



TRANSPORTATION REINVESTMENT ZONES

How communities can leverage local funds for transportation projects



**BACKGROUND:
WHAT IS A TRZ ?**



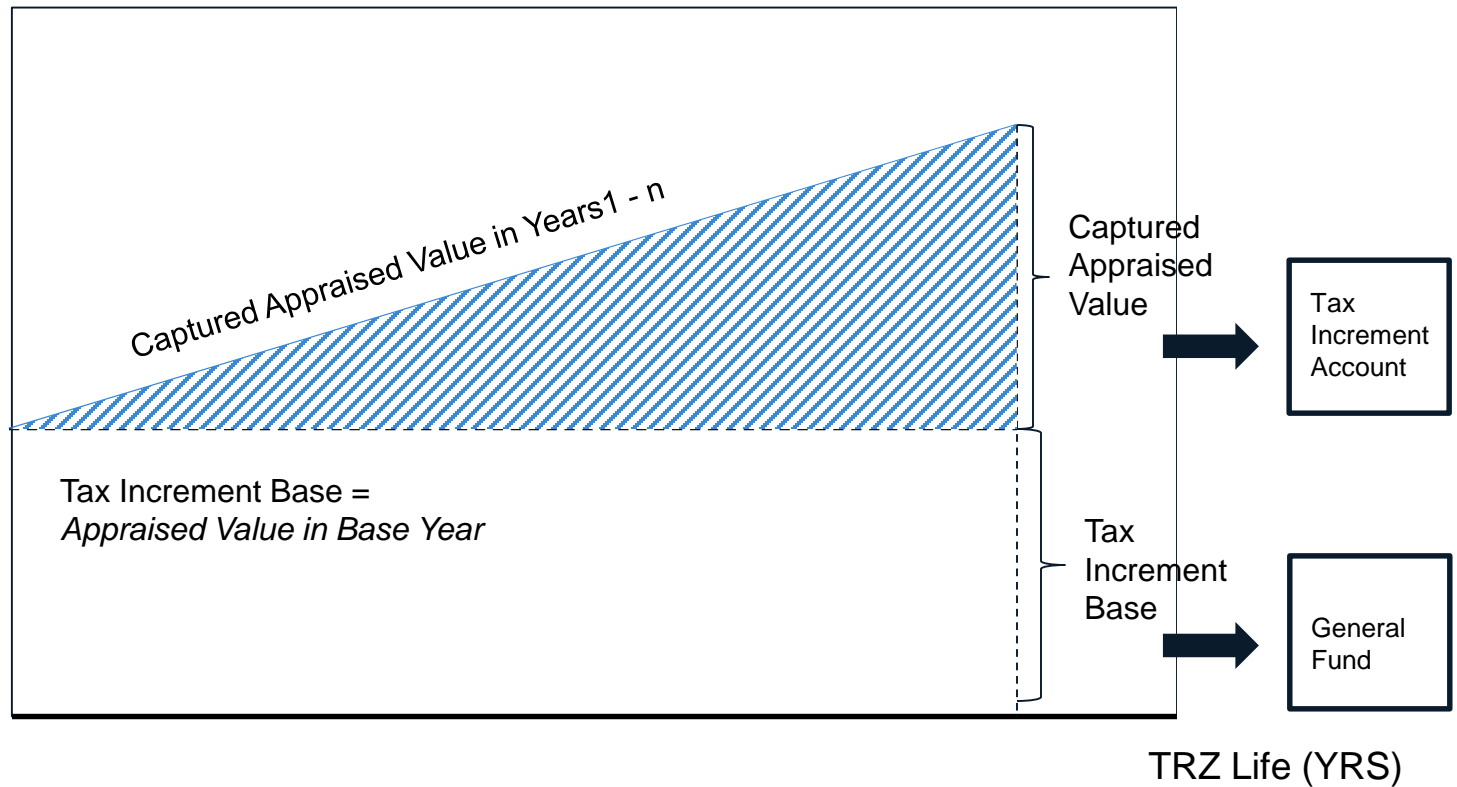
- Transportation Reinvestment Zones are a tool that were created in the 2007 legislative session (Senate Bill 1266) as a **value capture method for transportation projects** where VC revenues are set aside to finance a project
- Statute Governing Transportation Reinvestment Zones (TRZs):
 - [Texas Transportation Code Chapter 222 Sections 106-111](#)
- What exactly is a TRZ:
 - ***A TRZ is a specific contiguous zone around a planned transportation project that is established as a method to facilitate capture of the property tax increment arising from the planned project***
- Currently there are three taxing entities that can create a TRZ in Texas: **County, Municipality, and Port Authority/Navigation Districts**

What is a Transportation Reinvestment Zone



Value Capture Mechanism

Appraised Property Value





- Why use a TRZ and how to find the appropriate project:
 - Allows a community to capture both existing economic growth as well as expected growth generated from the transportation project.
 - A TRZ can be used in conjunction with other financing mechanism to fund a transportation project.

- TRZ capacity analysis - Feasibility Study
 - Overview of the zone, map, zone delineation, parcel listing
 - The netting out of existing properties that would not contribute to the revenues (i.e.: other TIRZ, TIF, abatement agreements, or tax-exempt property)
 - Historical property value growth trend analysis (Appraisal District data)
 - Multiple Economic growth models, i.e. pessimistic, base and optimistic revenue estimate scenarios



FINANCING



- Can a TRZ finance a transportation project in its entirety?
- A local government with a created TRZ can use the captured funds directly toward a transportation project or as a pledge for a method of financing (for cities and ports that could include bond issuance)
- Tax Increment Bonds
 - Tax increment bonds can have high costs due to ratings when compared to other municipal debt mechanisms
- TxDOT State Infrastructure Bank Loans
 - The SIB program allows borrowers to access capital funds at or lower-than-market interest rates.
 - Work eligible for the program's funding includes: planning and preliminary studies; feasibility, economical and environmental studies; right of way acquisition; surveying; appraisal and testing; utility relocation; engineering and design; construction; inspection and construction engineering.



IMPLEMENTATION PROCESS





Initiation:

- Project identification
- Preliminary feasibility analysis/ Research of property values under consideration
- Developing stakeholder relations



Zone Formulation:

- Define boundaries, zones, parcels
- Establish benchmark year for tax increment collection
- Refine feasibility study



Adoption:

- Public hearings – 30 days before proposed adoption, and 7 days notice before the hearing
 - Ordinance (Municipal TRZ)
- or
- Order of the Commissioner's Court (County TRZ)



Implementation:

- Determination of TRZ financing aspects
- Establish mechanisms for funding/partnerships



Monitoring and Evaluation:

- Establish monitoring of TRZ to optimize revenue and payment streams
- Monitor estimated increment revenue vs. actual



**CONTACT
INFORMATION**



To learn more about funding options for Local Governments, visit:

www.TxDOT.gov

Julie De Hoyos

Julie.Dehoyos@txdot.gov

(o): 713-802-5114

(c): 512-923-9518



THANK YOU