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H.B. No. 563

A BILL TO BE ENTITLED

AN ACT

relating to the purposes and designation of a transportation
reinvestment zone.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 222.105, Transportation Code, is amended
to read as follows:

Sec. 222.105. PURPOSES. The purposes of Sections 222.106
and 222.107 are to:

(1) promote public safety;

(2) facilitate the improvement, development, or
redevelopment of property;

(3) facilitate the movement of traffic; and

(4) enhance a local entity's ability to sponsor a
transportation project authorized under Section 222.104.

SECTION 2. Section 222.106, Transportation Code, is amended
by amending Subsections (b), (c), (g), (h), (i), (j), (k), and (l)
and adding Subsections (i-1) and (i-2) to read as follows:

(b) This section applies only to a municipality in which a
transportation project is to be developed [~~the governing body of
which intends to enter into an agreement with the department~~] under
Section 222.104.

(c) 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, the governing

1 body of the municipality by ordinance may designate a contiguous
2 geographic area in the jurisdiction of the municipality to be a
3 transportation reinvestment zone to promote a transportation
4 project [~~described by Section 222.104 that cultivates development~~
5 ~~or redevelopment of the area~~].

6 (g) The ordinance designating an area as a transportation
7 reinvestment zone must:

8 (1) describe the boundaries of the zone with
9 sufficient definiteness to identify with ordinary and reasonable
10 certainty the territory included in the zone;

11 (2) provide that the zone takes effect immediately on
12 passage of the ordinance;

13 (3) assign a name to the zone for identification, with
14 the first zone designated by a municipality designated as
15 "Transportation Reinvestment Zone Number One, (City or Town, as
16 applicable) of (name of municipality)," and subsequently
17 designated zones assigned names in the same form, numbered
18 consecutively in the order of their designation;

19 (4) designate the base year for purposes of
20 establishing the tax increment base of the municipality;

21 (5) establish an ad valorem tax increment account for
22 the zone; and

23 (6) [~~(5)~~] contain findings that promotion of the
24 transportation project will cultivate the improvement,
25 development, or redevelopment of the zone.

26 (h) From taxes collected on property in a zone, the
27 municipality shall pay into the tax increment account for the zone

1 ~~[an amount equal to]~~ the tax increment produced by the
2 municipality, less any amount allocated under previous agreements,
3 including agreements under Chapter 380, Local Government Code, or
4 Chapter 311, Tax Code.

5 (i) All or the portion specified by the municipality of the
6 money deposited to a tax increment account must be used to fund the
7 transportation project for which the zone was designated, as well
8 as aesthetic improvements within the zone. Any remaining money
9 deposited to the tax increment account may be used for other
10 purposes as determined by the municipality ~~[Money deposited to a~~
11 ~~tax increment account must be used to fund projects authorized~~
12 ~~under Section 222.104, including the repayment of amounts owed~~
13 ~~under an agreement entered into under that section].~~

14 (i-1) The governing body of a municipality may contract with
15 a public or private entity to develop, redevelop, or improve a
16 transportation project in a transportation reinvestment zone and
17 may pledge and assign all or a specified amount of money in the tax
18 increment account to that entity. After a pledge or assignment is
19 made, if the entity that received the pledge or assignment has
20 itself pledged or assigned that amount to secure bonds or other
21 obligations issued to obtain funding for the transportation
22 project, the governing body of the municipality may not rescind its
23 pledge or assignment until the bonds or other obligations secured
24 by the pledge or assignment have been paid or discharged.

25 (i-2) To accommodate changes in the limits of the project
26 for which a reinvestment zone was designated, the boundaries of a
27 zone may be amended at any time, except that property may not be

1 removed or excluded from a designated zone if any part of the tax
2 increment account has been assigned or pledged directly by the
3 municipality or through another entity to secure bonds or other
4 obligations issued to obtain funding of the project, and property
5 may not be added to a designated zone unless the governing body of
6 the municipality complies with Subsections (e) and (g).

7 (j) Except as provided by Subsections (i-1) and
8 ~~[Subsection]~~ (k), a transportation reinvestment zone terminates on
9 December 31 of the year in which the municipality completes
10 ~~[complies with]~~ a contractual requirement, if any, that included
11 the pledge or assignment of all or a portion of money deposited to a
12 tax increment account or the repayment of money owed under an [the]
13 agreement for development, redevelopment, or improvement of the
14 project for [under Section 222.104 in connection with] which the
15 zone was designated.

16 (k) A transportation reinvestment zone terminates on
17 December 31 of the 10th year after the year the zone was designated,
18 if before that date the municipality has not entered into a contract
19 described in Subsection (i-1) or otherwise not used the zone for the
20 purpose for which it was designated.

21 (l) Any surplus remaining in a tax increment account on
22 termination of a zone may be used for other purposes as determined
23 by [transportation projects of] the municipality ~~[in or outside of~~
24 ~~the zone]~~.

25 SECTION 3. The heading to Section 222.107, Transportation
26 Code, is amended to read as follows:

27 Sec. 222.107. COUNTY TRANSPORTATION REINVESTMENT ZONES[+]

1 ~~TAX ABATEMENTS; ROAD UTILITY DISTRICTS]~~.

2 SECTION 4. Section 222.107, Transportation Code, is amended
3 by amending Subsections (b), (c), (e), (f), (h), (i), (k), and (l)
4 and adding Subsections (h-1) and (k-1) to read as follows:

5 (b) This section applies only to a county in which a
6 transportation project is to be developed [~~the commissioners court~~
7 ~~of which intends to enter into a pass-through toll agreement with~~
8 ~~the department]~~ under Section 222.104.

9 (c) The commissioners court of the county, after
10 determining that an area is unproductive and underdeveloped and
11 that action under this section would further the purposes described
12 by Section 222.105, by order or resolution may designate a
13 contiguous geographic area in the jurisdiction of the county to be a
14 transportation reinvestment zone to promote a transportation
15 project [~~described by Section 222.104 that cultivates development~~
16 ~~or redevelopment of the area]~~ and for the purpose of abating ad
17 valorem taxes or granting other relief from taxes imposed by the
18 county on real property located in the zone.

19 (e) Not later than the 30th day before the date the
20 commissioners court proposes to designate an area as a
21 transportation reinvestment zone under this section, the
22 commissioners court must hold a public hearing on the creation of
23 the zone, its benefits to the county and to property in the proposed
24 zone, and the abatement of ad valorem taxes or the grant of other
25 relief from ad valorem taxes imposed by the county on real property
26 located in the zone. At the hearing an interested person may speak
27 for or against the designation of the zone, its boundaries, or the

1 abatement of or the relief from county taxes on real property in the
2 zone. Not later than the seventh day before the date of the
3 hearing, notice of the hearing and the intent to create a zone must
4 be published in a newspaper having general circulation in the
5 county.

6 (f) The order or resolution designating an area as a
7 transportation reinvestment zone must:

8 (1) describe the boundaries of the zone with
9 sufficient definiteness to identify with ordinary and reasonable
10 certainty the territory included in the zone;

11 (2) provide that the zone takes effect immediately on
12 adoption of the order or resolution; ~~and~~

13 (3) assign a name to the zone for identification, with
14 the first zone designated by a county designated as "Transportation
15 Reinvestment Zone Number One, County of (name of county)," and
16 subsequently designated zones assigned names in the same form
17 numbered consecutively in the order of their designation; and

18 (4) designate the base year for purposes of
19 establishing the tax increment base of the county.

20 (h) The commissioners court by order or resolution may enter
21 into an agreement with the owner of any real property located in the
22 transportation reinvestment zone to abate all or a portion of the ad
23 valorem taxes or to grant other relief from the taxes imposed by the
24 county on the owner's property in an amount not to exceed the amount
25 calculated under Subsection (a)(1) for that year. All abatements
26 or other relief granted by the commissioners court in a
27 transportation reinvestment zone must be equal in rate. In the

1 alternative, the commissioners court by order or resolution may
2 elect to abate a portion of the ad valorem taxes or otherwise grant
3 relief from the taxes imposed by the county on all real property
4 located in the zone. In any ad valorem tax year, the total amount of
5 the taxes abated or the total amount of relief granted under this
6 section may not exceed the amount calculated under Subsection
7 (a)(1) for that year, less any amounts allocated under previous
8 agreements, including agreements under Chapter 381, Local
9 Government Code, or Chapter 312, Tax Code.

10 (h-1) To further the development of the transportation
11 project for which the transportation reinvestment zone was
12 designated, a county may assess all or part of the cost of the
13 transportation project against property within the zone. The
14 assessment against each property in the zone may be levied and
15 payable in installments in the same manner as provided by Sections
16 372.016-372.018, Local Government Code, provided that the
17 installments do not exceed the total amount of the tax abatement or
18 other relief granted under Subsection (h). The county may elect to
19 adopt and apply the provisions of Sections 372.015-372.020 and
20 372.023, Local Government Code, to the assessment of costs and
21 Sections 372.024-372.030, Local Government Code, to the issuance of
22 bonds by the county to pay the cost of a transportation project.
23 The commissioners court of the county may contract with a public or
24 private entity to develop, redevelop, or improve a transportation
25 project in the transportation reinvestment zone, including
26 aesthetic improvements, and may pledge and assign to that entity
27 all or a specified amount of the revenue the county receives from

1 installment payments of the assessments for the payment of the
2 costs of that transportation project. After a pledge or assignment
3 is made, if the entity that received the pledge or assignment has
4 itself pledged or assigned that amount to secure bonds or other
5 obligations issued to obtain funding for the transportation
6 project, the commissioners court of the county may not rescind its
7 pledge or assignment until the bonds or other obligations secured
8 by the pledge or assignment have been paid or discharged. Any
9 amount received from installment payments of the assessments not
10 pledged or assigned in connection with the transportation project
11 may be used for other purposes associated with the transportation
12 project or in the zone.

13 (i) In the alternative, to ~~[To]~~ assist the county in
14 developing a transportation project ~~[authorized under Section~~
15 ~~222.104]~~, if authorized by the commission under Chapter 441, a road
16 utility district may be formed under that chapter that has the same
17 boundaries as a transportation reinvestment zone created under this
18 section.

19 (k) A road utility district formed as provided by Subsection
20 (i) may enter into an agreement ~~[with the county to assume the~~
21 ~~obligation, if any, of the county]~~ to fund development of a project
22 ~~[under Section 222.104]~~ or to repay funds owed to the department
23 ~~[under Section 222.104]~~. Any amount paid for this purpose is
24 considered to be an operating expense of the district. Any taxes
25 collected by the district that are not paid for this purpose may be
26 used for any district purpose.

27 (k-1) To accommodate changes in the limits of the project

1 for which a reinvestment zone was designated, the boundaries of a
2 zone may be amended at any time, except that property may not be
3 removed or excluded from a designated zone if any part of the
4 assessment has been assigned or pledged directly by the county or
5 through another entity to secure bonds or other obligations issued
6 to obtain funding of the project, and property may not be added to a
7 designated zone unless the commissioners court of the county
8 complies with Subsections (e) and (f).

9 (1) Except as provided by Subsection (m), a tax abatement
10 agreement entered into under Subsection (h), or an order or
11 resolution on the abatement of taxes or the grant of relief from
12 taxes under that subsection, terminates on December 31 of the year
13 in which the county completes any contractual requirement that
14 included the pledge or assignment of assessments [~~of money~~]
15 collected under this section.

16 SECTION 5. Subchapter E, Chapter 222, Transportation Code,
17 is amended by adding Sections 222.108 and 222.109 to read as
18 follows:

19 Sec. 222.108. TRANSPORTATION REINVESTMENT ZONES FOR OTHER
20 TRANSPORTATION PROJECTS. (a) Notwithstanding the requirement in
21 Sections 222.106(b) and 222.107(b) that a transportation
22 reinvestment zone be established in connection with a project under
23 Section 222.104, a municipality or county may establish a
24 transportation reinvestment zone for any transportation project.
25 If all or part of the transportation project is subject to oversight
26 by the department, at the option of the governing body of the
27 municipality or county, the department, to the extent permitted by

1 law, shall delegate full responsibility for the development,
2 design, letting of bids, and construction of the project, including
3 project inspection, to the municipality or county. After assuming
4 responsibility for a project under this subsection, a municipality
5 or county shall enter into an agreement with the department that
6 prescribes:

7 (1) the development process;

8 (2) the roles and responsibilities of the parties; and

9 (3) the timelines for any required reviews or
10 approvals.

11 (b) Any portion of a transportation project developed under
12 Subsection (a) that is on the state highway system or is located in
13 the state highway right-of-way must comply with applicable state
14 and federal requirements and criteria for project development,
15 design, and construction, unless the department grants an exception
16 to the municipality or county.

17 (c) The development, design, and construction plans and
18 specifications for the portions of a project described by
19 Subsection (b) must be reviewed and approved by the department
20 under the agreement entered into under Subsection (a).

21 (d) In this section, "transportation project" has the
22 meaning assigned by Section 370.003.

23 Sec. 222.109. REDUCTION PROHIBITED. (a) A municipality or
24 county may not be penalized with a reduction in traditional
25 transportation funding because of the designation and use of a
26 transportation reinvestment zone under this chapter. Any funding
27 from the department committed to a project before the date that a

1 transportation reinvestment zone is designated may not be reduced
2 because the transportation reinvestment zone is designated in
3 connection with that project.

4 (b) The department may not reduce any allocation of
5 traditional transportation funding to any of its districts because
6 a district contains a municipality or county that contains a
7 transportation reinvestment zone designated under this chapter.

8 SECTION 6. Sections 222.106(h), (i), (j), (k), and (l) and
9 222.107(h), (i), (k), and (l), Transportation Code, as amended by
10 this Act, and Sections 222.106(i-1) and (i-2), 222.107(h-1) and
11 (k-1), 222.108, and 222.109, Transportation Code, as added by this
12 Act, apply to a transportation reinvestment zone that is governed
13 by those sections designated before the effective date of this Act.

14 SECTION 7. This Act takes effect September 1, 2011.