

- SUBJECT:** Creating port authority transportation reinvestment zones
- COMMITTEE:** Transportation — committee substitute recommended
- VOTE:** 10 ayes — Phillips, Martinez, Burkett, Y. Davis, Fletcher, Guerra, Harper-Brown, Lavender, Pickett, Riddle
- 0 nays
- 1 absent — McClendon
- WITNESSES:** For — James Rich, Greater Beaumont Chamber of Commerce and Sabine Neches Navigation District; (*Registered, but did not testify:* Duane Gordy, Community Development Education Foundation; Dennis Kearns, BNSF Railway; John Roby, Port of Beaumont; Keith Strana, Sabine Neches Navigation District; Brian Yarbrough, Port of Corpus Christi Authority)
- Against — (*Registering, but did not testify:* Terri Hall, Texas TURF)
- On — Phil Wilson, Texas Department of Transportation
- BACKGROUND:** Current law allows municipalities and counties to establish transportation reinvestment zones (TRZs) to fund highway projects.
- For a municipality (Transportation Code, sec. 222.106) or county (Transportation Code, sec. 222.107) establishing a TRZ:
- the *tax increment base* of a local entity is the total appraised value of all real property located in a zone for the year in which the zone was designated;
 - the *captured appraised value* is the total appraised value of all real property in a zone for a subsequent year, minus the entity's *tax increment base*; and
 - a *tax increment* is the amount of property taxes assessed for one year on the *captured appraised value* of real property in the zone.
- DIGEST:** CSHB 2685 would create port authority transportation reinvestment zones (TRZs) as separate entities in statute. The bill would also give counties

and municipalities the ability to use TRZs for port projects. Under the bill, port authorities could finance projects through the increase in property tax revenue (tax increment) resulting from improvements associated with a port project in a TRZ. Port authorities would include local navigation districts.

TRZ Administration. Before establishing a TRZ, the port commission governing the port authority would:

- determine that an area was unproductive or underdeveloped and that a port project financed by a TRZ would improve the security, movement, and intermodal transportation of cargo or passengers in commerce and trade;
- determine that a port project financed under the bill met certain requirements;
- hold a hearing 30 days before the date the port commission proposed to designate an area as a TRZ; and
- publish notice of the hearing and the intent to create a TRZ up to seven days before the hearing.

A TRZ established under CSHB 2685 would take effect immediately on the port commission's adoption of an order or resolution. The order or resolution would name the TRZ, designate its boundaries, establish the base year for tax increment financing, and establish an account for the funds generated by the zone. The boundaries of a TRZ could be changed at any time except that property could not be removed or excluded from a designated zone if any part of the tax assessment on that property had been pledged to secure funding for a port project under the TRZ.

Only the taxes assessed on real property taxable by the port authority would be included in the tax increment financing under a port authority TRZ.

After establishing a TRZ under CSHB 2685, the port commission of the port authority could:

- pay the tax increment realized in a zone, including maintenance and operation taxes into the account created for the TRZ;
- repay debt incurred to finance a port project under the TRZ;
- grant ad valorem tax relief on property in the TRZ, not to exceed the tax increment collected under the TRZ for that year; and

- contract with a public or private entity to develop, redevelop, or improve a port project in the TRZ.

Under the bill, the port authority could assess all or part of the cost of the port project against property within the TRZ, with the assessments levied and payable in installments in the same manner as provided for municipal and county public improvement districts, provided that the installments did not exceed the total amount of tax abatement or relief granted by the commission. If the port commission provided tax abatement or relief under the TRZ, those agreements would terminate on December 31 of the year in which the port authority completed any contractual requirement that included the pledge or assignment of tax assessments under the TRZ.

The TRZ would terminate on December 31 of the 10th year after the year the zone was designated, if the port authority failed to use the zone for the purpose for which it was designated before that date.

Debt. CSHB 2685 would allow the state to issue debt for port transportation projects.

Contracting. The port commission could contract with a public or private entity to work on a port project in the TRZ and could pledge and assign to that entity all or part of the revenue the port authority received from assessments for the payment of the costs of the port project. If the entity had used TRZ funds to fund debt for the port project, the port authority could not rescind its pledge of funds to that entity until the entity had paid off or discharged its own debt.

The bill would take effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 2685 would create a vital economic development tool to fund necessary port infrastructure projects without raising motor fuels taxes, ensuring that the whole state would not have to pay for projects to benefit local interests. The bill would be a logical progression in the use of reinvestment zones for other transportation projects.

The bill would give port authorities another tool to help fund port projects while allowing counties or municipalities to use their own TRZ authority for a project. Layered TRZ authority would increase the funds available for port projects. The bill would apply to port authorities statewide.

OPPONENTS
SAY:

Creating port authority TRZs represents an expansion of the troubling practice of using local property taxes to fund transportation projects that should be funded by the Texas Department of Transportation. The bill would decrease transparency in taxation and would reduce the amount of money local governments had available for vital services. Moreover, port authorities would not have sufficient taxation authority to pay for projects started under the bill.

NOTES:

The companion bill, SB 971 by Williams, was passed by the Senate by a vote of 31-0 on April 11.

The committee substitute differs from bill as filed by creating port authority transportation reinvestment zones as a separate entity in statute, subject to their own rules, instead of adding them to existing statute on TRZs.