



MEMORANDUM

TO: District Engineers

FROM: Amadeo Saenz, Jr., P.E. *AS*

SUBJECT: Transportation Reinvestment Zones

DATE: March 18, 2008

The attached document contains frequently asked questions (FAQ) regarding Transportation Reinvestment Zones and their use in conjunction with pass-through financed projects. The authority to create a Transportation Reinvestment Zone was established under Senate Bill 1266, 80th Texas Legislature, 2007. Title 43, Texas Administrative Code, Chapter 5, Subchapter E was recently revised to incorporate these new provisions.

The FAQ will be posted on the TxDOT intranet under the Design Division, Shared Documents. They will be updated as more information becomes available.

If you have any questions, please contact Elizabeth Hilton at (512) 416-2689.

Attachment

cc: John A. Barton, ADM
Phillip E. Russell, ADM
Jefferson Grimes, GPA
Mark A. Marek, DES
Elizabeth Hilton, DES
Jose Hernandez, FIN
Dorn Smith, FIN
Nancy Reinert, FIN
John Wright, OGC
Carol Polumbo, McCall, Parkhurst & Horton, LLP

Frequently Asked Questions
Transportation Reinvestment Zones
Pass-Through Financing
March 18, 2008

Citations: Transportation Code 222.105-222.107
Senate Bill 1266, 80th Texas Legislature, 2007
43 Texas Administrative Code §§5.51 – 5.59

Disclaimer: The following discussion reflects the understanding of the Texas Department of Transportation on the date of publication regarding the provisions added to Texas Transportation Code by Senate Bill 1266, 80th Texas Legislature, 2007. This document is for informational purposes only. Agencies should consult their own legal counsel for advice regarding implementation of this legislation.

GENERAL

1. Who can establish a Transportation Reinvestment Zone?
 - a. Cities and Counties are authorized to establish a Transportation Reinvestment Zone.
2. What is the difference between a Transportation Reinvestment Zone and a Tax Increment Reinvestment Zone established under the Tax Increment Financing Act?
 - a. Financing of transportation projects is more restrictive in a Tax Increment Reinvestment Zone;
 - b. A Tax Increment Reinvestment Zone requires a separate Board of Directors;
 - c. Transportation Reinvestment Zone revenue is focused on transportation improvements utilizing pass-through financing; and
 - d. It may be possible to tie the Transportation Reinvestment Zone to a financing vehicle under various statutes. Entities should consult legal counsel for guidance.
3. What is the advantage to the City or County in establishing a Transportation Reinvestment Zone?
 - a. Indicates support for a pass-through project;
 - b. Facilitates possible revenue stream to help fund the project; and
 - c. Whether an entity has created a Transportation Reinvestment Zone is one factor considered by the Texas Transportation Commission in determining whether to approve a pass-through project.

CITY Transportation Reinvestment Zone

1. What steps are required prior to City establishment of a Transportation Reinvestment Zone?
 - a. City determines that an area is unproductive and underdeveloped and that establishment of a Transportation Reinvestment Zone would (1) promote public safety; (2) facilitate the development or redevelopment of property; (3) facilitate the movement of traffic; and (4) enhance a local entity's ability to sponsor a pass-through toll project.
 - b. City holds public hearing (allowing interested persons to speak) on the designation of the zone and its benefits to the City and to property in the proposed zone. Public hearing must be held at least 30 days before the City takes action to designate the Transportation Reinvestment Zone. Notice of the hearing and intent to create the Transportation Reinvestment Zone must be published in a local newspaper with general circulation.
 - c. City designates and names the contiguous geographic area within their jurisdiction to be a Transportation Reinvestment Zone to promote a pass-through toll project that cultivates development or redevelopment of the area.
 - d. City establishes an ad valorem tax increment account for the Transportation Reinvestment Zone.
2. How does the money flow when a Transportation Reinvestment Zone is established by a City?
 - a. City deposits the tax increment produced by the City to the tax increment account.
 - b. 100% of the funds deposited must be used to fund pass-through toll project expenses including debt service, contractor payments, and payments to the Texas Department of Transportation under a pass-through agreement.
 - c. Surplus funds may be used for any transportation projects of the City in or outside of the zone.
3. When does a Transportation Reinvestment Zone cease to exist?

A Transportation Reinvestment Zone terminates on December 31 of the year in which the City complies with a contractual pledge of the money deposited in the

tax increment account, or when all pass-through payments have been made as required by an agreement with the Texas Department of Transportation, or December 31 of the 10th year after the zone was designated, if the zone has not been used for the purpose for which it was designated.

4. What is the 'tax increment'?

The tax increment for a City is the amount of ad valorem taxes levied and collected for that year on the increased property value since the Transportation Reinvestment Zone was established.

COUNTY Transportation Reinvestment Zone

1. What steps are required prior to County establishment of a Transportation Reinvestment Zone?

- a. County determines that an area is unproductive and underdeveloped and that establishment of a Transportation Reinvestment Zone would (1) promote public safety; (2) facilitate the development or redevelopment of property; (3) facilitate the movement of traffic; and (4) enhance a local entity's ability to sponsor a pass-through toll project.
- b. County holds public hearing (allowing interested persons to speak) on the designation of the zone, its benefits to the County and to property in the proposed zone, and the abating of ad valorem taxes imposed by the County on real property located in the zone. Public hearing must be held at least 30 days before the County takes action to designate the Transportation Reinvestment Zone. Notice of the hearing and intent to create the Transportation Reinvestment Zone must be published in a local newspaper with general circulation.
- c. County designates and names the contiguous geographic area within their jurisdiction to be a Transportation Reinvestment Zone to promote a pass-through toll project that cultivates development or redevelopment of the area, and for the purpose of abating ad valorem taxes imposed by the County on real property located in the zone.

2. How does the money flow when a Transportation Reinvestment Zone is established by a County?

- a. County may abate a portion of ad valorem taxes imposed by the County on one or more properties within the Transportation Reinvestment Zone. All abatements within a Transportation Reinvestment Zone must be equal in rate. Or, the County may abate a portion of ad valorem taxes imposed by the County on all property within the Transportation Reinvestment Zone. The total amount of taxes abated may not exceed the County's tax increment for the year.
- b. County may create a Road Utility District with the same boundaries as the Transportation Reinvestment Zone to assist with developing a pass-through toll project. Texas Transportation Commission approval is required for Road Utility District creation (Texas Transportation Code §441.022) and the other provisions regarding confirmation and bonds under Chapter 441, Texas Transportation Code apply.
- c. Road Utility District may impose taxes on property in the Road Utility District equal to the amount abated by the County. Counties should consult legal counsel for guidance regarding the amount of taxes that may be levied by the Road Utility District, and the legal authority to levy taxes without an election as provided in the legislation.
- d. Road Utility District may assume County's obligations under a pass-through project agreement. Any amount paid for this purpose is considered an operating expense of the Road Utility District.
- e. Taxes collected by the Road Utility District may be used to fund pass-through toll project expenses, including debt service, contractor payments and payments to the Texas Department of Transportation under a pass-through agreement. Remaining funds not used by the Road Utility District for this purpose may be used for any Road Utility District purpose.

3. Does the creation of a Road Utility District require an election?

Yes. Texas Transportation Code §441.030 and §441.035 require a confirmation election and bond election if the Road Utility District will be issuing bonds payable from ad valorem taxes.

4. When does a tax abatement in a Transportation Reinvestment Zone terminate?

A tax abatement agreement terminates on December 31 of the year in which the county completes any contractual requirement that included the pledge of money under Texas Transportation Code 222.107.

5. When does a Transportation Reinvestment Zone cease to exist?

A Transportation Reinvestment Zone terminates on December 31 of the 10th year after the zone was designated, if the zone has not been used for the purpose for which it was designated.

6. What is the 'tax increment'?

The tax increment for a County is the amount of ad valorem taxes levied and collected for that year on the increased property value since the Transportation Reinvestment Zone was established. This is the maximum amount that the County can abate on real property. The Road Utility District may impose taxes in an amount equal to the amount abated by the County.