

## **BILL ANALYSIS**

C.S.H.B. 1810  
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Transportation  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Since 2003, local governments have been able to utilize new and innovative methods for delivering much needed transportation infrastructure to their jurisdictions. Currently, local governments are authorized to take control of transportation projects through the pass-through financing program. Pass-through financing allows the Texas Department of Transportation to delegate to cities and counties the authority to finance the costs and oversee the construction of local road projects. The state then reimburses the community for those costs over a period of time. This can typically accelerate the delivery of a project to a community by many years.

In 2007, the 80th Legislature, Regular Session, enacted S.B. 1266, authorizing cities and counties that intend to complete a pass-through financing project to designate an area adjacent to the project as a transportation reinvestment zone (TRZ). Through a TRZ, the sponsoring entity is allowed to capture a portion of the increase in property tax revenue from higher property values as a result of the new road project. That captured revenue can be used to provide needed financial support for the project. By designating an area as a TRZ and entering into a pass-through financing agreement, a local government can take control of its transportation needs, accelerate the construction of needed projects, determine the best method of delivery, and develop a plan for financing the project with its own sources of revenue or in partnership with the private sector.

C.S.H.B. 1810 provides clarification relating to transportation reinvestment zones. Among other provisions, the bill authorizes a municipality or county to establish a transportation reinvestment zone for any transportation project.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 1810 amends the Transportation Code to add provisions that relate to municipal transportation reinvestment zones, county transportation reinvestment zones, or to both types of zones. The bill includes facilitating the improvement of property among the purposes of both types of zones. The bill establishes that provisions relating to both types of zones apply only to a municipality or county, respectively, in which a pass-through toll project is to be developed, rather than to a municipality or county that intends to enter into a pass-through toll agreement with the Texas Department of Transportation (TxDOT). The bill removes language describing a transportation project in a municipal or county transportation reinvestment zone as a pass-through toll project that cultivates development or redevelopment of the area. The bill requires the ordinance, or order or resolution, respectively, designating a zone to designate the base year for purposes of establishing the tax increment base for the zone.

C.S.H.B. 1810 authorizes the boundaries of a municipal or county transportation reinvestment zone to be amended at any time to accommodate changes in the limits of the project for which the zone was designated, and it prohibits property from being removed or excluded from a designated zone if any part of the tax increment account or assessment, respectively, has been assigned or pledged directly by the municipality or county or through another entity to secure bonds or other obligations issued to obtain funding of the project. The bill prohibits property from being added to a designated zone unless the appropriate governing entity complies with provisions relating to the designation of a transportation reinvestment zone.

C.S.H.B. 1810 authorizes a municipality or county to establish a transportation reinvestment zone for any transportation project, notwithstanding the requirement in law that a transportation reinvestment zone be established in connection with a pass-through toll project. The bill requires TxDOT, if all or part of a transportation project is subject to oversight by TxDOT and at the option of the governing body of the municipality or county, to delegate full responsibility for the development, design, letting of bids, and construction of the project, including project oversight and inspection, to the municipality or county. The bill requires a transportation project that is on the state highway system to comply with state design criteria unless TxDOT grants an exception to the municipality or county. The bill defines "transportation project."

C.S.H.B. 1810 prohibits a municipality or county from being penalized with a reduction in traditional transportation funding because of the designation and use of a transportation reinvestment zone. The bill prohibits any funding from TxDOT identified for a project before the date that a transportation reinvestment zone is designated from being reduced because the transportation reinvestment zone is designated in connection with that project. The bill prohibits TxDOT from reducing any allocation of traditional transportation funding to any of its districts because a district contains a municipality or county that contains a transportation reinvestment zone.

C.S.H.B. 1810 adds findings that a transportation project will cultivate the improvement of the zone to the requirements for an ordinance designating an area as a municipal transportation reinvestment zone. The bill provides for the amount of the tax increment produced by the municipality in connection with a zone to be less any amount allocated under previous agreements, including agreements relating to municipal planning and development and tax increment financing. The bill requires all or the portion specified by the municipality of the money deposited to a tax increment account to be used to fund the transportation project for which the zone was designated, rather than to fund pass-through toll projects, including the repayment of amounts owed under a pass-through toll agreement. The bill authorizes any remaining money deposited to the tax increment account to be used for other purposes as determined by the municipality. The bill authorizes the governing body of the 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. The bill provides that 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, the governing body may not rescind its pledge or assignment until the bonds or other obligations secured by the pledge or assignment have been paid or discharged. The bill provides that except for requirements relating to a pledge or assignment of all or a specified amount of money in a tax increment account to a public or private entity to develop, redevelop, or improve a transportation project, a municipal transportation reinvestment zone terminates on December 31 of the year in which the municipality completes a contractual requirement, if any, that included the pledge or assignment of all or a portion of money deposited to a tax increment account or the repayment of money owed under an agreement for development, redevelopment, or improvement of the project for which the zone was designated. The bill provides that a municipal transportation reinvestment zone terminates on December 31 of the 10th year after the year the zone was designated, if before that date the municipality has not entered into a contract with a public or private entity to develop, redevelop, or improve a

transportation project in a transportation reinvestment zone or otherwise has not used the zone for the purpose for which it was designated. The bill authorizes any surplus remaining in a tax increment account on termination of a municipal transportation reinvestment zone to be used for other purposes as determined by the municipality.

C.S.H.B. 1810 authorizes a county transportation reinvestment zone to be designated for the purpose of granting other relief from taxes besides property taxes. The bill adds this purpose to provisions requiring a public hearing on the creation of a zone. The bill authorizes the commissioners court by order or resolution to 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 property 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 as the county's tax increment for that year. The bill provides for the total amount of any taxes abated or relief granted by the county to be less any amount allocated under previous agreements, including agreements relating to county development and growth and tax increment financing.

C.S.H.B. 1810 authorizes a county, to further the development of the transportation project for which the transportation reinvestment zone was designated, to assess all or part of the cost of the transportation project against property within the zone. The bill authorizes the assessment against each property in the zone to be levied and payable in installments in the same manner as provided by provisions relating to an assessment roll, levy of an assessment, and interest on an assessment, provided that the installments do not exceed the total amount of the tax abatement or other relief granted under an agreement with a property owner in the zone. The bill authorizes the county to elect to adopt and apply certain provisions of the Public Improvement District Assessment Act to the assessment of costs and the issuance of bonds by the county to pay the costs of a transportation project. The bill 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 and to pledge and assign to that entity all or a specified amount of the revenue the county receives from installment payments of the assessments for the payment of the costs of that transportation project. The bill provides that 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, the commissioners court of the county may not rescind its pledge or assignment until the bonds or other obligations secured by the pledge or assignment have been paid or discharged. The bill authorizes any amount received from installment payments of the assessments not pledged or assigned in connection with the transportation project to be used for other purposes associated with the transportation project or in the zone. The bill authorizes a road utility district to assist a county in the development of a transportation project, rather than a pass-through toll project. The bill authorizes the road utility district to enter into an agreement to fund the development of a pass-through toll project, rather than an agreement with the county to assume the obligation, if any, of the county.

C.S.H.B. 1810 provides that a tax abatement agreement, or an order or resolution on the abatement of taxes or the grant of relief from taxes, terminates on December 31 of the year in which the county completes any contractual requirement that included the pledge or assignment of assessments collected under provisions relating to county transportation reinvestment zones.

#### **EFFECTIVE DATE**

September 1, 2009.

#### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 1810 differs from the original by removing the requirement that an area be determined to be blighted before the governing body of a municipality may designate the area as a transportation reinvestment zone. The substitute differs from the original by removing language

describing a transportation project as a pass-through toll project for purposes of designating a municipal transportation reinvestment zone. The substitute specifies that the amount of the tax increment produced by a municipality in connection with a municipal transportation reinvestment zone is less any amount allocated under an agreement relating to municipal planning and development, rather than county development and growth as in the original. The substitute authorizes any remaining money in a tax increment account to be used for other purposes as determined by the municipality, rather than for other transportation projects or for improvements in the zone as in the original. The substitute authorizes the boundaries of a municipal or county transportation reinvestment zone to be amended to accommodate changes in the limits of a transportation project, rather than changes in the scope of the project as in the original. The substitute authorizes any surplus remaining in a tax increment account on termination of a municipal transportation reinvestment zone to be used for other purposes as determined by the municipality, rather than for transportation projects of the municipality in or outside of the zone as in the original.

C.S.H.B. 1810 specifies that the total amount of any taxes abated or relief granted in connection with a county transportation reinvestment zone is less any amount allocated under an agreement relating to county development and growth, rather than municipal planning and development as in the original. The substitute authorizes the assessment against each property in a county transportation reinvestment zone to be levied and payable in installments in the same manner as provided by provisions relating to an assessment roll, levy of an assessment, and interest on an assessment, rather than payable in installments in the same manner as provided by provisions relating to interest on an assessment as in the original. The substitute authorizes the commissioners court of a county to pledge and assign to an entity that will develop, redevelop, or improve a transportation project in a transportation reinvestment zone all or a specified amount of the revenue the county receives from installment payments of the assessments for the payment of the costs of that transportation project, rather than all or a specified amount of money in the tax increment account to that entity as in the original. The substitute adds a provision not in the original to authorize any amount received from installment payments of the assessments not pledged or assigned in connection with a transportation project to be used for other purposes associated with the transportation project or in the zone.

C.S.H.B. 1810 adds a provision not in the original to authorize a municipality or county to establish a transportation reinvestment zone for any transportation project. The substitute adds a provision not in the original to require TxDOT, if all or part of a transportation project is subject to oversight by TxDOT and at the option of the governing body of the municipality or county, to delegate full responsibility for the project to the municipality or county. The substitute adds a provision not in the original to prohibit a municipality or county from being penalized with a reduction in traditional transportation funding because of the designation and use of a transportation reinvestment zone.