



TEXAS DEPARTMENT OF TRANSPORTATION



COUNTY ENERGY TRANSPORTATION REINVESTMENT ZONES

How counties can leverage local funds for transportation projects



**BACKGROUND:
WHAT IS A CETRZ ?**

What is a Transportation Reinvestment Zone



- Transportation Reinvestment Zones are a tool that were created in the 2007 legislative session (**Senate Bill 1266**) as a **value capture method for transportation projects** where VC revenues are set aside to finance a project
- **House Bill 563 (2011)** – introduced significant changes that increased implementation flexibility. Previously tied to Pass Through projects, but have steadily gained interest since the tool became more flexible.
- **Senate Bill 1747 (2013):** *County Energy TRZ* for counties to assist with transportation projects in areas affected by oil and gas exploration and production facilities.
- Currently there are four types of TRZ's: **County, Municipal, Port Authority and Navigation Districts, and County Energy**
- Statute Governing Transportation Reinvestment Zones (TRZs):
 - Transportation Code [Chapter 222 Sections 106-110](#)

What is a County Energy TRZ?



- What is a County Energy TRZ:
 - ***A CETRZ is a specific contiguous zone, in a county that is determined to be affected because of oil and gas exploration and production activities, around a planned transportation project that is established as a method to facilitate capture of the property tax increment arising from the planned project***

- The new CETRZ requires a commissioners court to make the determination, for the creation of the zone, that the area is affected by oil and gas exploration/production and would benefit from Transportation Infrastructure Fund grants.

- Requires the commissioners court to approve an advisory board of directors for the zone. The board must consist of the following appointed members: up to 3 oil and gas representatives and 2 public members. The county would only be eligible to apply for a Transportation Infrastructure Fund grant if a board is created to advise on the establishment, administration and expenditures of a CETRZ.

What is a *County Energy* TRZ?



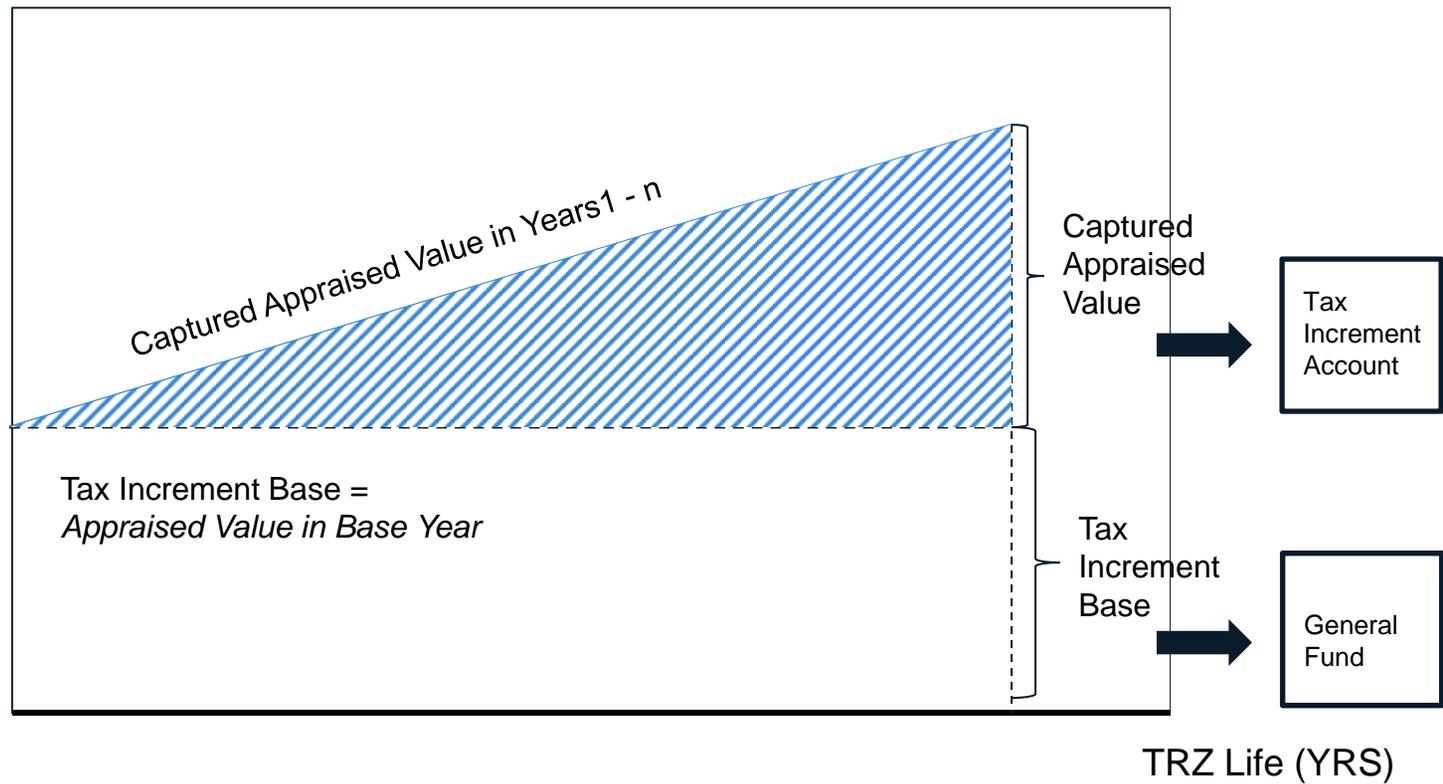
- Money in the tax increment account may only be used for the following:
 - provide matching funds for the Infrastructure Fund grant program; and
 - fund one or more transportation infrastructure projects located in the zone
- A County may enter into agreement with another county for joint administration of CETRZs for the same transportation infrastructure project.
- A County may enter into agreement with TxDOT to use CETRZ for state highway project.
- The CETRZ allows for the possibility of sales tax increment revenue capture for a TRZ. This can be stacked with the TRZ ad valorem increment.
- To apply for a grant from the Transportation Infrastructure Fund, a county must establish a CETRZ. If a grant is distributed to the county, they may use up to 5%, not to exceed \$250,000, of grant funds towards the administration of the CETRZ

What is a Transportation Reinvestment Zone

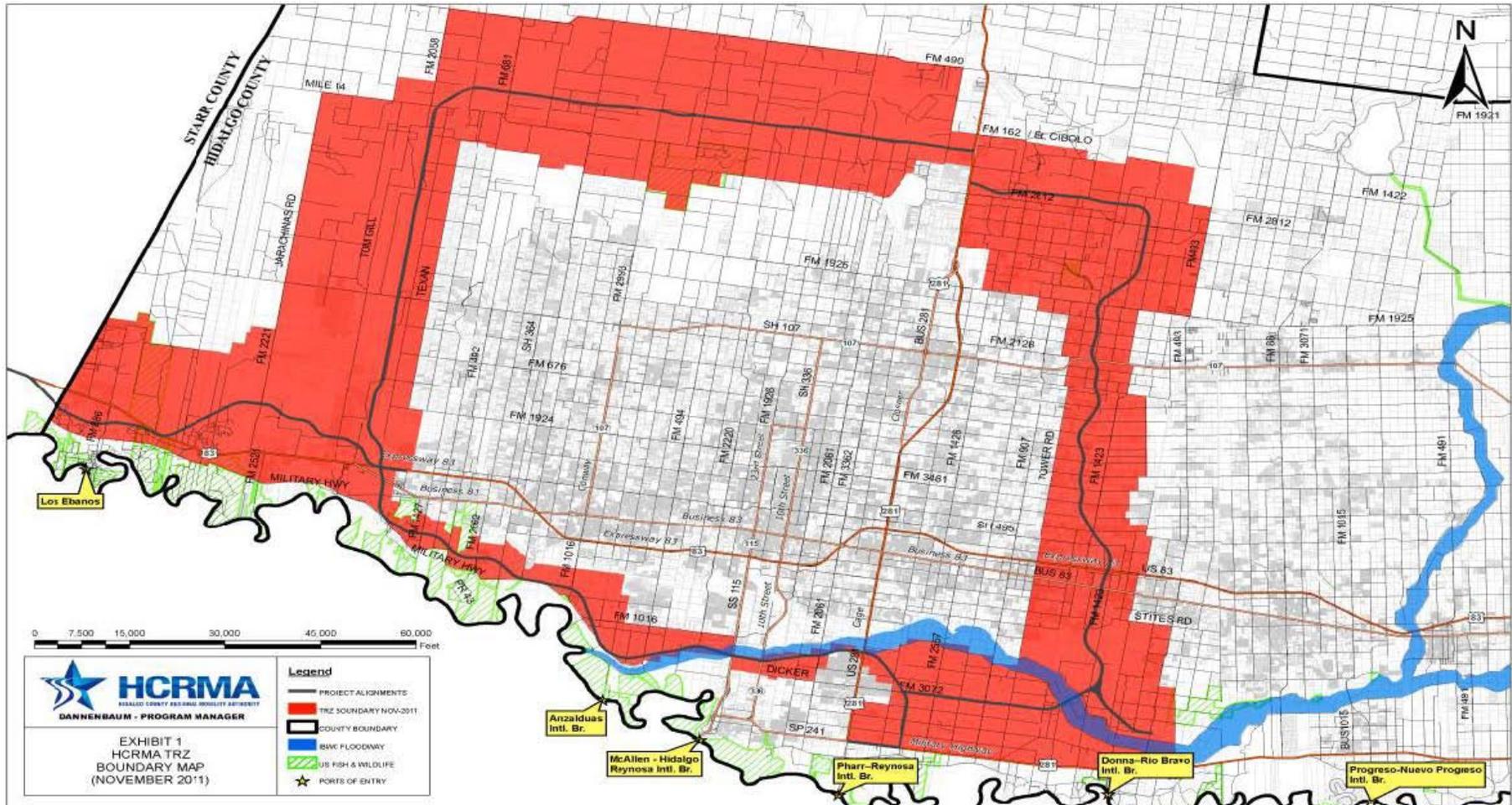


Value Capture Mechanism

Appraised Property Value



Example of a traditional County TRZ





Frequently Asked Questions

- Why use a CETRZ and how to fund the appropriate project:
 - A CETRZ can be used in conjunction with other financing mechanism to fund a transportation project.
 - Allows a community to capture both existing economic growth as well as expected growth generated from the transportation project.
 - If a County wishes to apply for funds from the Transportation Infrastructure Fund, a CETRZ must be established.

- Is there a size limit for a CETRZ?
 - There is no limitation on the size of the TRZ.

- Is it required that a county have a professional feasibility study done?
 - There is no legislative requirement that a TRZ feasibility be completed for the purpose of establishing the zone, but analysis is typically done when the TRZ will be leveraged for financing purposes.
 - County Appraisal Districts may be able to provide information regarding parcels under consideration to include in the zone, and historic figures on natural growth. They may be able to provide information regarding how property is assessed locally.
 - County should have basic understanding of tax increment potential for planning purposes and presentation at public hearing.

- If the County is planning on applying for a grant from the Transportation Infrastructure Fund, by when does the CETRZ need to be established?
 - The CETRZ must be established by the County Commission's Court by the time of application submittal.



**IMPLEMENTATION
PROCESS**

CETRZ Implementation Process





Initiation:

- Project identification
- Preliminary feasibility analysis / Research of property values under consideration
- Developing stakeholder relations



Zone Formulation:

- Create advisory board to assist with establishment, administration, and expenditures of the CETRZ.
- Define boundaries, zones, parcels
- Establish benchmark year for tax increment collection
- Refine feasibility analysis



Adoption:

- Public hearing
- No later than 30 days prior to the date a county commissioners court proposes to designate a CETRZ, a public hearing must be held on the creation and benefits of the zone
- No later than 7 days prior to the hearing, an intent to create the zone must be published in a newspaper with general circulation in the county



Adoption: (cont.)

- Order or resolution of the Commissioner's Court designating an area as a CETRZ must:
 - 1) Describe the boundaries (list specific geographic areas/parcels)
 - 2) Provide that the zone take effect upon adoption of the order or resolution and determine that base year be the same as that when the order/resolution was passed or some year in the future
 - 3) Dedicate or pledge all of the increase in the appraised value of real property located in the CETRZ to their projects.
 - 4) Establish an ad valorem tax increment account for the zone



Implementation:

- Determination of CETRZ financing aspects
- Establish mechanisms for funding/partnerships (Inter-local agreements, partnerships with RMA's etc.)



Monitoring and Evaluation:

- Establish monitoring of CETRZ to optimize revenue and payment streams
- Dissolution of CETRZ :
 - December 31 of the 10th year after the zone was designated unless extended by commissioners court. The extension may not exceed 5 years.
 - On termination, any remaining money in the account must be transferred to the county road and bridge fund.

CETRZ Implementation Process



Creating a TRZ is a formal legal process. A county will need to rely on its own legal advice or advice provided by a county association for the establishment and operation of the TRZ.



**ADDITIONAL
INFORMATION**



To learn more about options for Local Governments, visit:

www.TxDOT.gov

To learn more about SB 1747 and other energy related items, visit:

<http://www.roadstexasenergy.com/>



THANK YOU