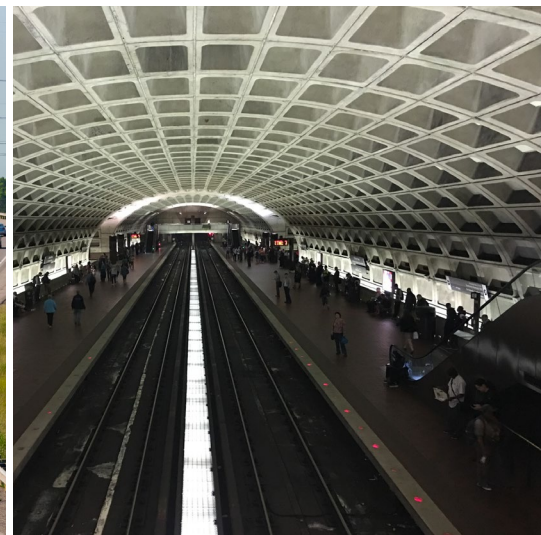


Transportation Reinvestment Zones: Using Value Capture to Fund Transportation Capital Improvements

A Primer



Primer
Every Day Counts
Innovation Initiative
July 2021



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CONTENTS

Executive Summary	1
Organization of this Report	3
Chapter 1: Introduction	5
1.1 TRZs as a Value Capture Technique	5
1.2 TRZs and TIF Districts: Similarities and Differences	6
1.3 Role of TRZs in Delivering Transportation Projects	6
Chapter 2: Transportation Reinvestment Zone Basics	7
2.1 Definitions.....	7
2.2 Circumstances Motivating Creation of TRZs	9
2.3 Legal Framework.....	10
2.3.1 Legal Framework in Texas	10
2.3.2 Legal Framework in Utah	13
Chapter 3: Implementation of a Transportation Reinvestment Zone	15
3.1 Initiation	15
3.2 Zone Formation	17
3.2.1 Determination of Zone Boundaries	17
3.2.2 Provision of 60-Day Notice.....	19
3.2.3 Refinement of TRZ Preliminary Analyses	19
3.3 Public Hearing and Adoption	19
3.4 Operation.....	20
3.5 Termination	21

Chapter 4: Use of Transportation Reinvestment Zones	22
4.1 Local Jurisdictions That Can Use TRZs	22
4.2 Type of Projects That Can Be Funded With TRZs	23
4.3 TRZ Financing Methods	24
4.3.1 Pay-As-You-Go	25
4.3.2 Municipal Bond Financing	26
4.3.3 State Infrastructure Bank (SIB)	26
4.3.4 Other Financing Methods	26
Chapter 5: Opportunities and Challenges of Transportation Reinvestment Zones	28
5.1 Opportunities	28
5.1.1 Political and Public Support	28
5.1.2 Acceleration of Project Delivery	28
5.1.3 Interagency Collaboration	28
5.1.4 Promotion of Equity and Economic Efficiency	29
5.2 Challenges	29
5.2.1 Political and Public Support	29
5.2.2 Revenue Uncertainty	29
5.2.3 Legal Issues (for Texas Counties)	30
Chapter 6: Case Study	31
6.1 Background	31
6.2 Project Finance	34
6.3 Lessons Learned	35
Chapter 7: Concluding Remarks	38
Chapter 8: References	40
Chapter 9: Appendix A: Active Texas TRZs	42

Chapter 10: Appendix B: Texas Statutory Provisions Regarding TRZs	43
Chapter 11: Appendix C: Utah Statutory Provisions Regarding TRZs	55
11.1 Utah Code 11-13-227. Transportation reinvestment zones.	55
11.2 Housing and Transit Reinvestment Zone Act.....	56
Chapter 12: Glossary of Terms.....	80

LIST OF FIGURES

Figure 1. Relationships among TRZ elements.....	9
Figure 2. Texas TRZ implementation stages	15
Figure 3. TRZ operation.....	20
Figure 4. Local jurisdictions that can use TRZs	22
Figure 5. The 2013 El Paso County CMP	32
Figure 6. Map of Horizon City TRZ No. 2 and Eastlake Boulevard Extension Phase 2.....	33

LIST OF TABLES

Table 1. Eastlake Blvd. Ext. Phase 2 project: Estimated costs and funding sources	35
Table 2. Eastlake Blvd. Ext. Phase 2 project: Actual costs and funding sources	35
Table 3. Eastlake Blvd. Ext. Phase 2 project: Challenges and lessons learned	36
Table 4. Active Texas TRZs (as of December 2020).....	42

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.ⁱ 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.

ⁱ 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.

ⁱⁱ 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.ⁱⁱⁱ

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.

ⁱⁱⁱ 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

^{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.^{iv} 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⁽³⁾. 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.^{vii} 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.^{iv} On the other hand, the Texas Tax Code requires setting up a TIF Board of Directors for a TIRZ.^{vii}

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⁽²⁾. 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.

^{vii} 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,^{viii} using a property tax example based on Texas law.^{iv}

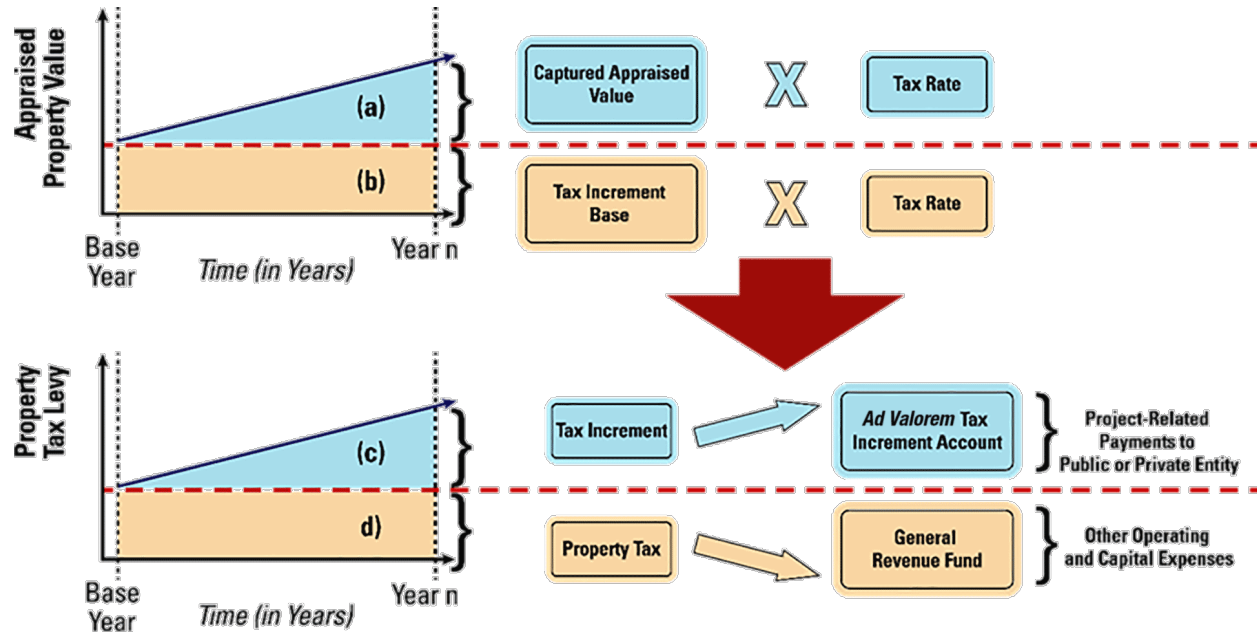
- **Captured appraised value:** The captured appraised value of taxable real property within the zone for a year is defined as the total appraised value of all taxable real property for that year less the tax increment base, as illustrated by triangle (a).
- **Tax increment base:** The tax increment 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”^{ix} to fund the project or repay debt (if future TRZ revenues have been used as collateral to secure a loan or issue bonds).

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

^{ix} 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.

Figure 1. Relationships among TRZ elements ⁽⁶⁾.



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>

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) that 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.^{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.^{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).^{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.^{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.^{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.^{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.^{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.^{xx}

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

^{xiii} Texas Transportation Code § 222.106(c)-(e).

^{xiv} Texas Transportation Code § 222.106(c).

^{xv} Texas Transportation Code § 222.106(i-2).

^{xvi} Texas Transportation Code § 222.106(h).

^{xvii} Texas Transportation Code § 222.106(i).

^{xviii} Texas Transportation Code § 222.106(h).

^{xix} Texas Transportation Code § 222.106(i-1).

^{xx} 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^{xxi}

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.^{xxii} 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.^{xxiii} 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.^{xxiv} 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.^{xxv} 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.

^{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).

^{xxiii} Utah Code § 11-13-227(2)(f).

^{xxiv} Utah Code § 11-13-227(2).

^{xxv} Utah Code §§ 11-13-202, 11-13-202.5, 11-13-206, and 11-13-207.

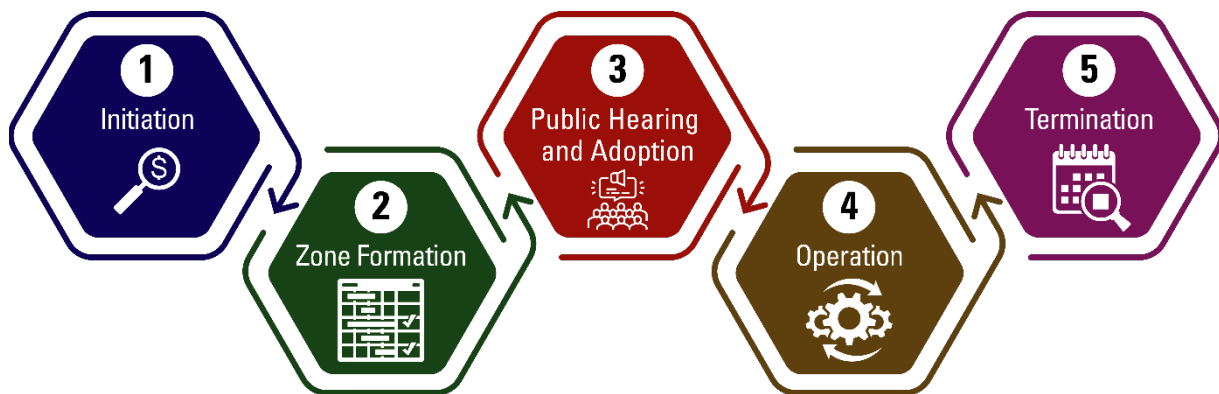
The use of TRZ funds is not limited to local, State, or Federal transportation projects. Utah law is flexible by allowing the participating public agencies to determine the transportation need and improvement within the zone, instead of defining which transportation improvements are eligible.^{xxvi}

^{xxvi} Utah Code § 11-13-227(2)(a).

CHAPTER 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 Laneside 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 ⁽⁶⁾:

- 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.^{xxviii}
- 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 ⁽⁶⁾:

- **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⁽⁶⁾.

^{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.
- Vadali, S. R., Aldrete, R. M., & Bujanda, A. Financial Model to Assess Value Capture Potential of a Roadway Project. Transportation Research Record, 2009, Vol. 2115, pp. 1-11.

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.^{xxix} 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.

^{xxix} 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.^{iv,xxx} 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:^{iv}

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

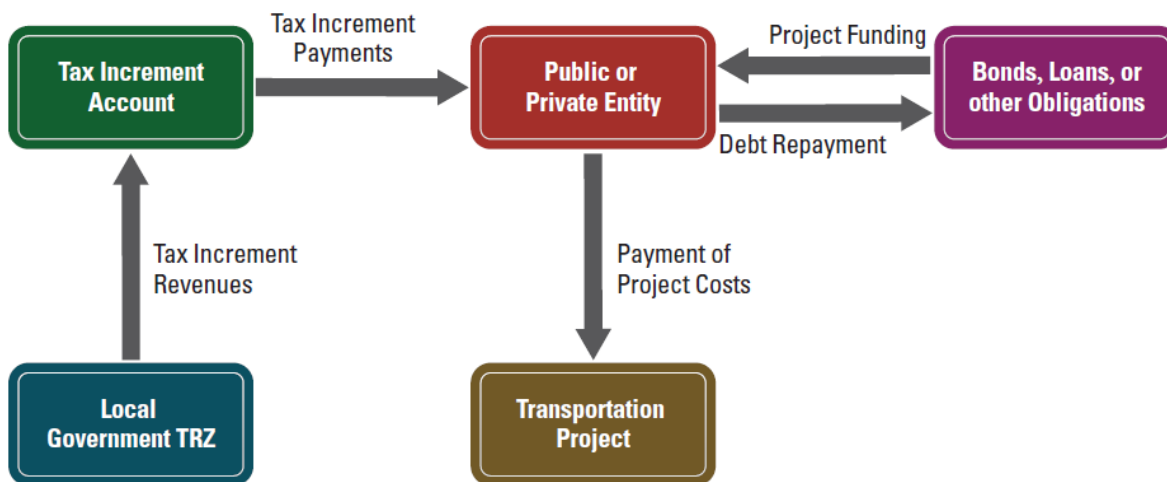
Neither Texas nor Utah TRZs require approval from taxing entities other than those creating the TRZ. According to the Texas legislation, a TRZ requires approval only by the governing body of the local government unit setting it up (e.g., municipality, county, port authority, or navigation district).^{iv} 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.^{xxx} 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.^{iv} 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.^{iv}

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.^{iv, xxx} 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.

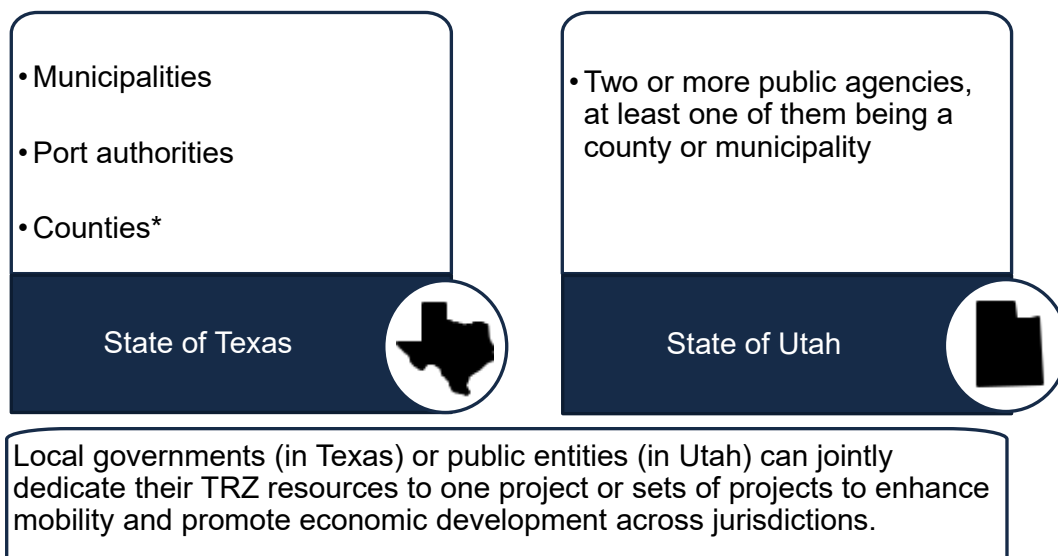
CHAPTER 4: USE OF TRANSPORTATION REINVESTMENT ZONES

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.^{iv} 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.^x

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



* 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.^{xxxii,xxxiii} 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.^{xxxiii,xxxiv}

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.

^{xxxii} Utah Code § 17-27.

^{xxxiii} Utah Code § 59-12

^{xxxiv} 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.^{xxxxv} TRZs generate revenue in annual increments, commencing in the base year (the year in which the TRZ is created), as illustrated in

^{xxxxv} Aldrete, R. (2019, August 22). Transportation Reinvestment Zones [PowerPoint slides]. In *Federal Highway Administration EDC-5 Value Capture Webinar: Value Capture Incremental Growth Techniques and Case Studies*. Retrieved from: https://www.fhwa.dot.gov/ipd/pdfs/value_capture/capacity_building_webinars/webinar_082219.pdf

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 ⁽⁹⁾. 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 ⁽¹⁰⁾.

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.^{xxxvii}

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 ⁽¹¹⁾. 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 (designing and building) a slate of projects throughout the county ⁽¹²⁾. Next, Horizon City signed a three-party interlocal agreement with El Paso County and CRRMA ⁽¹³⁾. 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 ⁽¹¹⁾. This financing plan had two significant benefits.

^{xxxvii} 23 USC 610(f).

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. ⁽⁴⁾ 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⁾

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 ⁽⁶⁾.

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}

^{xxxviii} 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>

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.^{xxxix}

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⁽¹⁴⁾. The town's most recent CIP totals \$117.7 million of funded and unfunded projects.

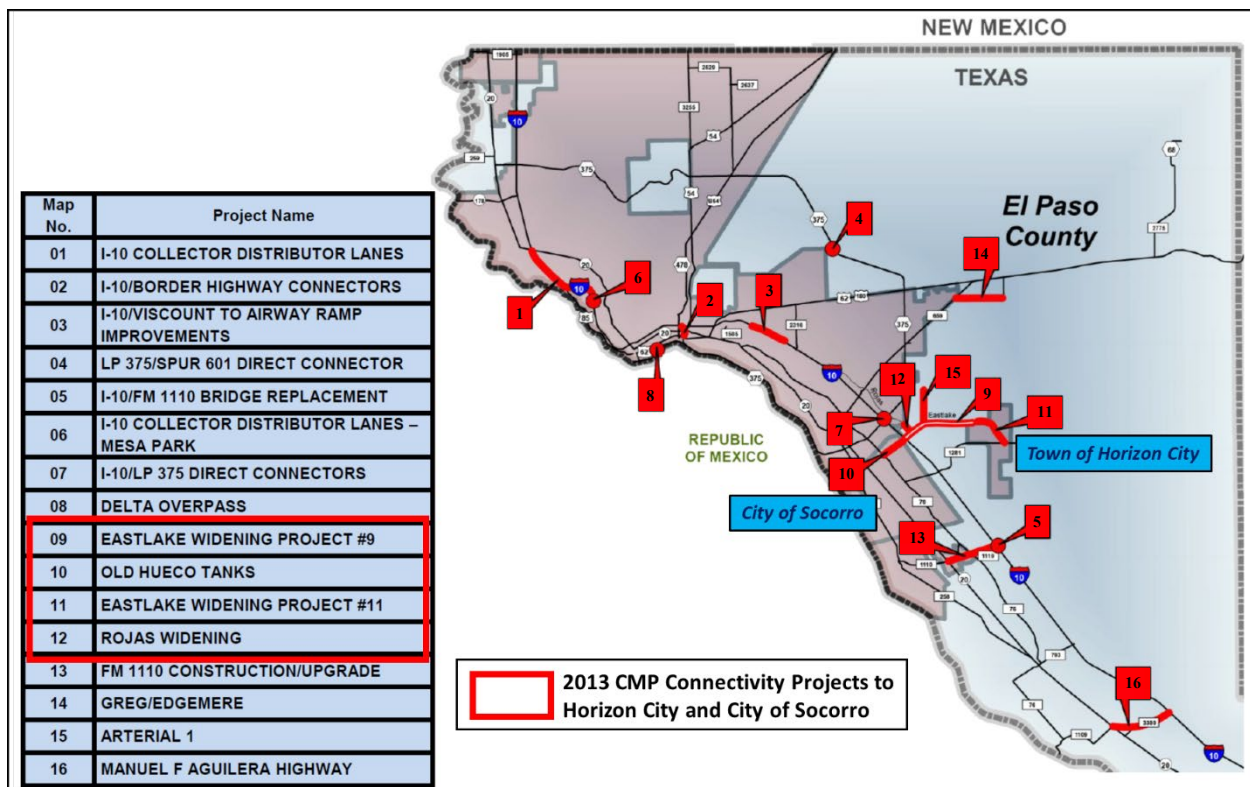
In 2013, the Texas Department of Transportation (TxDOT), El Paso County, CRRMA, Horizon City, and the City of Socorro partnered to develop the El Paso County Comprehensive Mobility Plan (CMP). The plan, endorsed by the El Paso MPO, presented a long-term mobility vision for the El Paso region and outlined objectives, strategies, and policy measures to achieve this vision⁽¹⁵⁾. 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

^{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⁽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⁽¹⁵⁾.

Figure 5. The 2013 El Paso County CMP. ⁽¹⁵⁾



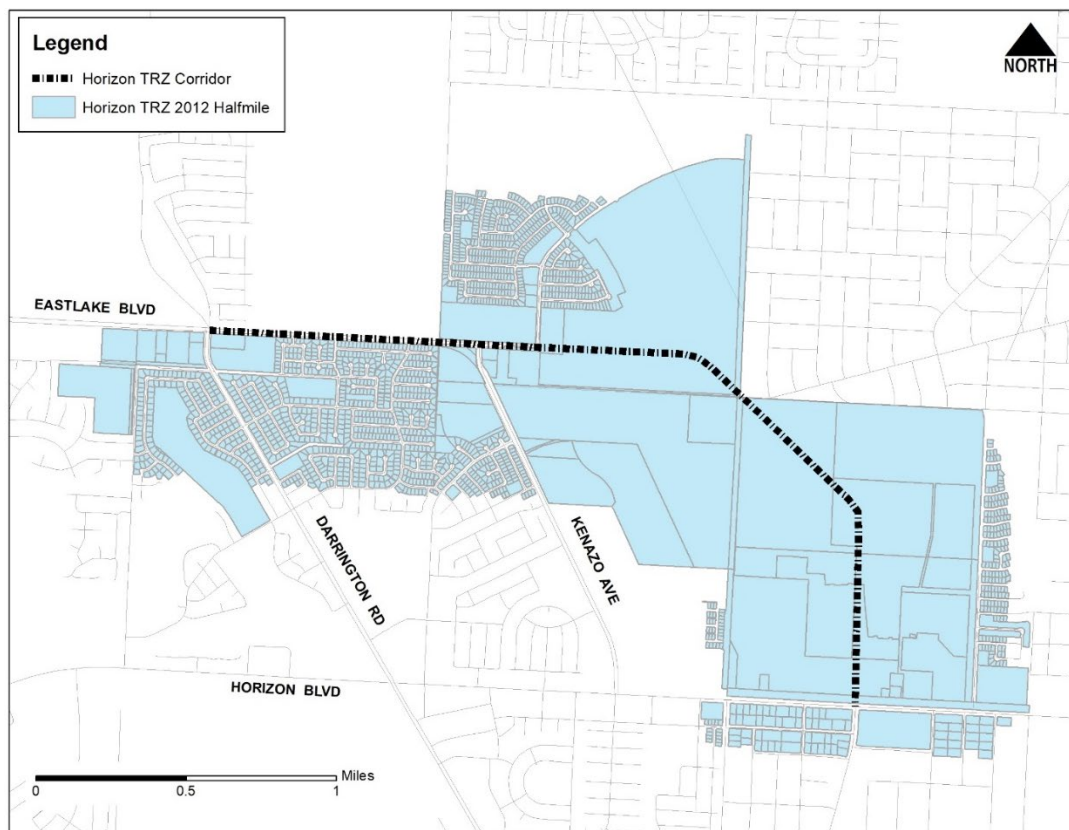
After reviewing different options to generate its local match contribution to the El Paso County CMP funding package, Horizon City decided to try a relatively new transportation funding tool for Texas local governments: a TRZ. To determine the TRZ boundaries, local officials considered two different 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⁾.

Item	Estimated Cost	County Portion	Horizon City Portion
Engineering & Environmental	\$2,269,525	\$1,754,343	\$515,182
Construction	\$16,785,565	\$12,975,242	\$3,810,323
Total Estimate	\$19,055,090	\$14,729,585	\$4,325,505

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

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

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⁾.

Challenge	Description	Lesson Learned
Internal Challenges		
Introducing new funding concept to policymakers	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.	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.
Determining zone size	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&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.	Sizing the zone appropriately requires the CIP managers to work with the municipalities’ financial staff and team to analyze the zone’s projected revenues.
External Challenges		
Coordinating with external partners	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.	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.

Challenge	Description	Lesson Learned
External Challenges		
Right-of-way acquisition	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.	Negotiate with property owners as early as possible in the project development process to reduce delays in right-of-way acquisition.
Changes in property designation	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 town 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.	Expect the unexpected and be prepared to deal with it.

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.

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CHAPTER 9: APPENDIX A: ACTIVE TEXAS TRZS

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

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

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 assessment of costs and Sections 372.024-372.030, 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

11.1 Utah Code 11-13-227. Transportation reinvestment zones.

- (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

8 **General Description:**

9 This bill enacts the Housing and Transit Reinvestment Zone Act.

10 **Highlighted Provisions:**

11 This bill:

- 12 ▶ enacts the Housing and Transit Reinvestment Zone Act;
- 13 ▶ defines terms;
- 14 ▶ establishes objectives and requirements for a municipality or public transit county to
15 create a housing and transit reinvestment zone to capture tax increment revenue
16 within a defined area around certain public transit facilities;
- 17 ▶ requires a municipality or public transit county to submit a housing and transit
18 reinvestment zone proposal to the Governor's Office of Economic Development;
- 19 ▶ requires the Governor's Office of Economic Development to initiate an analysis of
20 the feasibility, efficiency, and other aspects of the proposed housing and transit
21 reinvestment zone;
- 22 ▶ creates and defines membership of a committee to review the proposed housing and
23 transit reinvestment zone;
- 24 ▶ requires the committee to evaluate the proposed housing and transit reinvestment
25 zone and approve if certain criteria are met;
- 26 ▶ requires participation from local taxing entities if the housing and transit
27 reinvestment zone proposal meets the statutory requirements and is approved by the
28 committee;
- 29 ▶ defines permitted uses and administration of tax increment revenue generated
30 pursuant to the housing and transit reinvestment zone;
- 31 ▶ provides procedures for a housing and transit reinvestment zone that overlaps with a
32 community reinvestment project;
- 33 ▶ provides for certain protections of tax increment revenues;
- 34 ▶ requires a certain portion of sales and use tax increment generated within a sales and
35 use tax boundary that corresponds to the housing and transit reinvestment zone
36 boundary to be deposited into the Transit Transportation Investment Fund;
- 37 ▶ amends provisions related to prioritization of certain funds related to transportation
38 for a project that is part of an housing and transit reinvestment zone; and
- 39 ▶ makes technical changes.

40 **Money Appropriated in this Bill:**

41 None

42 **Other Special Clauses:**

43 This bill provides a special effective date.

44 **Utah Code Sections Affected:**

45 AMENDS:

46 [59-12-103](#), as last amended by Laws of Utah 2020, Fifth Special Session, Chapter 20

47 [72-1-102](#), as last amended by Laws of Utah 2020, Chapters 243 and 377

48 [72-1-304](#), as last amended by Laws of Utah 2020, Chapter 377

49 [72-2-124](#), as last amended by Laws of Utah 2020, Chapters 366 and 377

50 [72-2-201](#), as last amended by Laws of Utah 2020, Chapter 366

51 ENACTS:

52 [63N-3-601](#), Utah Code Annotated 1953

53 [63N-3-602](#), Utah Code Annotated 1953

54 [63N-3-603](#), Utah Code Annotated 1953

55 [63N-3-604](#), Utah Code Annotated 1953

56 [63N-3-605](#), Utah Code Annotated 1953

57 [63N-3-606](#), Utah Code Annotated 1953

58 [63N-3-607](#), Utah Code Annotated 1953

59 [63N-3-608](#), Utah Code Annotated 1953

60 [63N-3-609](#), Utah Code Annotated 1953

61 [63N-3-610](#), Utah Code Annotated 1953

62

63 *Be it enacted by the Legislature of the state of Utah:*

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

65 **59-12-103. Sales and use tax base -- Rates -- Effective dates -- Use of sales and use**
66 **tax revenues.**

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

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

70 (b) amounts paid for:

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

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

76 (iii) an ancillary service associated with a:

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

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

79 (c) sales of the following for commercial use:

80 (i) gas;

81 (ii) electricity;

82 (iii) heat;

83 (iv) coal;

84 (v) fuel oil; or

85 (vi) other fuels;

86 (d) sales of the following for residential use:

87 (i) gas;

88 (ii) electricity;

89 (iii) heat;

90 (iv) coal;

91 (v) fuel oil; or

92 (vi) other fuels;

93 (e) sales of prepared food;

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

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

105 (i) the tangible personal property; and

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

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

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

112 (h) except as provided in Subsection [59-12-104](#)(7), amounts paid or charged for
113 assisted cleaning or washing of tangible personal property;

- 114 (i) amounts paid or charged for tourist home, hotel, motel, or trailer court
115 accommodations and services that are regularly rented for less than 30 consecutive days;
116 (j) amounts paid or charged for laundry or dry cleaning services;
117 (k) amounts paid or charged for leases or rentals of tangible personal property if within
118 this state the tangible personal property is:
119 (i) stored;
120 (ii) used; or
121 (iii) otherwise consumed;
122 (l) amounts paid or charged for tangible personal property if within this state the
123 tangible personal property is:
124 (i) stored;
125 (ii) used; or
126 (iii) consumed; and
127 (m) amounts paid or charged for a sale:
128 (i) (A) of a product transferred electronically; or
129 (B) of a repair or renovation of a product transferred electronically; and
130 (ii) regardless of whether the sale provides:
131 (A) a right of permanent use of the product; or
132 (B) a right to use the product that is less than a permanent use, including a right:
133 (I) for a definite or specified length of time; and
134 (II) that terminates upon the occurrence of a condition.
135 (2) (a) Except as provided in Subsections (2)(b) through (e), a state tax and a local tax
136 are imposed on a transaction described in Subsection (1) equal to the sum of:
137 (i) a state tax imposed on the transaction at a tax rate equal to the sum of:
138 (A) (I) through March 31, 2019, 4.70%; and
139 (II) beginning on April 1, 2019, 4.70% plus the rate specified in Subsection (13)(a);
140 and
141 (B) (I) the tax rate the state imposes in accordance with Part 18, Additional State Sales
142 and Use Tax Act, if the location of the transaction as determined under Sections [59-12-211](#)
143 through [59-12-215](#) is in a county in which the state imposes the tax under Part 18, Additional
144 State Sales and Use Tax Act; and
145 (II) the tax rate the state imposes in accordance with Part 20, Supplemental State Sales
146 and Use Tax Act, if the location of the transaction as determined under Sections [59-12-211](#)
147 through [59-12-215](#) is in a city, town, or the unincorporated area of a county in which the state
148 imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and
149 (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
150 transaction under this chapter other than this part.
151 (b) Except as provided in Subsection (2)(d) or (e) and subject to Subsection (2)(j), a
152 state tax and a local tax are imposed on a transaction described in Subsection (1)(d) equal to
153 the sum of:
154 (i) a state tax imposed on the transaction at a tax rate of 2%; and
155 (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
156 transaction under this chapter other than this part.
157 (c) Except as provided in Subsection (2)(d) or (e), a state tax and a local tax are
158 imposed on amounts paid or charged for food and food ingredients equal to the sum of:
159 (i) a state tax imposed on the amounts paid or charged for food and food ingredients at
160 a tax rate of 1.75%; and
161 (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
162 amounts paid or charged for food and food ingredients under this chapter other than this part.
163 (d) (i) For a bundled transaction that is attributable to food and food ingredients and
164 tangible personal property other than food and food ingredients, a state tax and a local tax is
165 imposed on the entire bundled transaction equal to the sum of:
166 (A) a state tax imposed on the entire bundled transaction equal to the sum of:
167 (I) the tax rate described in Subsection (2)(a)(i)(A); and
168 (II) (Aa) the tax rate the state imposes in accordance with Part 18, Additional State

169 Sales and Use Tax Act, if the location of the transaction as determined under Sections
170 [59-12-211](#) through [59-12-215](#) is in a county in which the state imposes the tax under Part 18,
171 Additional State Sales and Use Tax Act; and
172 (Bb) the tax rate the state imposes in accordance with Part 20, Supplemental State
173 Sales and Use Tax Act, if the location of the transaction as determined under Sections
174 [59-12-211](#) through [59-12-215](#) is in a city, town, or the unincorporated area of a county in which
175 the state imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and
176 (B) a local tax imposed on the entire bundled transaction at the sum of the tax rates
177 described in Subsection (2)(a)(ii).
178 (ii) If an optional computer software maintenance contract is a bundled transaction that
179 consists of taxable and nontaxable products that are not separately itemized on an invoice or
180 similar billing document, the purchase of the optional computer software maintenance contract
181 is 40% taxable under this chapter and 60% nontaxable under this chapter.
182 (iii) Subject to Subsection (2)(d)(iv), for a bundled transaction other than a bundled
183 transaction described in Subsection (2)(d)(i) or (ii):
184 (A) if the sales price of the bundled transaction is attributable to tangible personal
185 property, a product, or a service that is subject to taxation under this chapter and tangible
186 personal property, a product, or service that is not subject to taxation under this chapter, the
187 entire bundled transaction is subject to taxation under this chapter unless:
188 (I) the seller is able to identify by reasonable and verifiable standards the tangible
189 personal property, product, or service that is not subject to taxation under this chapter from the
190 books and records the seller keeps in the seller's regular course of business; or
191 (II) state or federal law provides otherwise; or
192 (B) if the sales price of a bundled transaction is attributable to two or more items of
193 tangible personal property, products, or services that are subject to taxation under this chapter
194 at different rates, the entire bundled transaction is subject to taxation under this chapter at the
195 higher tax rate unless:
196 (I) the seller is able to identify by reasonable and verifiable standards the tangible
197 personal property, product, or service that is subject to taxation under this chapter at the lower
198 tax rate from the books and records the seller keeps in the seller's regular course of business; or
199 (II) state or federal law provides otherwise.
200 (iv) For purposes of Subsection (2)(d)(iii), books and records that a seller keeps in the
201 seller's regular course of business includes books and records the seller keeps in the regular
202 course of business for nontax purposes.
203 (e) (i) Except as otherwise provided in this chapter and subject to Subsections (2)(e)(ii)
204 and (iii), if a transaction consists of the sale, lease, or rental of tangible personal property, a
205 product, or a service that is subject to taxation under this chapter, and the sale, lease, or rental
206 of tangible personal property, other property, a product, or a service that is not subject to
207 taxation under this chapter, the entire transaction is subject to taxation under this chapter unless
208 the seller, at the time of the transaction:
209 (A) separately states the portion of the transaction that is not subject to taxation under
210 this chapter on an invoice, bill of sale, or similar document provided to the purchaser; or
211 (B) is able to identify by reasonable and verifiable standards, from the books and
212 records the seller keeps in the seller's regular course of business, the portion of the transaction
213 that is not subject to taxation under this chapter.
214 (ii) A purchaser and a seller may correct the taxability of a transaction if:
215 (A) after the transaction occurs, the purchaser and the seller discover that the portion of
216 the transaction that is not subject to taxation under this chapter was not separately stated on an
217 invoice, bill of sale, or similar document provided to the purchaser because of an error or
218 ignorance of the law; and
219 (B) the seller is able to identify by reasonable and verifiable standards, from the books
220 and records the seller keeps in the seller's regular course of business, the portion of the
221 transaction that is not subject to taxation under this chapter.
222 (iii) For purposes of Subsections (2)(e)(i) and (ii), books and records that a seller keeps
223 in the seller's regular course of business includes books and records the seller keeps in the

224 regular course of business for nontax purposes.

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

229 (A) separately states the items subject to taxation under this chapter at each of the
230 different rates on an invoice, bill of sale, or similar document provided to the purchaser; or
231 (B) is able to identify by reasonable and verifiable standards the tangible personal
232 property, product, or service that is subject to taxation under this chapter at the lower tax rate
233 from the books and records the seller keeps in the seller's regular course of business.

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

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

239 (i) Subsection (2)(a)(i)(A);
240 (ii) Subsection (2)(b)(i);
241 (iii) Subsection (2)(c)(i); or
242 (iv) Subsection (2)(d)(i)(A)(I).

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

246 (A) Subsection (2)(a)(i)(A);
247 (B) Subsection (2)(b)(i);
248 (C) Subsection (2)(c)(i); or
249 (D) Subsection (2)(d)(i)(A)(I).

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

253 (A) Subsection (2)(a)(i)(A);
254 (B) Subsection (2)(b)(i);
255 (C) Subsection (2)(c)(i); or
256 (D) Subsection (2)(d)(i)(A)(I).

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

260 (A) on the first day of a calendar quarter; and
261 (B) beginning 60 days after the effective date of the tax rate repeal or tax rate change.

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

263 (A) Subsection (2)(a)(i)(A);
264 (B) Subsection (2)(b)(i);
265 (C) Subsection (2)(c)(i); or
266 (D) Subsection (2)(d)(i)(A)(I).

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

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

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

274 (A) a commercial use;
275 (B) an industrial use; or
276 (C) a residential use.

277 (3) (a) The following state taxes shall be deposited into the General Fund:
278 (i) the tax imposed by Subsection (2)(a)(i)(A);

- 279 (ii) the tax imposed by Subsection (2)(b)(i);
280 (iii) the tax imposed by Subsection (2)(c)(i); or
281 (iv) the tax imposed by Subsection (2)(d)(i)(A)(I).
282 (b) The following local taxes shall be distributed to a county, city, or town as provided
283 in this chapter:
284 (i) the tax imposed by Subsection (2)(a)(ii);
285 (ii) the tax imposed by Subsection (2)(b)(ii);
286 (iii) the tax imposed by Subsection (2)(c)(ii); and
287 (iv) the tax imposed by Subsection (2)(d)(i)(B).
288 (4) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
289 2003, the lesser of the following amounts shall be expended as provided in Subsections (4)(b)
290 through (g):
291 (i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated:
292 (A) by a 1/16% tax rate on the transactions described in Subsection (1); and
293 (B) for the fiscal year; or
294 (ii) \$17,500,000.
295 (b) (i) For a fiscal year beginning on or after July 1, 2003, 14% of the amount
296 described in Subsection (4)(a) shall be transferred each year as dedicated credits to the
297 Department of Natural Resources to:
298 (A) implement the measures described in Subsections [79-2-303](#)(3)(a) through (d) to
299 protect sensitive plant and animal species; or
300 (B) award grants, up to the amount authorized by the Legislature in an appropriations
301 act, to political subdivisions of the state to implement the measures described in Subsections
302 [79-2-303](#)(3)(a) through (d) to protect sensitive plant and animal species.
303 (ii) Money transferred to the Department of Natural Resources under Subsection
304 (4)(b)(i) may not be used to assist the United States Fish and Wildlife Service or any other
305 person to list or attempt to have listed a species as threatened or endangered under the
306 Endangered Species Act of 1973, 16 U.S.C. Sec. 1531 et seq.
307 (iii) At the end of each fiscal year:
308 (A) 50% of any unexpended dedicated credits shall lapse to the Water Resources
309 Conservation and Development Fund created in Section [73-10-24](#);
310 (B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan
311 Program Subaccount created in Section [73-10c-5](#); and
312 (C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan
313 Program Subaccount created in Section [73-10c-5](#).
314 (c) For a fiscal year beginning on or after July 1, 2003, 3% of the amount described in
315 Subsection (4)(a) shall be deposited each year in the Agriculture Resource Development Fund
316 created in Section [4-18-106](#).
317 (d) (i) For a fiscal year beginning on or after July 1, 2003, 1% of the amount described
318 in Subsection (4)(a) shall be transferred each year as dedicated credits to the Division of Water
319 Rights to cover the costs incurred in hiring legal and technical staff for the adjudication of
320 water rights.
321 (ii) At the end of each fiscal year:
322 (A) 50% of any unexpended dedicated credits shall lapse to the Water Resources
323 Conservation and Development Fund created in Section [73-10-24](#);
324 (B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan
325 Program Subaccount created in Section [73-10c-5](#); and
326 (C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan
327 Program Subaccount created in Section [73-10c-5](#).
328 (e) (i) For a fiscal year beginning on or after July 1, 2003, 41% of the amount described
329 in Subsection (4)(a) shall be deposited into the Water Resources Conservation and
330 Development Fund created in Section [73-10-24](#) for use by the Division of Water Resources.
331 (ii) In addition to the uses allowed of the Water Resources Conservation and
332 Development Fund under Section [73-10-24](#), the Water Resources Conservation and
333 Development Fund may also be used to:

334 (A) conduct hydrologic and geotechnical investigations by the Division of Water
335 Resources in a cooperative effort with other state, federal, or local entities, for the purpose of
336 quantifying surface and ground water resources and describing the hydrologic systems of an
337 area in sufficient detail so as to enable local and state resource managers to plan for and
338 accommodate growth in water use without jeopardizing the resource;

339 (B) fund state required dam safety improvements; and

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

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

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

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

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

351 (iii) develop surface water sources.

352 (5) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
353 2006, the difference between the following amounts shall be expended as provided in this
354 Subsection (5), if that difference is greater than \$1:

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

357 (ii) \$17,500,000.

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

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

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

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

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

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

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

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

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

379 (i) preconstruction costs:

380 (A) as defined in Subsection [73-26-103](#)(6) for projects authorized by Title 73, Chapter
381 26, Bear River Development Act; and

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

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

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

388 (iv) other uses authorized under Sections [73-10-24](#), [73-10-25.1](#), and [73-10-30](#), and

389 Subsection (4)(e)(ii) after funding the uses specified in Subsections (5)(d)(i) through (iii).
390 (e) After making the transfers required by Subsections (5)(b) and (c) and subject to
391 Subsection (5)(f), 15% of the remaining difference described in Subsection (5)(a) shall be
392 transferred each year as dedicated credits to the Division of Water Rights to cover the costs
393 incurred for employing additional technical staff for the administration of water rights.
394 (f) At the end of each fiscal year, any unexpended dedicated credits described in
395 Subsection (5)(e) over \$150,000 lapse to the Water Resources Conservation and Development
396 Fund created in Section [73-10-24](#).
397 (6) Notwithstanding Subsection (3)(a) and for taxes listed under Subsection (3)(a), the
398 amount of revenue generated by a 1/16% tax rate on the transactions described in Subsection
399 (1) for the fiscal year shall be deposited as follows:
400 (a) for fiscal year 2016-17 only, 100% of the revenue described in this Subsection (6)
401 shall be deposited into the Transportation Investment Fund of 2005 created by Section
402 [72-2-124](#);
403 (b) for fiscal year 2017-18 only:
404 (i) 80% of the revenue described in this Subsection (6) shall be deposited into the
405 Transportation Investment Fund of 2005 created by Section [72-2-124](#); and
406 (ii) 20% of the revenue described in this Subsection (6) shall be deposited into the
407 Water Infrastructure Restricted Account created by Section [73-10g-103](#);
408 (c) for fiscal year 2018-19 only:
409 (i) 60% of the revenue described in this Subsection (6) shall be deposited into the
410 Transportation Investment Fund of 2005 created by Section [72-2-124](#); and
411 (ii) 40% of the revenue described in this Subsection (6) shall be deposited into the
412 Water Infrastructure Restricted Account created by Section [73-10g-103](#);
413 (d) for fiscal year 2019-20 only:
414 (i) 40% of the revenue described in this Subsection (6) shall be deposited into the
415 Transportation Investment Fund of 2005 created by Section [72-2-124](#); and
416 (ii) 60% of the revenue described in this Subsection (6) shall be deposited into the
417 Water Infrastructure Restricted Account created by Section [73-10g-103](#);
418 (e) for fiscal year 2020-21 only:
419 (i) 20% of the revenue described in this Subsection (6) shall be deposited into the
420 Transportation Investment Fund of 2005 created by Section [72-2-124](#); and
421 (ii) 80% of the revenue described in this Subsection (6) shall be deposited into the
422 Water Infrastructure Restricted Account created by Section [73-10g-103](#); and
423 (f) for a fiscal year beginning on or after July 1, 2021, 100% of the revenue described
424 in this Subsection (6) shall be deposited into the Water Infrastructure Restricted Account
425 created by Section [73-10g-103](#).
426 (7) (a) Notwithstanding Subsection (3)(a), in addition to the amounts deposited in
427 Subsection (6), and subject to Subsection (7)(b), for a fiscal year beginning on or after July 1,
428 2012, the Division of Finance shall deposit into the Transportation Investment Fund of 2005
429 created by Section [72-2-124](#):
430 (i) a portion of the taxes listed under Subsection (3)(a) in an amount equal to 8.3% of
431 the revenues collected from the following taxes, which represents a portion of the
432 approximately 17% of sales and use tax revenues generated annually by the sales and use tax
433 on vehicles and vehicle-related products:
434 (A) the tax imposed by Subsection (2)(a)(i)(A) at a 4.7% rate;
435 (B) the tax imposed by Subsection (2)(b)(i);
436 (C) the tax imposed by Subsection (2)(c)(i); and
437 (D) the tax imposed by Subsection (2)(d)(i)(A)(I); plus
438 (ii) an amount equal to 30% of the growth in the amount of revenues collected in the
439 current fiscal year from the sales and use taxes described in Subsections (7)(a)(i)(A) through
440 (D) that exceeds the amount collected from the sales and use taxes described in Subsections
441 (7)(a)(i)(A) through (D) in the 2010-11 fiscal year.
442 (b) (i) Subject to Subsections (7)(b)(ii) and (iii), in any fiscal year that the portion of
443 the sales and use taxes deposited under Subsection (7)(a) represents an amount that is a total

444 lower percentage of the sales and use taxes described in Subsections (7)(a)(i)(A) through (D)
445 generated in the current fiscal year than the total percentage of sales and use taxes deposited in
446 the previous fiscal year, the Division of Finance shall deposit an amount under Subsection
447 (7)(a) equal to the product of:

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

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

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

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

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

466 (b) Notwithstanding Subsection (3)(a), and in addition to the amounts deposited under
467 Subsections (6) and (7), for the 2017-18 fiscal year only, the Division of Finance shall deposit
468 \$63,000,000 of the revenues generated by the taxes listed under Subsection (3)(a) into the
469 Transportation Investment Fund of 2005 created by Section [72-2-124](#).

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

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

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

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

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

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

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

486 (9) Notwithstanding Subsection (3)(a), for each fiscal year beginning with fiscal year
487 2009-10, \$533,750 shall be deposited into the Qualified Emergency Food Agencies Fund
488 created by Section [35A-8-1009](#) and expended as provided in Section [35A-8-1009](#).

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

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

498 (i) for fiscal year 2017-18 only, 83.33% of the amount of revenue generated by a .05%

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
505 .05% 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 General Fund as a dedicated
537 credit solely for use of the Search and Rescue Financial Assistance Program created in, and
538 expended in accordance with, Title 53, Chapter 2a, Part 11, Search and Rescue Act.
539 (15) (a) For each fiscal year beginning with fiscal year 2020-21, the Division of
540 Finance shall annually transfer \$1,813,400 of the revenue deposited into the Transportation
541 Investment Fund of 2005 under Subsections (6) through (8) to the General Fund.
542 (b) If the total revenue deposited into the Transportation Investment Fund of 2005
543 under Subsections (6) through (8) is less than \$1,813,400 for a fiscal year, the Division of
544 Finance shall transfer the total revenue deposited into the Transportation Investment Fund of
545 2005 under Subsections (6) through (8) during the fiscal year to the General Fund.
546 (16) Notwithstanding Subsection (3)(a), and as described in Section [63N-3-610](#),
547 beginning one year after the sales and use tax boundary for a housing and transit reinvestment
548 zone is established, the commission, at least annually, shall transfer an amount equal to 15% of
549 the sales and use tax increment within an established sales and use tax boundary, as defined in
550 Section [63N-3-602](#), into the Transit Transportation Investment Fund created in Section
551 [72-2-124](#).
552 Section 2. Section **63N-3-601** is enacted to read:
553

Part 6. Housing and Transit Reinvestment Zone Act

554 **63N-3-601. Title.**

555 This part is known as the "Housing and Transit Reinvestment Zone Act."

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

557 **63N-3-602. Definitions.**

558 As used in this part:

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

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

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

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

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

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

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

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

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

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

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

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

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

591 (13) "Large public transit district" means the same as that term is defined in Section
592 [17B-2a-802](#).

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

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

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

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

599 (18) "Participation agreement" means the same as that term is defined in Section
600 [17C-1-102](#).

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

603 (20) "Public transit hub" means a public transit depot or station where four or more
604 routes serving separate parts of the county-created transit district stop to transfer riders between
605 routes.

606 (21) "Sales and use tax base year" means a sales and use tax year determined by the
607 first year pertaining to the tax imposed in Section [59-12-103](#) after the sales and use tax
608 boundary for a housing and transit reinvestment zone is established.

609 (22) "Sales and use tax boundary" means a boundary created as described in Section
610 [63N-3-604](#), based on state sales and use tax collection that corresponds as closely as reasonably
611 practicable to the housing and transit reinvestment zone boundary.

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

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

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

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

621 (25) "Small public transit district" means the same as that term is defined in Section
622 [17B-2a-802](#).

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

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

625 (a) the amount of property tax revenue generated each tax year by a taxing entity from
626 the area within a housing and transit reinvestment zone designated in the housing and transit
627 reinvestment zone proposal as the area from which tax increment is to be collected, using the
628 current assessed value and each taxing entity's current certified tax rate as defined in Section
629 [59-2-924](#); and

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

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

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

637 Section 4. Section [63N-3-603](#) is enacted to read:

638 **[63N-3-603](#). Applicability, requirements, and limitations on a housing and transit**
639 **reinvestment zone.**

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

642 (a) higher utilization of public transit;

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

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

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

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

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

650 (g) increasing access to employment and educational opportunities.

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

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

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

660 (c) mixed-use development.

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

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

668 (a) subject to Subsection (5):

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

670 or

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

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

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

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

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

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

686 (a) the tax commission;

687 (b) the State Board of Education;

688 (c) the state auditor;

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

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

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

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

695 **63N-3-604. Process for a proposal of a housing and transit reinvestment zone --**
696 **Analysis.**

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

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

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

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

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

708 (iv) defines the boundaries of:

709 (A) the housing and transit reinvestment zone; and

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

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

714 (vi) describes the proposed development plan, including the requirements described in
715 Subsections 63N-3-603(2) and (4);

716 (vii) establishes a base year and collection period to calculate the tax increment within
717 the housing and transit reinvestment zone;
718 (viii) establishes a sales and use tax base year to calculate the sales and use tax
719 increment within the housing and transit reinvestment zone;
720 (ix) describes projected maximum revenues generated and the amount of tax increment
721 capture from each taxing entity and proposed expenditures of revenue derived from the housing
722 and transit reinvestment zone;
723 (x) includes an analysis of other applicable or eligible incentives, grants, or sources of
724 revenue that can be used to reduce the finance gap;
725 (xi) proposes a finance schedule to align expected revenue with required financing
726 costs and payments; and
727 (xii) provides a pro-forma for the planned development including the cost differential
728 between surface parked multi-family development and enhanced development that satisfies the
729 requirements described in Subsections 63N-3-603(2), (3), and (4); and
730 (b) submit the housing and transit reinvestment zone proposal to the Governor's Office
731 of Economic Development.
732 (2) Before submitting the proposed housing and transit reinvestment zone to the
733 Governor's Office of Economic Development as described in Subsection (1)(b), the
734 municipality or public transit county proposing the housing and transit reinvestment zone shall
735 ensure that the area of the proposed housing and transit reinvestment zone is zoned in such a
736 manner to accommodate the requirements of a housing and transit reinvestment zone described
737 in this section and the proposed development.
738 (3) (a) After receiving the proposal as described in Subsection (1)(b), the Governor's
739 Office of Economic Development shall, at the expense of the proposing municipality or public
740 transit county as described in Subsection (5), contract with an independent entity to perform the
741 gap analysis described in Subsection (3)(b).
742 (b) The gap analysis required in Subsection (3)(a) shall include:
743 (i) a description of the planned development;
744 (ii) a market analysis relative to other comparable project developments included in or
745 adjacent to the municipality or public transit county absent the proposed housing and transit
746 reinvestment zone;
747 (iii) an evaluation of the proposal to and a determination of the adequacy and efficiency
748 of the proposal; and
749 (iv) based on the market analysis and other findings, an opinion relative to the amount
750 of potential public financing reasonably determined to be necessary to achieve the objectives
751 described in Subsection 63N-3-603(1).
752 (4) After receiving the results from the analysis described in Subsection (3)(b), the
753 municipality or public transit county proposing the housing and transit reinvestment zone may:
754 (a) amend the housing and transit reinvestment zone proposal based on the findings of
755 the analysis described in Subsection (3)(b) and request that the Governor's Office of Economic
756 Development submit the amended housing and transit reinvestment zone proposal to the
757 housing and transit reinvestment zone committee; or
758 (b) request that the Governor's Office of Economic Development submit the original
759 housing and transit reinvestment zone proposal to the housing and transit reinvestment zone
760 committee.
761 (5) (a) The Governor's Office of Economic Development may accept, as a dedicated
762 credit, up to \$20,000 from a municipality or public transit county for the costs of the gap
763 analysis described in Subsection (3)(b).
764 (b) The Governor's Office of Economic Development may expend funds received from
765 a municipality or public transit county as dedicated credits to pay for the costs associated with
766 the gap analysis described in Subsection (3)(b).
767 Section 6. Section **63N-3-605** is enacted to read:
768 **63N-3-605. Housing and Transit Reinvestment Zone Committee -- Creation.**
769 (1) For any housing and transit reinvestment zone proposed under this part, there is
770 created a housing and transit reinvestment zone committee with membership described in

771 Subsection (2).
772 (2) Each housing and transit reinvestment zone committee shall consist of the
773 following members:
774 (a) one representative from the Governor's Office of Economic Development,
775 designated by the executive director of the Governor's Office of Economic Development;
776 (b) one representative from each municipality that is a party to the proposed housing
777 and transit reinvestment zone, designated by the chief executive officer of each respective
778 municipality;
779 (c) one representative from the Department of Transportation created in Section
780 72-1-201, designated by the executive director of the Department of Transportation;
781 (d) one representative from a large public transit district that serves the proposed
782 housing and transit reinvestment zone area, designated by the chair of the board of trustees of a
783 large public transit district;
784 (e) one representative of each relevant metropolitan planning organization, designated
785 by the chair of the metropolitan planning organization;
786 (f) one member designated by the president of the Senate;
787 (g) one member designated by the speaker of the House of Representatives;
788 (h) one member designated by the chair of the State Board of Education;
789 (i) one member designated by the chief executive officer of each county affected by the
790 housing and transit reinvestment zone;
791 (j) one representative designated by the school superintendent from the school district
792 affected by the housing and transit reinvestment zone; and
793 (k) one representative, representing the largest participating local taxing entity, after
794 the municipality, county, and school district.
795 (3) The individual designated by the Governor's Office of Economic Development as
796 described in Subsection (2)(a) shall serve as chair of the housing and transit reinvestment zone
797 committee.
798 (4) (a) A majority of the members of the housing and transit reinvestment zone
799 committee constitutes a quorum of the housing and transit reinvestment zone committee.
800 (b) An action by a majority of a quorum of the housing and transit reinvestment zone
801 committee is an action of the housing and transit reinvestment zone committee.
802 (5) After the Governor's Office of Economic Development receives the results of the
803 analysis described in Section 63N-3-604, and after the Governor's Office of Economic
804 Development has received a request from the submitting municipality or public transit county
805 to submit the housing and transit reinvestment zone proposal to the housing and transit
806 reinvestment zone committee, the Governor's Office of Economic Development shall notify
807 each of the entities described in Subsection (2) of the formation of the housing and transit
808 reinvestment zone committee.
809 (6) (a) The chair of the housing and transit reinvestment zone committee shall convene
810 a public meeting to consider the proposed housing and transit reinvestment zone.
811 (b) A meeting of the housing and transit reinvestment zone committee is subject to
812 Title 52, Chapter 4, Open and Public Meetings Act.
813 (7) (a) The proposing municipality or public transit county shall present the housing
814 and transit reinvestment zone proposal to the housing and transit reinvestment zone committee
815 in a public meeting.
816 (b) The housing and transit reinvestment zone committee shall:
817 (i) evaluate and verify whether the elements of a housing and transit reinvestment zone
818 described in Subsections 63N-3-603(2) and (4) have been met; and
819 (ii) evaluate the proposed housing and transit reinvestment zone relative to the analysis
820 described in Subsection 63N-3-604(2).
821 (8) The housing and transit reinvestment zone committee may:
822 (a) request changes to the housing and transit reinvestment zone proposal based on the
823 analysis described in Section 63N-3-604; or
824 (b) vote to approve or deny the proposal.
825 (9) If approved by the committee:

826 (a) the proposed housing and transit reinvestment zone is established according to the
827 terms of the housing and transit reinvestment zone proposal; and
828 (b) affected local taxing entities are required to participate according to the terms of the
829 housing and transit reinvestment zone proposal.
830 (10) A housing and transit reinvestment zone proposal may be amended by following
831 the same procedure as approving a housing and transit reinvestment zone proposal.
832 Section 7. Section **63N-3-606** is enacted to read:
833 **63N-3-606. Notice requirements.**
834 (1) In approving a housing and transit reinvestment zone proposal, the housing and
835 transit reinvestment zone committee shall follow the hearing and notice requirements for
836 creating a housing and transit reinvestment zone area proposal.
837 (2) Within 30 days after the housing and transit reinvestment zone committee approves
838 a proposed housing and transit reinvestment zone, the municipality or public transit county
839 shall:
840 (a) record with the recorder of the county in which the housing and transit reinvestment
841 zone is located a document containing:
842 (i) a description of the land within the housing and transit reinvestment zone;
843 (ii) a statement that the proposed housing and transit reinvestment zone has been
844 approved; and
845 (iii) the date of adoption;
846 (b) transmit a copy of the description of the land within the housing and transit
847 reinvestment zone and an accurate map or plat indicating the boundaries of the housing and
848 transit reinvestment zone to the Automated Geographic Reference Center created under Section
849 63F-1-506; and
850 (c) transmit a copy of the approved housing and transit reinvestment zone proposal,
851 map, and description of the land within the housing and transit reinvestment zone, to:
852 (i) the auditor, recorder, attorney, surveyor, and assessor of the county in which any
853 part of the housing and transit reinvestment zone is located;
854 (ii) the officer or officers performing the function of auditor or assessor for each taxing
855 entity that does not use the county assessment roll or collect the taxing entity's taxes through
856 the county;
857 (iii) the legislative body or governing board of each taxing entity;
858 (iv) the tax commission; and
859 (v) the State Board of Education.
860 Section 8. Section **63N-3-607** is enacted to read:
861 **63N-3-607. Payment, use, and administration of revenue from a housing and**
862 **transit reinvestment zone.**
863 (1) A municipality or public transit county may receive and use tax increment and
864 housing and transit reinvestment zone funds in accordance with this part.
865 (2) (a) A county that collects property tax on property located within a housing and
866 transit reinvestment zone shall, in accordance with Section 59-2-1365, distribute to the
867 municipality or public transit county any tax increment the municipality or public transit county
868 is authorized to receive up to the maximum approved by the housing and transit reinvestment
869 zone committee.
870 (b) Tax increment distributed to a municipality or public transit county in accordance
871 with Subsection (2)(a) is not revenue of the taxing entity or municipality or public transit
872 county.
873 (c) (i) Tax increment paid to the municipality or public transit county are housing and
874 transit reinvestment zone funds and shall be administered by an agency created by the
875 municipality or public transit county within which the housing and transit reinvestment zone is
876 located.
877 (ii) Before an agency may receive housing and transit reinvestment zone funds from
878 the municipality or public transit county, the municipality or public transit county and the
879 agency shall enter into an interlocal agreement with terms that:
880 (A) are consistent with the approval of the housing and transit reinvestment zone

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

936 housing and transit reinvestment zone may suspend or terminate the collection of tax increment
937 in a housing and transit reinvestment zone if the housing and transit reinvestment zone
938 committee determines, by clear and convincing evidence, presented in a public meeting of the
939 housing and transit reinvestment zone committee, that:

940 (a) a substantial portion of the tax increment collected in the housing and transit
941 reinvestment zone has not or will not be used for the purposes provided in Section [63N-3-607](#);
942 and

943 (b) (i) the housing and transit reinvestment zone has no indebtedness; or

944 (ii) the housing and transit reinvestment zone has no binding financial obligations.

945 (2) A housing and transit reinvestment zone may not collect tax increment in excess of
946 the tax increment projections or limitations set forth in the housing and transit reinvestment
947 proposal.

948 (3) The agency administering the tax increment collected in a housing and transit
949 reinvestment zone under Subsection [63N-3-607\(2\)\(c\)](#), shall have standing in a court with
950 proper jurisdiction to enforce provisions of the housing and transit reinvestment zone proposal,
951 participation agreements, and other agreements for the use of the tax increment collected.

952 (4) The agency administering tax increment from a housing and transit reinvestment
953 zone under Subsection [63N-3-607\(2\)\(c\)](#) which is collecting tax increment shall follow the
954 reporting requirements described in Section [17C-1-603](#) and the audit requirements described in
955 Sections [17C-1-604](#) and [17C-1-605](#).

956 (5) For each housing and transit reinvestment zone collecting tax increment within a
957 county, the county auditor shall follow the reporting requirement found in Section [17C-1-606](#).

958 Section 11. Section **63N-3-610** is enacted to read:

959 **63N-3-610. Sales and use tax increment in a housing and transit reinvestment**
960 **zone.**

961 (1) A housing and transit reinvestment proposal shall, in consultation with the tax
962 commission:

963 (a) create a sales and use tax boundary as described in Subsection (2); and

964 (b) establish a sales and use tax base year and collection period to calculate and transfer
965 the state sales and use tax increment within the housing and transit reinvestment zone.

966 (2) (a) The municipality or public transit county, in consultation with the tax
967 commission, shall establish a sales and use tax boundary that:

968 (i) is based on state sales and use tax collection boundaries; and

969 (ii) follows as closely as reasonably practicable the boundary of the housing and transit
970 reinvestment zone.

971 (b) The municipality or public transit county shall include the sales and use tax
972 boundary in the housing and transit reinvestment zone proposal as described in Section
973 [63N-3-604](#).

974 (3) Beginning one year after the sales and use tax boundary for a housing and transit
975 reinvestment zone is established, the tax commission shall, at least annually, transfer an
976 amount equal to 15% of the sales and use tax increment within an established sales and use tax
977 boundary into the Transit Transportation Investment Fund created in Section [72-2-124](#).

978 (4) (a) The requirement described in Subsection (3) to transfer incremental sales tax
979 revenue shall take effect:

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

981 (ii) after a 90-day waiting period, beginning on the date the commission receives notice
982 from the municipality or public transit county meeting the requirements of Subsection (4)(b).

983 (b) The notice described in Subsection (4)(a) shall include:

984 (i) a statement that the housing and transit reinvestment zone will be established under
985 this part;

986 (ii) the approval date and effective date of the housing and transit reinvestment zone;

987 and

988 (iii) the definitions of the sales and use tax boundary and sales and use tax base year.

989 Section 12. Section **72-1-102** is amended to read:

990 **72-1-102. Definitions.**

- 991 As used in this title:
- 992 (1) "Circulator alley" means a publicly owned passageway:
- 993 (a) with a right-of-way width of 20 feet or greater;
- 994 (b) located within a master planned community;
- 995 (c) established by the city having jurisdictional authority as part of the street network
- 996 for traffic circulation that may also be used for:
- 997 (i) garbage collection;
- 998 (ii) access to residential garages; or
- 999 (iii) access rear entrances to a commercial establishment; and
- 1000 (d) constructed with a bituminous or concrete pavement surface.
- 1001 (2) "Commission" means the Transportation Commission created under Section
- 1002 [72-1-301](#).
- 1003 (3) "Construction" means the construction, reconstruction, replacement, and
- 1004 improvement of the highways, including the acquisition of rights-of-way and material sites.
- 1005 (4) "Department" means the Department of Transportation created in Section [72-1-201](#).
- 1006 (5) "Executive director" means the executive director of the department appointed
- 1007 under Section [72-1-202](#).
- 1008 (6) "Farm tractor" has the meaning set forth in Section [41-1a-102](#).
- 1009 (7) "Federal aid primary highway" means that portion of connected main highways
- 1010 located within this state officially designated by the department and approved by the United
- 1011 States Secretary of Transportation under Title 23, Highways, U.S.C.
- 1012 (8) "Highway" means any public road, street, alley, lane, court, place, viaduct, tunnel,
- 1013 culvert, bridge, or structure laid out or erected for public use, or dedicated or abandoned to the
- 1014 public, or made public in an action for the partition of real property, including the entire area
- 1015 within the right-of-way.
- 1016 (9) "Highway authority" means the department or the legislative, executive, or
- 1017 governing body of a county or municipality.
- 1018 (10) "Housing and transit reinvestment zone" means the same as that term is defined in
- 1019 [Section 63N-3-602](#).
- 1020 [(10)] (11) "Implement of husbandry" has the meaning set forth in Section [41-1a-102](#).
- 1021 [(11)] (12) "Interstate system" means any highway officially designated by the
- 1022 department and included as part of the national interstate and defense highways, as provided in
- 1023 the Federal Aid Highway Act of 1956 and any supplemental acts or amendments.
- 1024 [(12)] (13) "Limited-access facility" means a highway especially designated for
- 1025 through traffic, and over, from, or to which neither owners nor occupants of abutting lands nor
- 1026 other persons have any right or easement, or have only a limited right or easement of access,
- 1027 light, air, or view.
- 1028 [(13)] (14) "Master planned community" means a land use development:
- 1029 (a) designated by the city as a master planned community; and
- 1030 (b) comprised of a single development agreement for a development larger than 500
- 1031 acres.
- 1032 [(14)] (15) "Motor vehicle" has the same meaning set forth in Section [41-1a-102](#).
- 1033 [(15)] (16) "Municipality" has the same meaning set forth in Section [10-1-104](#).
- 1034 [(16)] (17) "National highway systems highways" means that portion of connected
- 1035 main highways located within this state officially designated by the department and approved
- 1036 by the United States Secretary of Transportation under Title 23, Highways, U.S.C.
- 1037 [(17)] (18) (a) "Port-of-entry" means a fixed or temporary facility constructed,
- 1038 operated, and maintained by the department where drivers, vehicles, and vehicle loads are
- 1039 checked or inspected for compliance with state and federal laws as specified in Section
- 1040 [72-9-501](#).
- 1041 (b) "Port-of-entry" includes inspection and checking stations and weigh stations.
- 1042 [(18)] (19) "Port-of-entry agent" means a person employed at a port-of-entry to perform
- 1043 the duties specified in Section [72-9-501](#).
- 1044 [(19)] (20) "Public transit" means the same as that term is defined in Section
- 1045 [17B-2a-802](#).

- 1046 [(20)] (21) "Public transit facility" means a transit vehicle, transit station, depot,
1047 passenger loading or unloading zone, parking lot, or other facility:
1048 (a) leased by or operated by or on behalf of a public transit district; and
1049 (b) related to the public transit services provided by the district, including:
1050 (i) railway or other right-of-way;
1051 (ii) railway line; and
1052 (iii) a reasonable area immediately adjacent to a designated stop on a route traveled by
1053 a transit vehicle.
- 1054 [(21)] (22) "Right-of-way" means real property or an interest in real property, usually
1055 in a strip, acquired for or devoted to a highway.
- 1056 [(22)] (23) "Sealed" does not preclude acceptance of electronically sealed and
1057 submitted bids or proposals in addition to bids or proposals manually sealed and submitted.
- 1058 [(23)] (24) "Semitrailer" has the meaning set forth in Section [41-1a-102](#).
- 1059 [(24)] (25) "SR" means state route and has the same meaning as state highway as
1060 defined in this section.
- 1061 [(25)] (26) "State highway" means those highways designated as state highways in
1062 Title 72, Chapter 4, Designation of State Highways Act.
- 1063 [(26)] (27) "State transportation purposes" has the meaning set forth in Section
1064 [72-5-102](#).
- 1065 [(27)] (28) "State transportation systems" means all streets, alleys, roads, highways,
1066 pathways, and thoroughfares of any kind, including connected structures, airports, aerial
1067 corridor infrastructure, spaceports, public transit facilities, and all other modes and forms of
1068 conveyance used by the public.
- 1069 [(28)] (29) "Trailer" has the meaning set forth in Section [41-1a-102](#).
- 1070 (30) "Transportation reinvestment zone" means a transportation reinvestment zone
1071 created pursuant to Section [11-13-227](#).
- 1072 [(29)] (31) "Truck tractor" has the meaning set forth in Section [41-1a-102](#).
- 1073 [(30)] (32) "UDOT" means the Utah Department of Transportation.
- 1074 [(31)] (33) "Vehicle" has the same meaning set forth in Section [41-1a-102](#).
- 1075 Section 13. Section **72-1-304** is amended to read:
- 1076 **72-1-304. Written project prioritization process for new transportation capacity**
1077 **projects -- Rulemaking.**
- 1078 (1) (a) The Transportation Commission, in consultation with the department and the
1079 metropolitan planning organizations as defined in Section [72-1-208.5](#), shall develop a written
1080 prioritization process for the prioritization of:
- 1081 (i) new transportation capacity projects that are or will be part of the state highway
1082 system under Chapter 4, Part 1, State Highways;
- 1083 (ii) paved pedestrian or paved nonmotorized transportation projects that:
1084 (A) mitigate traffic congestion on the state highway system; and
1085 (B) are part of an active transportation plan approved by the department;
- 1086 (iii) public transit projects that add capacity to the public transit systems within the
1087 state; and
- 1088 (iv) pedestrian or nonmotorized transportation projects that provide connection to a
1089 public transit system.
- 1090 (b) (i) A local government or district may nominate a project for prioritization in
1091 accordance with the process established by the commission in rule.
- 1092 (ii) If a local government or district nominates a project for prioritization by the
1093 commission, the local government or district shall provide data and evidence to show that:
- 1094 (A) the project will advance the purposes and goals described in Section [72-1-211](#);
- 1095 (B) for a public transit project, the local government or district has an ongoing funding
1096 source for operations and maintenance of the proposed development; and
- 1097 (C) the local government or district will provide 40% of the costs for the project as
1098 required by Subsection [72-2-124\(4\)\(a\)\(viii\)](#) or [72-2-124\(9\)\(e\)](#).
- 1099 (2) The following shall be included in the written prioritization process under
1100 Subsection (1):

1101 (a) a description of how the strategic initiatives of the department adopted under
1102 Section [72-1-211](#) are advanced by the written prioritization process;
1103 (b) a definition of the type of projects to which the written prioritization process
1104 applies;
1105 (c) specification of a weighted criteria system that is used to rank proposed projects
1106 and how it will be used to determine which projects will be prioritized;
1107 (d) specification of the data that is necessary to apply the weighted ranking criteria; and
1108 (e) any other provisions the commission considers appropriate, which may include
1109 consideration of:
1110 (i) regional and statewide economic development impacts, including improved local
1111 access to:
1112 (A) employment;
1113 (B) educational facilities;
1114 (C) recreation;
1115 (D) commerce; and
1116 (E) residential areas, including moderate income housing as demonstrated in the local
1117 government's or district's general plan pursuant to Section [10-9a-403](#) or [17-27a-403](#);
1118 (ii) the extent to which local land use plans relevant to a project support and
1119 accomplish the strategic initiatives adopted under Section [72-1-211](#); and
1120 (iii) any matching funds provided by a political subdivision or public transit district in
1121 addition to the 40% required by Subsections [72-2-124\(4\)\(a\)\(viii\)](#) and [72-2-124\(9\)\(e\)](#).
1122 (3) (a) When prioritizing a public transit project that increases capacity, the
1123 commission:
1124 (i) may give priority consideration to projects that are part of a transit-oriented
1125 development or transit-supportive development as defined in Section [17B-2a-802](#)[:]; and
1126 (ii) shall give priority consideration to projects that are within the boundaries of a
1127 housing and transit reinvestment zone created pursuant to Title 63N, Chapter 3, Part 6,
1128 Housing and Transit Reinvestment Zone Act.
1129 (b) When prioritizing a [public transit or] transportation project that increases capacity,
1130 the commission may give priority consideration to projects that are:
1131 (i) part of a transportation reinvestment zone created under Section [11-13-227](#) if:
1132 [(i)] (A) the state is a participant in the transportation reinvestment zone; or
1133 [(ii)] (B) the commission finds that the transportation reinvestment zone provides a
1134 benefit to the state transportation system[:]; or
1135 (ii) within the boundaries of a housing and transit reinvestment zone created pursuant
1136 to Title 63N, Chapter 3, Part 6, Housing and Transit Reinvestment Zone Act.
1137 (4) In developing the written prioritization process, the commission:
1138 (a) shall seek and consider public comment by holding public meetings at locations
1139 throughout the state; and
1140 (b) may not consider local matching dollars as provided under Section [72-2-123](#) unless
1141 the state provides an equal opportunity to raise local matching dollars for state highway
1142 improvements within each county.
1143 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
1144 Transportation Commission, in consultation with the department, shall make rules establishing
1145 the written prioritization process under Subsection (1).
1146 (6) The commission shall submit the proposed rules under this section to a committee
1147 or task force designated by the Legislative Management Committee for review prior to taking
1148 final action on the proposed rules or any proposed amendment to the rules described in
1149 Subsection (5).
1150 Section 14. Section [72-2-124](#) is amended to read:
1151 **72-2-124. Transportation Investment Fund of 2005.**
1152 (1) There is created a capital projects fund entitled the Transportation Investment Fund
1153 of 2005.
1154 (2) The fund consists of money generated from the following sources:
1155 (a) any voluntary contributions received for the maintenance, construction,

1156 reconstruction, or renovation of state and federal highways;
1157 (b) appropriations made to the fund by the Legislature;
1158 (c) registration fees designated under Section [41-1a-1201](#);
1159 (d) the sales and use tax revenues deposited into the fund in accordance with Section
1160 [59-12-103](#); and
1161 (e) revenues transferred to the fund in accordance with Section [72-2-106](#).
1162 (3) (a) The fund shall earn interest.
1163 (b) All interest earned on fund money shall be deposited into the fund.
1164 (4) (a) Except as provided in Subsection (4)(b), the executive director may only use
1165 fund money to pay:
1166 (i) the costs of maintenance, construction, reconstruction, or renovation to state and
1167 federal highways prioritized by the Transportation Commission through the prioritization
1168 process for new transportation capacity projects adopted under Section [72-1-304](#);
1169 (ii) the costs of maintenance, construction, reconstruction, or renovation to the highway
1170 projects described in Subsections [63B-18-401](#)(2), (3), and (4);
1171 (iii) principal, interest, and issuance costs of bonds authorized by Section [63B-18-401](#)
1172 minus the costs paid from the County of the First Class Highway Projects Fund in accordance
1173 with Subsection [72-2-121](#)(4)(e);
1174 (iv) for a fiscal year beginning on or after July 1, 2013, to transfer to the 2010 Salt
1175 Lake County Revenue Bond Sinking Fund created by Section [72-2-121.3](#) the amount certified
1176 by Salt Lake County in accordance with Subsection [72-2-121.3](#)(4)(c) as necessary to pay the
1177 debt service on \$30,000,000 of the revenue bonds issued by Salt Lake County;
1178 (v) principal, interest, and issuance costs of bonds authorized by Section [63B-16-101](#)
1179 for projects prioritized in accordance with Section [72-2-125](#);
1180 (vi) all highway general obligation bonds that are intended to be paid from revenues in
1181 the Centennial Highway Fund created by Section [72-2-118](#);
1182 (vii) for fiscal year 2015-16 only, to transfer \$25,000,000 to the County of the First
1183 Class Highway Projects Fund created in Section [72-2-121](#) to be used for the purposes described
1184 in Section [72-2-121](#); and
1185 (viii) if a political subdivision provides a contribution equal to or greater than 40% of
1186 the costs needed for construction, reconstruction, or renovation of paved pedestrian or paved
1187 nonmotorized transportation for projects that:
1188 (A) mitigate traffic congestion on the state highway system;
1189 (B) are part of an active transportation plan approved by the department; and
1190 (C) are prioritized by the commission through the prioritization process for new
1191 transportation capacity projects adopted under Section [72-1-304](#).
1192 (b) The executive director may use fund money to exchange for an equal or greater
1193 amount of federal transportation funds to be used as provided in Subsection (4)(a).
1194 (5) (a) Except as provided in Subsection (5)(b), the executive director may not program
1195 fund money to a project prioritized by the commission under Section [72-1-304](#), including fund
1196 money from the Transit Transportation Investment Fund, within the boundaries of a
1197 municipality that is required to adopt a moderate income housing plan element as part of the
1198 municipality's general plan as described in Subsection [10-9a-401](#)(3), if the municipality has
1199 failed to adopt a moderate income housing plan element as part of the municipality's general
1200 plan or has failed to implement the requirements of the moderate income housing plan as
1201 determined by the results of the Department of Workforce Service's review of the annual
1202 moderate income housing report described in Subsection [35A-8-803](#)(1)(a)(vii).
1203 (b) Within the boundaries of a municipality that is required under Subsection
1204 [10-9a-401](#)(3) to plan for moderate income housing growth but has failed to adopt a moderate
1205 income housing plan element as part of the municipality's general plan or has failed to
1206 implement the requirements of the moderate income housing plan as determined by the results
1207 of the Department of Workforce Service's review of the annual moderate income housing
1208 report described in Subsection [35A-8-803](#)(1)(a)(vii), the executive director:
1209 (i) may program fund money in accordance with Subsection (4)(a) for a limited-access
1210 facility or interchange connecting limited-access facilities;

- 1211 (ii) may not program fund money for the construction, reconstruction, or renovation of
1212 an interchange on a limited-access facility;
- 1213 (iii) may program Transit Transportation Investment Fund money for a
1214 multi-community fixed guideway public transportation project; and
- 1215 (iv) may not program Transit Transportation Investment Fund money for the
1216 construction, reconstruction, or renovation of a station that is part of a fixed guideway public
1217 transportation project.
- 1218 (c) Subsections (5)(a) and (b) do not apply to a project programmed by the executive
1219 director before May 1, 2020, for projects prioritized by the commission under Section
1220 [72-1-304](#).
- 1221 (6) (a) Except as provided in Subsection (6)(b), the executive director may not program
1222 fund money to a project prioritized by the commission under Section [72-1-304](#), including fund
1223 money from the Transit Transportation Investment Fund, within the boundaries of the
1224 unincorporated area of a county, if the county is required to adopt a moderate income housing
1225 plan element as part of the county's general plan as described in Subsection [17-27a-401](#)(3) and
1226 if the county has failed to adopt a moderate income housing plan element as part of the county's
1227 general plan or has failed to implement the requirements of the moderate income housing plan
1228 as determined by the results of the Department of Workforce Service's review of the annual
1229 moderate income housing report described in Subsection [35A-8-803](#)(1)(a)(vii).
- 1230 (b) Within the boundaries of the unincorporated area of a county where the county is
1231 required under Subsection [17-27a-401](#)(3) to plan for moderate income housing growth but has
1232 failed to adopt a moderate income housing plan element as part of the county's general plan or
1233 has failed to implement the requirements of the moderate income housing plan as determined
1234 by the results of the Department of Workforce Service's review of the annual moderate income
1235 housing report described in Subsection [35A-8-803](#)(1)(a)(vii), the executive director:
- 1236 (i) may program fund money in accordance with Subsection (4)(a) for a limited-access
1237 facility to a project prioritized by the commission under Section [72-1-304](#);
- 1238 (ii) may not program fund money for the construction, reconstruction, or renovation of
1239 an interchange on a limited-access facility;
- 1240 (iii) may program Transit Transportation Investment Fund money for a
1241 multi-community fixed guideway public transportation project; and
- 1242 (iv) may not program Transit Transportation Investment Fund money for the
1243 construction, reconstruction, or renovation of a station that is part of a fixed guideway public
1244 transportation project.
- 1245 (c) Subsections (5)(a) and (b) do not apply to a project programmed by the executive
1246 director before July 1, 2020, for projects prioritized by the commission under Section
1247 [72-1-304](#).
- 1248 (7) (a) Before bonds authorized by Section [63B-18-401](#) or [63B-27-101](#) may be issued
1249 in any fiscal year, the department and the commission shall appear before the Executive
1250 Appropriations Committee of the Legislature and present the amount of bond proceeds that the
1251 department needs to provide funding for the projects identified in Subsections [63B-18-401](#)(2),
1252 (3), and (4) or Subsection [63B-27-101](#)(2) for the current or next fiscal year.
- 1253 (b) The Executive Appropriations Committee of the Legislature shall review and
1254 comment on the amount of bond proceeds needed to fund the projects.
- 1255 (8) The Division of Finance shall, from money deposited into the fund, transfer the
1256 amount of funds necessary to pay principal, interest, and issuance costs of bonds authorized by
1257 Section [63B-18-401](#) or [63B-27-101](#) in the current fiscal year to the appropriate debt service or
1258 sinking fund.
- 1259 (9) (a) There is created in the Transportation Investment Fund of 2005 the Transit
1260 Transportation Investment Fund.
- 1261 (b) The fund shall be funded by:
- 1262 (i) contributions deposited into the fund in accordance with Section [59-12-103](#);
- 1263 (ii) appropriations into the account by the Legislature;
- 1264 (iii) deposits of sales and use tax increment related to a housing and transit
1265 reinvestment zone as described in Section [63N-3-610](#);

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

Abbreviation	Term	Description
CIP	Capital Improvement Program or Plan	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).
ETJ	Extra-Territorial Jurisdiction	The extra-territorial jurisdiction of a municipality is the unincorporated area that is contiguous to the corporate boundaries of the municipality.
FHWA	Federal Highway Administration	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).
MPO	Metropolitan Planning Organization	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).
SIB	State Infrastructure Bank	A revolving fund established and operated by States. SIBs provide funds to local governments via direct loans and credits to pay for transportation projects.
TIF	Tax Increment Financing	Value capture revenue tool that uses taxes on future gains in real estate values to pay for new infrastructure improvements.
TIP	Transportation Improvement Program	A four-year, fiscally constrained, short-range program that provides a prioritized list of multimodal transportation projects within a metropolitan planning area.
TRZ	Transportation Reinvestment Zone	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.
USDOT	U.S. Department of Transportation	The Federal agency responsible for formulating national transportation policy and promoting intermodal transportation. USDOT also sets safety regulations for all major modes of transportation.