

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 and that the base year shall be the year of
13 passage of the ordinance or some year in the future;

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

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

22 (5) establish a [an ad valorem] tax increment account
23 for the zone; and

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

27 (h) From taxes collected on property in a zone, the

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

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

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

26 (i-2) To accommodate changes in the limits of the project
27 for which a reinvestment zone was designated, the boundaries of a

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

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

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

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

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

1 Sec. 222.107. COUNTY TRANSPORTATION REINVESTMENT ZONES [~~+~~
2 ~~TAX ABATEMENTS; ROAD UTILITY DISTRICTS~~].

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

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

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

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

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

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

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

12 (2) provide that the zone takes effect immediately on
13 adoption of the order or resolution and that the base year shall be
14 the year of passage of the order or resolution or some year in the
15 future; ~~and~~

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

21 (4) designate the base year for purposes of
22 establishing the tax increment base of the county.

23 (h) The commissioners court by order or resolution may enter
24 into an agreement with the owner of any real property located in the
25 transportation reinvestment zone to abate all or a portion of the ad
26 valorem taxes or to grant other relief from the taxes imposed by the
27 county on the owner's property in an amount not to exceed the amount

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

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

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

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

22 (k) A road utility district formed as provided by Subsection
23 (i) may enter into an agreement ~~[with the county to assume the~~
24 ~~obligation, if any, of the county]~~ to fund development of a project
25 ~~[under Section 222.104]~~ or to repay funds owed to the department
26 ~~[under Section 222.104]~~. Any amount paid for this purpose is
27 considered to be an operating expense of the district. Any taxes

1 collected by the district that are not paid for this purpose may be
2 used for any district purpose.

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

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

19 SECTION 5. Subchapter E, Chapter 222, Transportation Code,
20 is amended by adding Sections 222.108, 222.109, and 222.110 to read
21 as follows:

22 Sec. 222.108. TRANSPORTATION REINVESTMENT ZONES FOR OTHER
23 TRANSPORTATION PROJECTS. (a) Notwithstanding the requirement in
24 Sections 222.106(b) and 222.107(b) that a transportation
25 reinvestment zone be established in connection with a project under
26 Section 222.104, a municipality or county may establish a
27 transportation reinvestment zone for any transportation project.

1 If all or part of the transportation project is subject to oversight
2 by the department, at the option of the governing body of the
3 municipality or county, the department, to the extent permitted by
4 law, shall delegate full responsibility for the development,
5 design, letting of bids, and construction of the project, including
6 project inspection, to the municipality or county. After assuming
7 responsibility for a project under this subsection, a municipality
8 or county shall enter into an agreement with the department that
9 prescribes:

10 (1) the development process;
11 (2) the roles and responsibilities of the parties; and
12 (3) the timelines for any required reviews or
13 approvals.

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

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

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

26 Sec. 222.109. REDUCTION PROHIBITED. (a) A municipality or
27 county may not be penalized with a reduction in traditional

1 transportation funding because of the designation and use of a
2 transportation reinvestment zone under this chapter. Any funding
3 from the department committed to a project before the date that a
4 transportation reinvestment zone is designated may not be reduced
5 because the transportation reinvestment zone is designated in
6 connection with that project.

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

11 Sec. 222.110. SALES TAX INCREMENT. (a) In this section,
12 "sales tax base" for a transportation reinvestment zone means the
13 amount of sales and use taxes imposed by a municipality under
14 Section 321.101(a), Tax Code, or by a county under Chapter 323, Tax
15 Code, as applicable, attributable to the zone for the year in which
16 the zone was designated under this chapter.

17 (b) The governing body of a municipality or county may
18 determine, in an ordinance or order designating an area as a
19 transportation reinvestment zone or in an ordinance or order
20 adopted subsequent to the designation of a zone, the portion or
21 amount of tax increment generated from the sales and use taxes
22 imposed by a municipality under Section 321.101(a), Tax Code, or by
23 a county under Chapter 323, Tax Code, attributable to the zone,
24 above the sales tax base, to be used as provided by Subsection (e).
25 Nothing in this section requires a municipality or county to
26 contribute sales tax increment under this subsection.

27 (c) A county that designates a portion or amount of sales

1 tax increment under Subsection (b) must establish a tax increment
2 account. A municipality or county shall deposit the designated
3 portion or amount of tax increment under Subsection (b) to the
4 entity's respective tax increment account.

5 (d) Before pledging or otherwise committing money in the tax
6 increment account under Subsection (c), the governing body of a
7 municipality or county may enter into an agreement, under
8 Subchapter E, Chapter 271, Local Government Code, to authorize and
9 direct the comptroller to:

10 (1) withhold from any payment to which the
11 municipality or county may be entitled the amount of the payment
12 into the tax increment account under Subsection (b);

13 (2) deposit that amount into the tax increment
14 account; and

15 (3) continue withholding and making additional
16 payments into the tax increment account until an amount sufficient
17 to satisfy the amount due has been met.

18 (e) The sales and use taxes to be deposited into the tax
19 increment account under this section may be disbursed from the
20 account only to:

21 (1) pay for projects authorized under Section 222.104,
22 including the repayment of amounts owed under an agreement entered
23 into under that section; and

24 (2) notwithstanding Sections 321.506 and 323.505, Tax
25 Code, satisfy claims of holders of tax increment bonds, notes, or
26 other obligations issued or incurred for projects authorized under
27 Section 222.104.

1 (f) The amount deposited by a county to a tax increment
2 account under this section is not considered to be sales and use tax
3 revenue for the purpose of property tax reduction and computation
4 of the county tax rate under Section 26.041, Tax Code.

5 (g) Not later than the 30th day before the date the
6 governing body of a municipality or county proposes to designate a
7 portion or amount of sales tax increment under Subsection (b), the
8 governing body shall hold a public hearing on the designation of the
9 sales tax increment. At the hearing an interested person may speak
10 for or against the designation of the sales tax increment. Not
11 later than the seventh day before the date of the hearing, notice of
12 the hearing must be published in a newspaper having general
13 circulation in the county or municipality, as appropriate.

14 (h) The hearing required under Subsection (g) may be held in
15 conjunction with a hearing held under Section 222.106(e) or
16 222.107(e) if the ordinance or order designating an area as a
17 transportation reinvestment zone under Section 222.106 or 222.107
18 also designates a sales tax increment under Subsection (b).

19 SECTION 6. Sections 222.106(h), (i), (j), (k), and (l) and
20 222.107(h), (i), (k), and (l), Transportation Code, as amended by
21 this Act, and Sections 222.106(i-1) and (i-2), 222.107(h-1) and
22 (k-1), 222.108, and 222.109, Transportation Code, as added by this
23 Act, apply to a transportation reinvestment zone that is governed
24 by those sections designated before the effective date of this Act.

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

President of the Senate

Speaker of the House

I certify that H.B. No. 563 was passed by the House on March 31, 2011, by the following vote: Yeas 138, Nays 5, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 563 on May 16, 2011, by the following vote: Yeas 143, Nays 0, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 563 was passed by the Senate, with amendments, on May 12, 2011, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor