(2) and (4);
establishes a base year and collection period to calculate the tax increment within the housing and transit reinvestment zone; 
(viii) establishes a sales and use tax base year to calculate the sales and use tax increment within the housing and transit reinvestment zone; 
(ix) describes projected maximum revenues generated and the amount of tax increment capture from each taxing entity and proposed expenditures of revenue derived from the housing and transit reinvestment zone; 
(x) includes an analysis of other applicable or eligible incentives, grants, or sources of revenue that can be used to reduce the finance gap; 
(xi) proposes a finance schedule to align expected revenue with required financing costs and payments; and 
(xii) provides a pro-forma for the planned development including the cost differential between surface parked multi-family development and enhanced development that satisfies the requirements described in Subsections 63N-3-603(2), (3), and (4); and
(b) submit the housing and transit reinvestment zone proposal to the Governor's Office of Economic Development.
(2) Before submitting the proposed housing and transit reinvestment zone to the Governor's Office of Economic Development as described in Subsection (1)(b), the municipality or public transit county proposing the housing and transit reinvestment zone shall ensure that the area of the proposed housing and transit reinvestment zone is zoned in such a manner to accommodate the requirements of a housing and transit reinvestment zone described in this section and the proposed development. 
(3) (a) After receiving the proposal as described in Subsection (1)(b), the Governor's Office of Economic Development shall, at the expense of the proposing municipality or public transit county as described in Subsection (5), contract with an independent entity to perform the gap analysis described in Subsection (3)(b). 
(b) The gap analysis required in Subsection (3)(a) shall include:
(i) a description of the planned development; 
(ii) a market analysis relative to other comparable project developments included in or adjacent to the municipality or public transit county absent the proposed housing and transit reinvestment zone; 
(iii) an evaluation of the proposal to and a determination of the adequacy and efficiency of the proposal; and 
(iv) based on the market analysis and other findings, an opinion relative to the amount of potential public financing reasonably determined to be necessary to achieve the objectives described in Subsection 63N-3-603(1).
(4) After receiving the results from the analysis described in Subsection (3)(b), the municipality or public transit county proposing the housing and transit reinvestment zone may:
(a) amend the housing and transit reinvestment zone proposal based on the findings of the analysis described in Subsection (3)(b) and request that the Governor's Office of Economic Development submit the amended housing and transit reinvestment zone proposal to the housing and transit reinvestment zone committee; or 
(b) request that the Governor's Office of Economic Development submit the original housing and transit reinvestment zone proposal to the housing and transit reinvestment zone committee.
(5) (a) The Governor's Office of Economic Development may accept, as a dedicated credit, up to $20,000 from a municipality or public transit county for the costs of the gap analysis described in Subsection (3)(b). 
(b) The Governor's Office of Economic Development may expend funds received from a municipality or public transit county as dedicated credits to pay for the costs associated with the gap analysis described in Subsection (3)(b).

Section 6. Section 63N-3-605 is enacted to read:
63N-3-605, Housing and Transit Reinvestment Zone Committee -- Creation.
(1) For any housing and transit reinvestment zone proposed under this part, there is created a housing and transit reinvestment zone committee with membership described in
Subsection (2).

(2) Each housing and transit reinvestment zone committee shall consist of the following members:

(a) one representative from the Governor's Office of Economic Development, designated by the executive director of the Governor's Office of Economic Development;

(b) one representative from each municipality that is a party to the proposed housing and transit reinvestment zone, designated by the chief executive officer of each respective municipality;

(c) one representative from the Department of Transportation created in Section 72-1-201, designated by the executive director of the Department of Transportation;

(d) one representative from a large public transit district that serves the proposed housing and transit reinvestment zone area, designated by the chair of the board of trustees of a large public transit district;

(e) one representative of each relevant metropolitan planning organization, designated by the chair of the metropolitan planning organization;

(f) one member designated by the president of the Senate;

(g) one member designated by the speaker of the House of Representatives;

(h) one member designated by the chair of the State Board of Education;

(i) one member designated by the chief executive officer of each county affected by the housing and transit reinvestment zone;

(j) one representative designated by the school superintendent from the school district affected by the housing and transit reinvestment zone; and

(k) one representative, representing the largest participating local taxing entity, after the municipality, county, and school district.

(3) The individual designated by the Governor's Office of Economic Development as described in Subsection (2)(a) shall serve as chair of the housing and transit reinvestment zone committee.

(4) (a) A majority of the members of the housing and transit reinvestment zone committee constitutes a quorum of the housing and transit reinvestment zone committee.

(b) An action by a majority of a quorum of the housing and transit reinvestment zone committee is an action of the housing and transit reinvestment zone committee.

(5) After the Governor's Office of Economic Development receives the results of the analysis described in Section 63N-3-604, and after the Governor's Office of Economic Development has received a request from the submitting municipality or public transit county to submit the housing and transit reinvestment zone proposal to the housing and transit reinvestment zone committee, the Governor's Office of Economic Development shall notify each of the entities described in Subsection (2) of the formation of the housing and transit reinvestment zone committee.

(6) (a) The chair of the housing and transit reinvestment zone committee shall convene a public meeting to consider the proposed housing and transit reinvestment zone.

(b) A meeting of the housing and transit reinvestment zone committee is subject to Title 52, Chapter 4, Open and Public Meetings Act.

(7) (a) The proposing municipality or public transit county shall present the housing and transit reinvestment zone proposal to the housing and transit reinvestment zone committee in a public meeting.

(b) The housing and transit reinvestment zone committee shall:

(i) evaluate and verify whether the elements of a housing and transit reinvestment zone described in Subsections 63N-3-603(2) and (4) have been met; and

(ii) evaluate the proposed housing and transit reinvestment zone relative to the analysis described in Subsection 63N-3-604(2).

(8) The housing and transit reinvestment zone committee may:

(a) request changes to the housing and transit reinvestment zone proposal based on the analysis described in Section 63N-3-604; or

(b) vote to approve or deny the proposal.

(9) If approved by the committee:
(a) the proposed housing and transit reinvestment zone is established according to the

terms of the housing and transit reinvestment zone proposal; and

(b) affected local taxing entities are required to participate according to the terms of the

housing and transit reinvestment zone proposal.

(10) A housing and transit reinvestment zone proposal may be amended by following

the same procedure as approving a housing and transit reinvestment zone proposal.

Section 7. Section 63N-3-606 is enacted to read:

63N-3-606, Notice requirements.

(1) In approving a housing and transit reinvestment zone proposal, the housing and

transit reinvestment zone committee shall follow the hearing and notice requirements for

creating a housing and transit reinvestment zone area proposal.

(2) Within 30 days after the housing and transit reinvestment zone committee approves

a proposed housing and transit reinvestment zone, the municipality or public transit county

shall:

(a) record with the recorder of the county in which the housing and transit reinvestment

zone is located a document containing:

(i) a description of the land within the housing and transit reinvestment zone;

(ii) a statement that the proposed housing and transit reinvestment zone has been

approved; and

(iii) the date of adoption;

(b) transmit a copy of the description of the land within the housing and transit

reinvestment zone and an accurate map or plat indicating the boundaries of the housing and

transit reinvestment zone to the Automated Geographic Reference Center created under Section

63F-1-506; and

(c) transmit a copy of the approved housing and transit reinvestment zone proposal,

map, and description of the land within the housing and transit reinvestment zone, to:

(i) the auditor, recorder, attorney, surveyor, and assessor of the county in which any

part of the housing and transit reinvestment zone is located;

(ii) the officer or officers performing the function of auditor or assessor for each taxing

entity that does not use the county assessment roll or collect the taxing entity's taxes through

the county;

(iii) the legislative body or governing board of each taxing entity;

(iv) the tax commission; and

(v) the State Board of Education.

Section 8. Section 63N-3-607 is enacted to read:

63N-3-607, Payment, use, and administration of revenue from a housing and

transit reinvestment zone.

(1) A municipality or public transit county may receive and use tax increment and

housing and transit reinvestment zone funds in accordance with this part.

(2) (a) A county that collects property tax on property located within a housing and

transit reinvestment zone shall, in accordance with Section 59-2-1365, distribute to the

municipality or public transit county any tax increment the municipality or public transit county

is authorized to receive up to the maximum approved by the housing and transit reinvestment

zone committee.

(b) Tax increment distributed to a municipality or public transit county in accordance

with Subsection (2)(a) is not revenue of the taxing entity or municipality or public transit

county.

(c) (i) Tax increment paid to the municipality or public transit county are housing and

transit reinvestment zone funds and shall be administered by an agency created by the

municipality or public transit county within which the housing and transit reinvestment zone is

located.

(ii) Before an agency may receive housing and transit reinvestment zone funds from

the municipality or public transit county, the municipality or public transit county and the

agency shall enter into an interlocal agreement with terms that:

(A) are consistent with the approval of the housing and transit reinvestment zone
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881 committee; and
882 (B) meet the requirements of Section 63N-3-603.
883 (3) (a) A municipality or public transit county and agency shall use housing and transit
884 reinvestment zone funds within, or for the direct benefit of, the housing and transit
885 reinvestment zone.
886 (b) If any housing and transit reinvestment zone funds will be used outside of the
887 housing and transit reinvestment zone there must be a finding in the approved proposal for a
888 housing and transit reinvestment zone that the use of the housing and transit reinvestment zone
889 funds outside of the housing and transit reinvestment zone will directly benefit the housing and
890 transit reinvestment zone.
891 (4) A municipality or public transit county shall use housing and transit reinvestment
892 zone funds to achieve the purposes described in Subsections 63N-3-603(1) and (2), by paying
893 all or part of the costs of any of the following:
894 (a) income targeted housing costs;
895 (b) structured parking within the housing and transit reinvestment zone;
896 (c) enhanced development costs;
897 (d) horizontal construction costs;
898 (e) vertical construction costs;
899 (f) land purchase costs within the housing and transit reinvestment zone; or
900 (g) the costs of the municipality or public transit county to create and administer the
901 housing and transit reinvestment zone, which may not exceed 1% of the total housing and
902 transit reinvestment zone funds, plus the costs to complete the gap analysis described in
903 Subsection 63N-3-604(3).
904 (5) Housing and transit reinvestment zone funds may be paid to a participant, if the
905 agency and participant enter into a participation agreement which requires the participant to
906 utilize the housing and transit reinvestment zone funds as allowed in this section.
907 (6) Housing and transit reinvestment zone funds may be used to pay all of the costs of
908 bonds issued by the municipality or public transit county in accordance with Title 17C, Chapter
909 1, Part 5, Agency Bonds, including the cost to issue and repay the bonds including interest.
910 (7) A municipality or public transit county may create one or more public infrastructure
911 districts within the housing and transit reinvestment zone under Title 17B, Chapter 2a, Part 12,
912 Public Infrastructure District Act, and pledge and utilize the housing and transit reinvestment
913 zone funds to guarantee the payment of public infrastructure bonds issued by a public
914 infrastructure district.
915 Section 9. Section 63N-3-608 is enacted to read:
916 63N-3-608. Applicability to an existing community reinvestment project.
917 For a housing and transit reinvestment zone created under this part that overlaps any
918 portion of an existing inactive industrial site community reinvestment project area plan created
919 pursuant to Title 17C, Limited Purpose Local Government Entities - Community Reinvestment
920 Agency Act:
921 (1) if the community reinvestment project area plan captures less than 80% of the tax
922 increment from a taxing entity, or if a taxing entity is not participating in the community
923 reinvestment project area plan, the housing and transit reinvestment zone may capture the
924 difference between:
925 (a) 80%; and
926 (b) the percentage of tax increment captured pursuant to the community reinvestment
927 project area plan; and
928 (2) if a community reinvestment project area plan expires before the housing and
929 transit reinvestment zone, the housing and transit reinvestment zone may capture the tax
930 increment allocated to the community reinvestment project area plan for any remaining portion
931 of the term of the housing and transit reinvestment zone.
932 Section 10. Section 63N-3-609 is enacted to read:
933 63N-3-609. Tax increment protections.
934 (1) Upon petition by a participating taxing entity or on the initiative of the housing and
935 transit reinvestment zone committee creating a housing and transit reinvestment zone, a
housing and transit reinvestment zone may suspend or terminate the collection of tax increment
in a housing and transit reinvestment zone if the housing and transit reinvestment zone
committee determines, by clear and convincing evidence, presented in a public meeting of the
housing and transit reinvestment zone committee, that:
(a) a substantial portion of the tax increment collected in the housing and transit
reinvestment zone has not or will not be used for the purposes provided in Section 63N-3-607;
and
(b) (i) the housing and transit reinvestment zone has no indebtedness; or
(ii) the housing and transit reinvestment zone has no binding financial obligations.
(2) A housing and transit reinvestment zone may not collect tax increment in excess of
the tax increment projections or limitations set forth in the housing and transit reinvestment
proposal.
(3) The agency administering the tax increment collected in a housing and transit
reinvestment zone under Subsection 63N-3-607(2)(c), shall have standing in a court with
proper jurisdiction to enforce provisions of the housing and transit reinvestment zone proposal,
participation agreements, and other agreements for the use of the tax increment collected.
(4) The agency administering tax increment from a housing and transit reinvestment
zone under Subsection 63N-3-607(2)(c) which is collecting tax increment shall follow the
reporting requirements described in Section 17C-1-603 and the audit requirements described in
Sections 17C-1-604 and 17C-1-605.
(5) For each housing and transit reinvestment zone collecting tax increment within a
county, the county auditor shall follow the reporting requirement found in Section 17C-1-606.

Section 11. Section 63N-3-610 is enacted to read:
63N-3-610. Sales and use tax increment in a housing and transit reinvestment
zone.
(1) A housing and transit reinvestment proposal shall, in consultation with the tax
commission:
(a) create a sales and use tax boundary as described in Subsection (2); and
(b) establish a sales and use tax base year and collection period to calculate and transfer
the state sales and use tax increment within the housing and transit reinvestment zone.
(2) (a) The municipality or public transit county, in consultation with the tax
commission, shall establish a sales and use tax boundary that:
(i) is based on state sales and use tax collection boundaries; and
(ii) follows as closely as reasonably practicable the boundary of the housing and transit
reinvestment zone.
(b) The municipality or public transit county shall include the sales and use tax
boundary in the housing and transit reinvestment zone proposal as described in Section
63N-3-604.
(3) Beginning one year after the sales and use tax boundary for a housing and transit
reinvestment zone is established, the tax commission shall, at least annually, transfer an
amount equal to 15% of the sales and use tax increment within an established sales and use tax
boundary into the Transit Transportation Investment Fund created in Section 72-2-124.
(4) (a) The requirement described in Subsection (3) to transfer incremental sales tax
revenue shall take effect:
(i) on the first day of a calendar quarter; and
(ii) after a 90-day waiting period, beginning on the date the commission receives notice
from the municipality or public transit county meeting the requirements of Subsection (4)(b).
(b) The notice described in Subsection (4)(a) shall include:
(i) a statement that the housing and transit reinvestment zone will be established under
this part;
(ii) the approval date and effective date of the housing and transit reinvestment zone; and
(iii) the definitions of the sales and use tax boundary and sales and use tax base year.
Section 12. Section 72-1-102 is amended to read:
72-1-102. Definitions.
As used in this title:

(1) "Circulator alley" means a publicly owned passageway:
(a) with a right-of-way width of 20 feet or greater;
(b) located within a master planned community;
(c) established by the city having jurisdictional authority as part of the street network
for traffic circulation that may also be used for:
(i) garbage collection;
(ii) access to residential garages; or
(iii) access rear entrances to a commercial establishment; and
(d) constructed with a bituminous or concrete pavement surface.

(2) "Commission" means the Transportation Commission created under Section 72-1-301.

(3) "Construction" means the construction, reconstruction, replacement, and
improvement of the highways, including the acquisition of rights-of-way and material sites.

(4) "Department" means the Department of Transportation created in Section 72-1-201.

(5) "Executive director" means the executive director of the department appointed
under Section 72-1-202.

(6) "Farm tractor" has the meaning set forth in Section 41-1a-102.

(7) "Federal aid primary highway" means that portion of connected main highways
located within this state officially designated by the department and approved by the United
States Secretary of Transportation under Title 23, Highways, U.S.C.

(8) "Highway" means any public road, street, alley, lane, court, place, viaduct, tunnel,
culvert, bridge, or structure laid out or erected for public use, or dedicated or abandoned to the
public, or made public in an action for the partition of real property, including the entire area
within the right-of-way.

(9) "Highway authority" means the department or the legislative, executive, or
governing body of a county or municipality.

(10) "Housing and transit reinvestment zone" means the same as that term is defined in
Section 63N-3-602.

(11) "Implement of husbandry" has the meaning set forth in Section 41-1a-102.

(12) "Interstate system" means any highway officially designated by the
department and included as part of the national interstate and defense highways, as provided in
the Federal Aid Highway Act of 1956 and any supplemental acts or amendments.

(13) "Limited-access facility" means a highway especially designated for
through traffic, and over, from, or to which neither owners nor occupants of abutting lands nor
other persons have any right or easement, or have only a limited right or easement of access,
light, air, or view.

(14) "Master planned community" means a land use development:
(a) designated by the city as a master planned community; and
(b) comprised of a single development agreement for a development larger than 500
acres.

(15) "Motor vehicle" has the same meaning set forth in Section 41-1a-102.

(16) "Municipality" has the same meaning set forth in Section 10-1-104.

(17) "National highway systems highways" means that portion of connected
main highways located within this state officially designated by the department and approved by
the United States Secretary of Transportation under Title 23, Highways, U.S.C.

(18) (a) "Port-of-entry" means a fixed or temporary facility constructed,
operated, and maintained by the department where drivers, vehicles, and vehicle loads are
checked or inspected for compliance with state and federal laws as specified in Section
72-9-501.

(b) "Port-of-entry" includes inspection and checking stations and weigh stations.

(19) "Port-of-entry agent" means a person employed at a port-of-entry to perform
the duties specified in Section 72-9-501.

(20) "Public transit" means the same as that term is defined in Section
17B-2a-802.
"Public transit facility" means a transit vehicle, transit station, depot, passenger loading or unloading zone, parking lot, or other facility:
(a) leased by or operated by or on behalf of a public transit district; and
(b) related to the public transit services provided by the district, including:
(i) railway or other right-of-way;
(ii) railway line; and
(iii) a reasonable area immediately adjacent to a designated stop on a route traveled by a transit vehicle.
"Right-of-way" means real property or an interest in real property, usually in a strip, acquired for or devoted to a highway.
"Sealed" does not preclude acceptance of electronically sealed and submitted bids or proposals in addition to bids or proposals manually sealed and submitted.
"Semitrailer" has the meaning set forth in Section 41-1a-102.
"SR" means state route and has the same meaning as state highway as defined in this section.
"State highway" means those highways designated as state highways in Title 72, Chapter 4, Designation of State Highways Act.
"State transportation purposes" has the meaning set forth in Section 72-5-102.
"State transportation systems" means all streets, alleys, roads, highways, pathways, and thoroughfares of any kind, including connected structures, airports, aerial corridor infrastructure, spaceports, public transit facilities, and all other modes and forms of conveyance used by the public.
"Trailer" has the meaning set forth in Section 41-1a-102.
"Transportation reinvestment zone" means a transportation reinvestment zone created pursuant to Section 11-13-227.
"Truck tractor" has the meaning set forth in Section 41-1a-102.
"UDOT" means the Utah Department of Transportation.
"Vehicle" has the same meaning set forth in Section 41-1a-102.
Section 13. Section 72-1-304 is amended to read:
72-1-304. Written project prioritization process for new transportation capacity projects -- Rulemaking.
(1) (a) The Transportation Commission, in consultation with the department and the metropolitan planning organizations as defined in Section 72-1-208.5, shall develop a written prioritization process for the prioritization of:
(i) new transportation capacity projects that are or will be part of the state highway system under Chapter 4, Part 1, State Highways;
(ii) paved pedestrian or paved nonmotorized transportation projects that:
(A) mitigate traffic congestion on the state highway system; and
(B) are part of an active transportation plan approved by the department;
(iii) public transit projects that add capacity to the public transit systems within the state; and
(iv) pedestrian or nonmotorized transportation projects that provide connection to a public transit system.
(b) (i) A local government or district may nominate a project for prioritization in accordance with the process established by the commission in rule.
(ii) If a local government or district nominates a project for prioritization by the commission, the local government or district shall provide data and evidence to show that:
(A) the project will advance the purposes and goals described in Section 72-1-211;
(B) for a public transit project, the local government or district has an ongoing funding source for operations and maintenance of the proposed development; and
(C) the local government or district will provide 40% of the costs for the project as required by Subsection 72-2-124(4)(a)(viii) or 72-2-124(9)(e).
(2) The following shall be included in the written prioritization process under Subsection (1):
(a) a description of how the strategic initiatives of the department adopted under Section 72-1-211 are advanced by the written prioritization process;
(b) a definition of the type of projects to which the written prioritization process applies;
(c) specification of a weighted criteria system that is used to rank proposed projects and how it will be used to determine which projects will be prioritized;
(d) specification of the data that is necessary to apply the weighted ranking criteria; and
(e) any other provisions the commission considers appropriate, which may include consideration of:
(i) regional and statewide economic development impacts, including improved local access to:
(A) employment;
(B) educational facilities;
(C) recreation;
(D) commerce; and
(E) residential areas, including moderate income housing as demonstrated in the local government's or district's general plan pursuant to Section 10-9a-403 or 17-27a-403;
(ii) the extent to which local land use plans relevant to a project support and accomplish the strategic initiatives adopted under Section 72-1-211; and
(iii) any matching funds provided by a political subdivision or public transit district in addition to the 40% required by Subsections 72-2-124(4)(a)(viii) and 72-2-124(9)(e).
(3) (a) When prioritizing a public transit project that increases capacity, the commission:
(i) may give priority consideration to projects that are part of a transit-oriented development or transit-supportive development as defined in Section 17B-2a-802[.]; and
(ii) shall give priority consideration to projects that are within the boundaries of a housing and transit reinvestment zone created pursuant to Title 63N, Chapter 3, Part 6, Housing and Transit Reinvestment Zone Act.
(b) When prioritizing a public transit or transportation project that increases capacity, the commission may give priority consideration to projects that are:
(i) part of a transportation reinvestment zone created under Section 11-13-227 if: (A) the state is a participant in the transportation reinvestment zone; or
(B) the commission finds that the transportation reinvestment zone provides a benefit to the state transportation system[.]; or
(ii) within the boundaries of a housing and transit reinvestment zone created pursuant to Title 63N, Chapter 3, Part 6, Housing and Transit Reinvestment Zone Act.
(4) In developing the written prioritization process, the commission:
(a) shall seek and consider public comment by holding public meetings at locations throughout the state; and
(b) may not consider local matching dollars as provided under Section 72-2-123 unless the state provides an equal opportunity to raise local matching dollars for state highway improvements within each county.
(5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the Transportation Commission, in consultation with the department, shall make rules establishing the written prioritization process under Subsection (1).
(6) The commission shall submit the proposed rules under this section to a committee or task force designated by the Legislative Management Committee for review prior to taking final action on the proposed rules or any proposed amendment to the rules described in Subsection (5).
Section 14. Section 72-2-124 is amended to read:
(1) There is created a capital projects fund entitled the Transportation Investment Fund of 2005.
(2) The fund consists of money generated from the following sources:
(a) any voluntary contributions received for the maintenance, construction,
reconstruction, or renovation of state and federal highways;
(b) appropriations made to the fund by the Legislature;
(c) registration fees designated under Section 41-1a-1201;
(d) the sales and use tax revenues deposited into the fund in accordance with Section 59-12-103; and
(e) revenues transferred to the fund in accordance with Section 72-2-106.
(3) (a) The fund shall earn interest.
(b) All interest earned on fund money shall be deposited into the fund.
(4) (a) Except as provided in Subsection (4)(b), the executive director may only use fund money to pay:
(i) the costs of maintenance, construction, reconstruction, or renovation to state and federal highways prioritized by the Transportation Commission through the prioritization process for new transportation capacity projects adopted under Section 72-1-304;
(ii) the costs of maintenance, construction, reconstruction, or renovation to the highway projects described in Subsections 63B-18-401(2), (3), and (4);
(iii) principal, interest, and issuance costs of bonds authorized by Section 63B-18-401 minus the costs paid from the County of the First Class Highway Projects Fund in accordance with Subsection 72-2-121(4)(e);
(iv) for a fiscal year beginning on or after July 1, 2013, to transfer to the 2010 Salt Lake County Revenue Bond Sinking Fund created by Section 72-2-121.3 the amount certified by Salt Lake County in accordance with Subsection 72-2-121.3(4)(c) as necessary to pay the debt service on $30,000,000 of the revenue bonds issued by Salt Lake County;
(v) principal, interest, and issuance costs of bonds authorized by Section 63B-16-101 for projects prioritized in accordance with Section 72-2-125;
(vi) all highway general obligation bonds that are intended to be paid from revenues in the Centennial Highway Fund created by Section 72-2-118;
(vii) for fiscal year 2015-16 only, to transfer $25,000,000 to the County of the First Class Highway Projects Fund created in Section 72-2-121 to be used for the purposes described in Section 72-2-121; and
(viii) if a political subdivision provides a contribution equal to or greater than 40% of the costs needed for construction, reconstruction, or renovation of paved pedestrian or paved nonmotorized transportation for projects that:
(A) mitigate traffic congestion on the state highway system;
(B) are part of an active transportation plan approved by the department; and
(C) are prioritized by the commission through the prioritization process for new transportation capacity projects adopted under Section 72-1-304.
(b) The executive director may use fund money to exchange for an equal or greater amount of federal transportation funds to be used as provided in Subsection (4)(a).
(5) (a) Except as provided in Subsection (5)(b), the executive director may not program fund money to a project prioritized by the commission under Section 72-1-304, including fund money from the Transit Transportation Investment Fund, within the boundaries of a municipality that is required to adopt a moderate income housing plan element as part of the municipality's general plan as described in Subsection 10-9a-401(3), if the municipality has failed to adopt a moderate income housing plan element as part of the municipality's general plan or has failed to implement the requirements of the moderate income housing plan as determined by the results of the Department of Workforce Service's review of the annual moderate income housing report described in Subsection 35A-8-803(1)(a)(vii).
(b) Within the boundaries of a municipality that is required under Subsection 10-9a-401(3) to plan for moderate income housing growth but has failed to adopt a moderate income housing plan element as part of the municipality's general plan or has failed to implement the requirements of the moderate income housing plan as determined by the results of the Department of Workforce Service's review of the annual moderate income housing report described in Subsection 35A-8-803(1)(a)(vii), the executive director:
(i) may program fund money in accordance with Subsection (4)(a) for a limited-access facility or interchange connecting limited-access facilities;
(ii) may not program fund money for the construction, reconstruction, or renovation of an interchange on a limited-access facility; 
(iii) may program Transit Transportation Investment Fund money for a multi-community fixed guideway public transportation project; and 
(iv) may not program Transit Transportation Investment Fund money for the construction, reconstruction, or renovation of a station that is part of a fixed guideway public transportation project.

(c) Subsections (5)(a) and (b) do not apply to a project programmed by the executive director before May 1, 2020, for projects prioritized by the commission under Section 72-1-304.

(6) (a) Except as provided in Subsection (6)(b), the executive director may not program fund money to a project prioritized by the commission under Section 72-1-304, including fund money from the Transit Transportation Investment Fund, within the boundaries of the unincorporated area of a county, if the county is required to adopt a moderate income housing plan element as part of the county's general plan as described in Subsection 17-27a-401(3) and if the county has failed to adopt a moderate income housing plan element as part of the county's general plan or has failed to implement the requirements of the moderate income housing plan as determined by the results of the Department of Workforce Service's review of the annual moderate income housing report described in Subsection 35A-8-803(1)(a)(vii). 

(b) Within the boundaries of the unincorporated area of a county where the county is required under Subsection 17-27a-401(3) to plan for moderate income housing growth but has failed to adopt a moderate income housing plan element as part of the county's general plan or has failed to implement the requirements of the moderate income housing plan as determined by the results of the Department of Workforce Service's review of the annual moderate income housing report described in Subsection 35A-8-803(1)(a)(vii), the executive director: 
(i) may program fund money in accordance with Subsection (4)(a) for a limited-access facility to a project prioritized by the commission under Section 72-1-304; 
(ii) may not program fund money for the construction, reconstruction, or renovation of an interchange on a limited-access facility; 
(iii) may program Transit Transportation Investment Fund money for a multi-community fixed guideway public transportation project; and 
(iv) may not program Transit Transportation Investment Fund money for the construction, reconstruction, or renovation of a station that is part of a fixed guideway public transportation project.

(c) Subsections (5)(a) and (b) do not apply to a project programmed by the executive director before July 1, 2020, for projects prioritized by the commission under Section 72-1-304.

(7) (a) Before bonds authorized by Section 63B-18-401 or 63B-27-101 may be issued in any fiscal year, the department and the commission shall appear before the Executive Appropriations Committee of the Legislature and present the amount of bond proceeds that the department needs to provide funding for the projects identified in Subsections 63B-18-401(2), (3), and (4) or Subsection 63B-27-101(2) for the current or next fiscal year. 
(b) The Executive Appropriations Committee of the Legislature shall review and comment on the amount of bond proceeds needed to fund the projects.

(8) The Division of Finance shall, from money deposited into the fund, transfer the amount of funds necessary to pay principal, interest, and issuance costs of bonds authorized by Section 63B-18-401 or 63B-27-101 in the current fiscal year to the appropriate debt service or sinking fund.

(9) (a) There is created in the Transportation Investment Fund of 2005 the Transit Transportation Investment Fund.

(b) The fund shall be funded by: 
(i) contributions deposited into the fund in accordance with Section 59-12-103; 
(ii) appropriations into the account by the Legislature; 
(iii) deposits of sales and use tax increment related to a housing and transit reinvestment zone as described in Section 63N-3-610;
Transportation Reinvestment Zones: Using Value Capture to Fund Transportation Capital Improvements | Primer

1266 [(iii)] (iv) private contributions; and
1267 [(iv)] (v) donations or grants from public or private entities.
1268 (c) (i) The fund shall earn interest.
1269 (ii) All interest earned on fund money shall be deposited into the fund.
1270 (d) Subject to Subsection (9)(e), the Legislature may appropriate money from the fund
1271 for public transit capital development of new capacity projects to be used as prioritized by the
1272 commission.
1273 (e) (i) The Legislature may only appropriate money from the fund for a public transit
1274 capital development project or pedestrian or nonmotorized transportation project that provides
1275 connection to the public transit system if the public transit district or political subdivision
1276 provides funds of equal to or greater than 40% of the costs needed for the project.
1277 (ii) A public transit district or political subdivision may use money derived from a loan
1278 granted pursuant to Title 72, Chapter 2, Part 2, State Infrastructure Bank Fund, to provide all or
1279 part of the 40% requirement described in Subsection (9)(e)(i) if:
1280 (A) the loan is approved by the commission as required in Title 72, Chapter 2, Part 2,
1281 State Infrastructure Bank Fund; and
1282 (B) the proposed capital project has been prioritized by the commission pursuant to
1283 Section 72-1-303.
1284 Section 15. Section 72-2-201 is amended to read:
1285 72-2-201. Definitions.
1286 As used in this part:
1287 (1) "Fund" means the State Infrastructure Bank Fund created under Section 72-2-202.
1288 (2) "Infrastructure assistance" means any use of fund money, except an infrastructure
1289 loan, to provide financial assistance for transportation projects, including:
1290 (a) capital reserves and other security for bond or debt instrument financing; or
1291 (b) any letters of credit, lines of credit, bond insurance, or loan guarantees obtained by
1292 a public entity to finance transportation projects.
1293 (3) "Infrastructure loan" means a loan of fund money to finance a transportation
1294 project.
1295 (4) "Public entity" means a state agency, county, municipality, local district, special
1296 service district, an intergovernmental entity organized under state law, or the military
1297 installation development authority created in Section 63H-1-201.
1298 (5) "Transportation project":
1299 (a) means a project:
1300 (i) to improve a state or local highway;
1301 (ii) to improve a public transportation facility or nonmotorized transportation facility;
1302 (iii) to construct or improve parking facilities; [or]
1303 (iv) that is subject to a transportation reinvestment zone agreement pursuant to Section
1304 11-13-227 if the state is party to the agreement; or
1305 (v) that is part of a housing and transit reinvestment zone created pursuant to Title
1306 63N, Chapter 3, Part 6, Housing and Transit Reinvestment Zone Act;
1307 (b) includes the costs of acquisition, construction, reconstruction, rehabilitation,
1308 equipping, and fixturing; and
1309 (c) may only include a project if the project is part of:
1310 (i) the statewide long range plan;
1311 (ii) a regional transportation plan of the area metropolitan planning organization if a
1312 metropolitan planning organization exists for the area; or
1313 (iii) a local government general plan or economic development initiative.
1314 Section 16. Effective date.
1315 This bill takes effect on May 5, 2021, except that the amendments to Sections
1316 59-12-103 and 63N-3-610 in this bill take effect on January 1, 2022.
## CHAPTER 12: GLOSSARY OF TERMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td>CIP</td>
<td>Capital Improvement Program or Plan</td>
<td>A fiscal planning tool developed through a process called capital improvement programming, which is the scheduling of public physical improvements (including transportation improvements) over a period of several years (generally 5 or 6 years).</td>
</tr>
<tr>
<td>ETJ</td>
<td>Extra-Territorial Jurisdiction</td>
<td>The extra-territorial jurisdiction of a municipality is the unincorporated area that is contiguous to the corporate boundaries of the municipality.</td>
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<tr>
<td>FHWA</td>
<td>Federal Highway Administration</td>
<td>An agency within the U.S. Department of Transportation that supports State and local governments in the design, construction, and maintenance of the Nation’s highway system (Federal-Aid Highway Program) and various Federal- and tribal-owned lands (Federal Lands Highway Program).</td>
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<tr>
<td>MPO</td>
<td>Metropolitan Planning Organization</td>
<td>The policy board of an organization created and designated to carry out the metropolitan transportation planning process. MPOs are responsible for ensuring that Federal-aid transportation projects in the metropolitan area result from a continuing, comprehensive, and cooperative transportation planning process. MPOs are required to represent localities in all urbanized areas (areas with populations exceeding 50,000, as determined by the U.S. Census).</td>
</tr>
<tr>
<td>SIB</td>
<td>State Infrastructure Bank</td>
<td>A revolving fund established and operated by States. SIBs provide funds to local governments via direct loans and credits to pay for transportation projects.</td>
</tr>
<tr>
<td>TIF</td>
<td>Tax Increment Financing</td>
<td>Value capture revenue tool that uses taxes on future gains in real estate values to pay for new infrastructure improvements.</td>
</tr>
<tr>
<td>TIP</td>
<td>Transportation Improvement Program</td>
<td>A four-year, fiscally constrained, short-range program that provides a prioritized list of multimodal transportation projects within a metropolitan planning area.</td>
</tr>
<tr>
<td>TRZ</td>
<td>Transportation Reinvestment Zone</td>
<td>An area where a portion of the annual increment in future local property and/or sales tax revenues resulting from the growth in the zone’s tax base is to be captured and used to support funding and financing of the project.</td>
</tr>
<tr>
<td>USDOT</td>
<td>U.S. Department of Transportation</td>
<td>The Federal agency responsible for formulating national transportation policy and promoting intermodal transportation. USDOT also sets safety regulations for all major modes of transportation.</td>
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</tbody>
</table>