U.S. Department of Transportation
Federal Highway Administration

CENTER FOR INNOVATIVE FINANCE SUPPORT

Housing, Transit, and Transportation Reinvestment Zones, Utah

Since 1980, Utah's population has more than doubled, increasing in size from 1.5 million residents to over 3.3 million residents in 2020. That growth is expected to continue, with the population projected to reach 5.3 million by 2050. As the Nation's fastest-growing State in the last decade, Utah developed a unified transportation plan to accommodate both the growth and transportation needs of the continually increasing population.

Financial Challenges and Indicative Solution

To help address the financial challenges that will accompany the projected growth, Utah passed two pieces of legislation allowing for the creation of reinvestment zones. These value-capture tools are designed to provide needed revenue to support the long-term costs associated with housing and transportation projects. In 2018, Utah became the second State (after Texas) to adopt a bill allowing transportation reinvestment zones (TRZs). In 2021, Utah became the first State to adopt a companion bill allowing for the creation of housing and transit reinvestment zones (HTRZs). With these two pieces of landmark legislation, Utah aims to supply tools to help provide affordable housing as well as expanded transportation options that support continued population growth.

Both pieces of legislation resulted from extensive collaboration and deliberation among Utah's transportation agencies (Utah Department of Transportation, Utah Transit Authority); the State's metropolitan planning organizations, including the Wasatch Front Regional Council; cities; counties; key public and private sector stakeholders; and legislative champions.

Transportation Reinvestment Zones

In 2018, Utah adopted Senate Bill 136 to authorize TRZs throughout the State. In 2019, the State amended the bill with revisions set forth in Senate Bill 72. Together, the two pieces of legislation allow for areas within the State where two or more public agencies can establish an interlocal agreement to capture increased property or sales tax revenue generated by a transportation infrastructure project.

TRZs are designed to generate revenue for road and transit projects, stimulate well-planned development coordinated with transportation, encourage collaboration across city and county boundaries, and encourage coordination between municipalities and transportation agencies.

To be eligible for a TRZ, transportation projects must be a part of Utah's Unified Transportation Plan (which includes the long-range State and regional transportation plans), or a local general plan. Proposed projects can provide funding for improvements including a State or local highway, public transportation facility or nonmotorized transportation facility, or parking facilities that support intermodal regional transportation.

Utah has several locations that could benefit from the creation of a TRZ. One potential application is the development of a planned new bus rapid transit system in a fast-growing area referred to as the "Point of the Mountain." The area spans several municipalities in the heart of two of Utah's largest metropolitan areas, with 700 acres of undeveloped land at its center. Its proximity to many jobs and amenities makes the area ripe for development, and it will need a well-planned mix of housing, commercial development, and open space, coordinated with transportation options. The combination of these factors makes a TRZ a potentially valuable tool.

To establish a TRZ, public agencies must follow a specific process. The steps include defining the transportation need, proposed improvements, and boundaries of the zone; establishing a base year to calculate the increase of property tax revenue within the zone; and establishing the terms for sharing any increase in property or sales tax revenue within the zone.

As part of defining the needs and zone, TRZ boundaries should be drawn to include the areas that will be impacted by the transportation infrastructure project. This is where property or sales tax increases are anticipated.

To help with development and construction costs, the anticipated revenue collected can be paired with bonding, revolving loans, or other funding associated with project costs to address gaps in the timing of the capital expenditure and revenue generation.

Housing and Transit Reinvestment Zones

In 2021, Utah passed innovative legislation to further address the housing and transportation challenges created by rapid population growth. The State adopted Senate Bill 217, the Housing and Transit Reinvestment Zone Act, which allows municipalities to create HTRZs to capture tax increment revenue around certain public transit facilities. This builds on existing TRZ legislation, enabling municipalities to create mixed-use, multifamily, and affordable housing developments within a 1/3-mile radius of the State's 15 Utah Transit Authority FrontRunner commuter rail stations. The HTRZs are limited to 125 acres and may apply to all current and future FrontRunner locations between Ogden and Provo.

The all-hands-on-deck approach embodied in HTRZs is intended to help alleviate the housing affordability crisis along the Wasatch Front, the State's most populous urbanized area. The bill is intended to improve existing and planned transit infrastructure and investment, as well as encourage transit-oriented development through tax increment financing and integrated city and agency planning. The 2021 bill will also capitalize on Utah's recently authorized sizeable investments in the FrontRunner commuter rail system, which are intended to increase its capacity, speed, frequency, and reliability.

Similar to the TRZ legislation, the HTRZ enables a portion of incremental tax revenue growth to be captured over a period of time to support housing and other development costs. Under the bill, a city can propose development and zoning around a FrontRunner station. The State intends for the HTRZs to promote the use of public transportation, increase affordable housing availability, help conserve water, improve air quality by reducing fuel consumption and the number of vehicle trips, encourage mixed-use development and investment in transportation and transit, use strategic land and municipal planning in major transit investment corridors, and increase access to employment and educational opportunities.

The process for establishing an HTRZ begins with a municipality developing a plan and proposal for the area around the FrontRunner station, with an average of at least 50 units per acre (of which 10 percent is affordable housing) and a mix of uses. The plan can propose the capture of up to 80 percent of incremental local property tax revenue growth within the HTRZ from cities, counties, and school districts, to be captured over a period of time as needed to support the costs of developing the area, particularly the additional costs of affordable housing, structured parking, construction, and land purchase.

The proposal is submitted to the Utah Governor's Office of Economic Opportunity, which contracts for independent financial analysis to verify the amount of public financing and tax increment capture needed for the proposed development. The proposal must then be approved by an HTRZ committee made up of relevant public entities, taxing entities, and transportation agencies. This could include members from the city, county, schools, Utah Transit Authority, Utah Department of Transportation, metropolitan planning organization, State legislature, and economic development offices.

Upon approval of the HTRZ, tax increment is captured according to the proposal. In areas with an HTRZ, the State participates by contributing an amount equal to 15 percent of the incremental growth in State sales tax in the area; those funds are deposited into the State's Transit Transportation Investment Fund (TTIF). Projects within HTRZs are given priority consideration for TTIF funds.

Revenue from the tax increment must be used for the direct benefit of the HTRZ. Funding can help with housing and parking costs, development and construction costs, land purchase costs, or a portion of the costs a municipality faces when creating and administering the HTRZ.

Comparing Funding From TRZs and HTRZs

While the legislation supporting TRZs and HTRZs is designed to work together, there are a few fundamental differences between the funding tools. HTRZs are created by a single municipality, but the creation is overseen and approved by a committee of parties, including effected taxing entities, county officials, metropolitan planning organizations, the transit district, the State department of transportation, the governor's economic development office, and education entities. TRZs are multijurisdictional and governed by an interlocal agreement that includes municipalities and transportation agencies to ensure alignment on project funding, financing, timing, and design. The shared structure between public agencies is designed to enable equity in revenue generation and distribution. TRZs also require an annual report with a statement of increased tax revenues and increased tax expenditures made in accordance with the agreement.

Sources:

Federal Highway Administration Value Capture Webinar Slides
Housing and Transit Reinvestment Zones White Paper
Transportation Reinvestment Zones White Paper