

## **BILL ANALYSIS**

Senate Research Center  
83R15531 JAM-F

C.S.S.B. 1110  
By: Nichols  
Transportation  
3/21/2013  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Transportation reinvestment zones (TRZs) are innovative ways for local communities to capture revenue for transportation projects without raising taxes or new revenues. TRZs allow counties or cities to capture the increase in tax revenue, sales or property, that occurs in a designated area for the purpose of funding transportation improvements.

A county or municipality may currently contract with a public or private entity to develop a transportation project in a TRZ and pledge or assign all or a portion of the funds collected into the tax increment account to that entity. The proposed revisions in C.S.S.B. 1110 clarify that the pledge or assignment may not be rescinded until the contractual commitments that are the subject of the pledge or assignment have been satisfied.

C.S.S.B. 1110 conforms the required content of a county's order or resolution designating a TRZ to what is required to be in a municipality's order or resolution designating a TRZ (by adding the requirement that a county's order or resolution must contain findings that promotion of the transportation project will cultivate improvement, development, or redevelopment of the TRZ).

C.S.S.B. 1110 clarifies that any amount the county receives from a tax increment (or installment payments of assessments) which have not been designated for use in connection with a transportation project in the TRZ may be used for other purposes as determined by the commissioners court (rather than only for other purposes associated with the transportation project). Municipalities currently have this broader authority for the use of unencumbered funds and the legislation will merely conform the requirements.

Last session the requirement that TRZs based on ad valorem property tax increments be linked to pass-through projects was eliminated (to allow TRZs to be used for a wide range of transportation projects). At the same time authorization to create sales tax TRZs was added, but that authorization remained linked to pass-through projects. C.S.S.B. 1110 eliminates that link, so that a sales tax TRZ could be used for the same types (and scope) of transportation projects as a property tax TRZ.

In practice, issues have arisen concerning multiple TRZs (by different taxing entities) being created for the same project. C.S.S.B. 1110 allows for a structure to more effectively manage those situations (i.e., joint administration of TRZs).

C.S.S.B. 1110 amends current law relating to the purposes and designation of a transportation reinvestment zone.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter E, Chapter 222, Transportation Code, by adding Section 222.1001, as follows:

Sec. 222.1001. DEFINITION. Defines, in this subchapter, "transportation project."

SECTION 2. Amends Section 222.105, Transportation Code, to provide that the purposes of Sections 222.106 and 222.107 include a purpose to enhance a local entity's ability to sponsor a transportation project, rather than to enhance a local entity's ability to sponsor a transportation project authorized under Section 222.104 (Pass-Through Tolls).

SECTION 3. Amends Sections 222.106(b), (c), (g), (i), (i-1), (i-2), and (j), Transportation Code, as follows:

(b) Provides that 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.

(c) Authorizes the governing body of the municipality by ordinance, 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, to designate a contiguous geographic area in the jurisdiction of the municipality to be a transportation reinvestment zone to promote one or more transportation projects, rather than promote a transportation project.

(g) Makes conforming changes.

(i) Makes conforming changes.

(i-1) Authorizes the governing body of a municipality to contract with a public or private entity to develop, redevelop, or improve a transportation project in a transportation reinvestment zone and to pledge and assign all or a specified amount of money in the tax increment account to that entity. Prohibits the governing body of the municipality, after a pledge or assignment is made, from rescinding its pledge or assignment until the contractual commitments that are the subject of the pledge or assignment have been satisfied, rather than prohibiting the governing body of the municipality, 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 transportation project, from rescinding its pledge or assignment until the bonds or other obligations secured by the pledge or assignment have been paid or discharged.

(i-2) Authorizes the boundaries of a zone, to accommodate changes in the limits of a project for which a reinvestment zone was designated, to be amended at any time, except that property is prohibited from being 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 financing, rather than funding, of the project or provide funding for the development of a project and property is prohibited from being added to a designated zone unless the governing body of the municipality complies with Subsections (e) and (g).

(j) Makes conforming changes.

SECTION 4. Amends Sections 222.107(b), (c), (e), (f), (k-1), and (l), Transportation Code, as follows:

(b) Provides that this section applies only to a county in which a transportation project is to be developed under Section 222.104 or 222.108.

(c) Authorizes 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, by order or resolution, to designate a contiguous geographic area in the jurisdiction of the county to be a transportation reinvestment zone to promote one or more transportation projects, rather than to promote a 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.

(e) Requires the commissioners court, 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, to 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. Authorizes an interested person at the hearing to 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.

(f) Requires that the order or resolution designating an area as a transportation reinvestment zone include certain content, including contain findings that promotion of the transportation project or projects will cultivate the improvement, development, or redevelopment of the zone.

(k-1) Authorizes the boundaries of a zone, to accommodate changes in the limits of a project for which a reinvestment zone was designated, to 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 financing, rather than funding, of a project or provide funding for the development of a project, and property is prohibited from being added to a designated zone unless the commissioners court of the county complies with Subsections (e) and (f).

(l) Provides that, 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 all contractual requirements that included the pledge or assignment of all or a portion of money deposited to a tax increment account or the assessments collected under this section, or the repayment of money owed under an agreement for the development, redevelopment, or improvement of the project for which the zone was designated.

SECTION 5. Reenacts Section 222.107(h), Transportation Code, as amended by Chapters 475 (H.B. 563) and 1345 (S.B. 1420), Acts of the 82nd Legislature, Regular Session, 2011, as follows:

(h) Authorizes the commissioners court to:

(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 in Certain Counties), 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.

SECTION 6. Reenacts Section 222.107(h-1), Transportation Code, as added by Chapter 1345 (S.B. 1420), Acts of the 82nd Legislature, Regular Session, 2011, and amends it to conform to Section 222.107(h), Transportation Code, as amended by Chapter 475 (H.B. 563), Acts of the 82nd Legislature, Regular Session, 2011, as follows:

(h-1) Prohibits the total amount of the taxes abated or the total amount of relief granted under this section, in any ad valorem tax year, from exceeding the amount calculated under Subsection (a)(1) for that year, less any amounts allocated under previous agreements, including agreements under Chapter 381, Local Government Code, or Chapter 312, Tax Code, rather than under Section 381.004, Local Government Code, or Chapter 312, Tax Code.

SECTION 7. Redesignates Section 222.107(h-1), Transportation Code, as added by Chapter 475 (H.B. 563), Acts of the 82nd Legislature, Regular Session, 2011, as Section 222.107(h-2), Transportation Code, and amends it as follows:

(h-2) Redesignates existing Subsection (h-1) as Subsection (h-2). Authorizes a county, to further the development of the transportation project or projects for which the transportation reinvestment zone was designated, to assess all or part of the cost of the transportation project or projects against property within the zone. Authorizes the commissioners court of the county to contract with a public or private entity to develop, redevelop, or improve a transportation project in the transportation reinvestment zone, including aesthetic improvements, and to 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. Prohibits the commissioners court of the county, after a pledge or assignment is made, from rescinding its pledge or assignment until the contractual commitments that are the subject of the pledge or next assignment have been satisfied. Authorizes any amount received from the tax increment or the installment payments of the assessments not pledged or assigned in connection with a transportation project to be used for other purposes as determined by the commissioners court, rather than associated with the transportation project or in the zone. Deletes existing text prohibiting the commissioners court of the county, 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 transportation project, from rescinding its pledge or assignment until the bonds or other obligations secured by the pledge or assignment have been paid or discharged.

SECTION 8. Amends Section 222.108(a), Transportation Code, as follows:

(a) Authorizes a municipality or county to establish a transportation reinvestment zone for one or more transportation projects, rather than authorizing a municipality or county, notwithstanding the requirement in Sections 222.106(b) and 222.107(b) that a transportation reinvestment zone be established in connection with a project under Section 222.104, to establish a transportation reinvestment zone for any transportation project. Makes a nonsubstantive change.

SECTION 9. Amends Section 222.110(e), Transportation Code, as follows:

(e) Authorizes the sales and use taxes to be deposited into the tax increment account under this section to be disbursed from the account only to pay for projects authorized under Section 222.104 or 222.108, rather than pay for projects authorized under Section 222.104, including the repayment of amounts owed under an agreement entered into under that section; and 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 or 222.108.

SECTION 10. Amends Subchapter E, Chapter 222, Transportation Code, by adding Section 222.111, as follows:

Sec. 222.111. JOINT ADMINISTRATION OF TRANSPORTATION REINVESTMENT ZONES. (a) Authorizes the governing bodies of two or more local governments that have designated a transportation reinvestment zone under Section 222.106 or 222.107 for the same transportation project or projects to enter into an agreement to provide for the joint administration of the transportation reinvestment zones. Authorizes the agreement to provide for:

(1) the creation of a board of directors to oversee the transportation reinvestment zones, including the implementation of a transportation project in the zones;

(2) the establishment of a joint tax increment account for the transportation reinvestment zones;

(3) separate accounts for the maintenance of funds from a zone created under Section 222.106 and funds from a zone created under Section 222.107;

(4) the commitment of each participating entity to transfer the tax increment or assessment, or the portion thereof dedicated to a transportation project, to an account subject to the joint administration; and

(5) to the extent legally permitted, the pledge or assignment of the tax increment or assessment to an entity developing a transportation project or providing funding for a transportation project.

(b) Provides that a board of directors is composed of one person appointed by each local government that is a party to the agreement providing for joint administration of the transportation reinvestment zones and one person appointed by agreement of those local governments.

(c) Authorizes a local government, notwithstanding any other law, to designate a transportation reinvestment zone for a transportation project located outside the local government's boundaries if:

(1) the local government finds that a project will benefit the property and residents located in the zone and the creation of this zone will serve a public purpose of the local government;

(2) a zone has been designated for the same project by one or more local governments in whose boundaries the project is located; and

(3) an agreement for joint administration of the designated zones is entered into under this section by the local government whose boundaries do not contain the project and one or more of the local governments that have designated a zone for the project and in whose boundaries the project is located.

SECTION 11. Repealers: 222.107 (i-1) (relating to a county issuing bonds to pay for a transportation project) and 222.108(d) (relating to defining "transportation project"), Transportation Code.

SECTION 12. Effective date: September 1, 2013.