



Capturing the Value of Transportation to Finance Transportation: Case Studies from Texas

Presented by:

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Agenda

- Value Capture for transportation funding
- Texas Transportation Reinvestment Zones (TRZ)
- TRZ Case Studies in Texas



Value Capture leverages real estate potential of infrastructure

- Value Capture (VC) is an innovative financing method that leverages the real estate potential brought by infrastructure improvements
- Through VC the public sector can recover a portion of increments in real property value attributed to public improvements rather than landowner actions




Experience Using VC for roadway financing in the US is sparse

- VC is widely used to finance transit investments in the United States
- However, application to roadways is sparse:
 - Developer impact fees
 - Special Assessment Districts

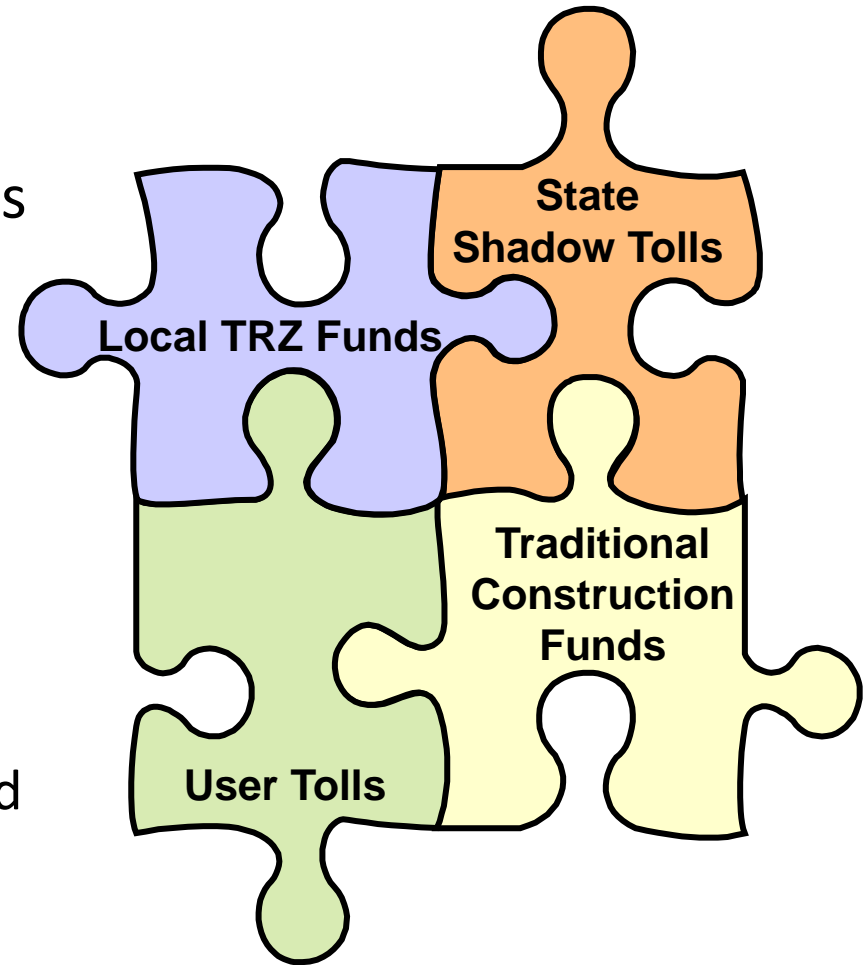
Experience with VC

- Texas : Tax increment reinvestment zones (TIRZ): various cities
- Developer impact and expansion fees, Colorado (E470); Transportation Corridor Agency, California
- Interchange: Florida 2007, Special Assessment District (SAD)
- Minnesota and Arizona (SAD for roadways)



The Texas TRZ, one of the first U.S. roadway-specific applications of VC

- Texas Legislation passed in 2007 (amended in 2011 and 2013) allows local governments to set up Transportation Reinvestment Zones (TRZ)
- TRZs are a VC mechanism designed specifically to fund transportation infrastructure
 - Allow local governments to leverage multiple funding sources
 - Local entities sell bonds secured by incremental tax revenues



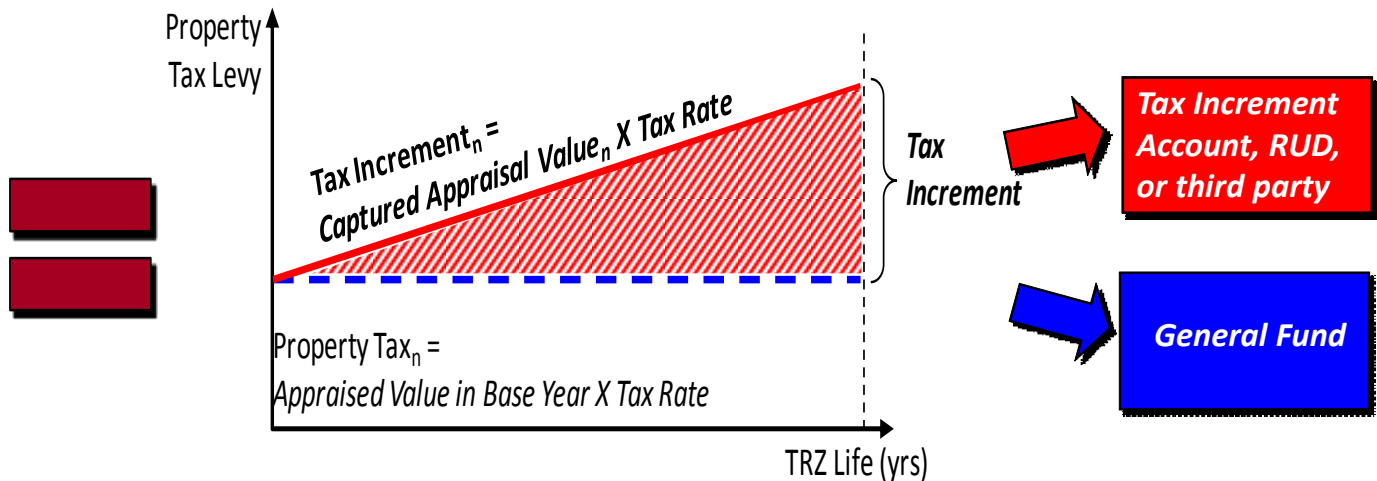
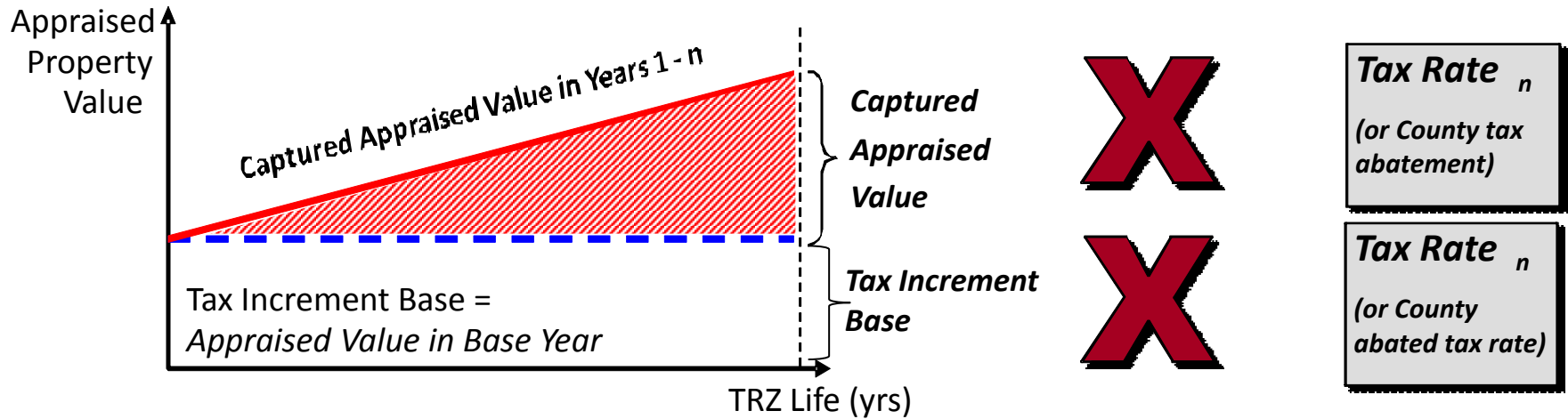


TRZ Legal Framework—the Basics

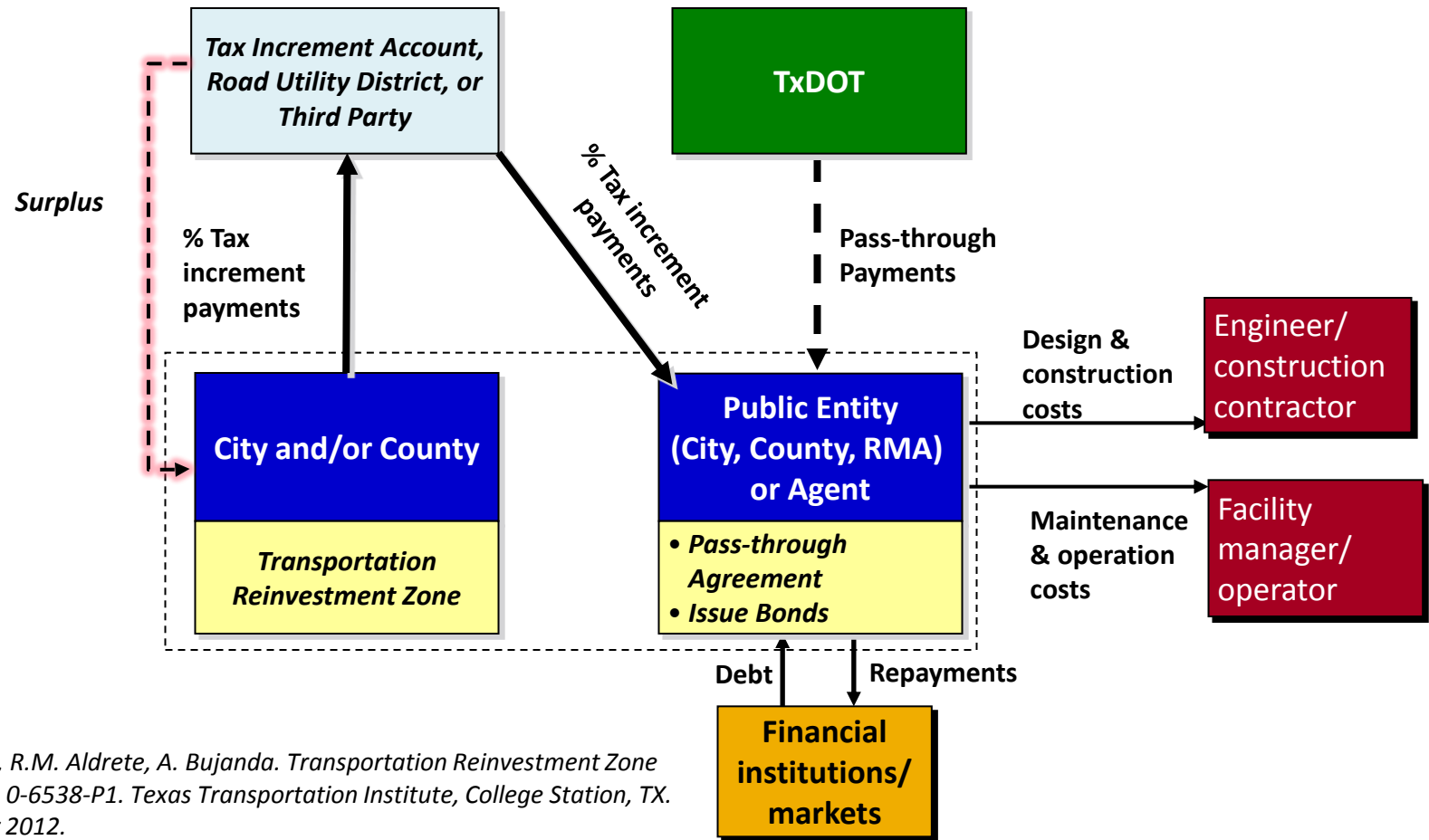
- A Texas TRZ definition:
 - A designated contiguous zone around a planned transportation improvement
 - Necessary institutional/legal arrangement to facilitate VC via the property tax mechanism
 - Two types of TRZs allowed under the law: Municipal and County

- Texas legislation first approved in 2007 (amended in 2011):
 - Senate Bill 1266 (2007)— allows the establishment of a dedicated tax increment account where VC revenues are set aside to finance a project
 - House Bill 563 (2011) – introduced significant changes that increased implementation flexibility

Value Capture Mechanism in a TRZ: How it works



Flow of Funds in a TRZ



S.R. Vadali, R.M. Aldrete, A. Bujanda. *Transportation Reinvestment Zone Handbook*. 0-6538-P1. Texas Transportation Institute, College Station, TX. September 2012.



Legislative Changes Introduced in 2011 Facilitated Implementation

Original Legislation Provisions SB 1266 (passed in 2007)

- ▶ Only real property tax increments
- ▶ Required a pass-through agreement with TxDOT
- ▶ Only roadways projects eligible
- ▶ TRZ boundaries could not be modified after designation

**Applicable to
any TRZ type**

New Legislation Provisions HB 563 (passed in 2011)

- ▶ Real property tax increments and optionally, sales tax increments
- ▶ Pass-through agreement is only required in cases involving sales tax increments
- ▶ Any transportation project eligible, including aesthetic & transit.
- ▶ TRZ boundaries can be expanded but not reduced, after designation

**Municipal
TRZs**

- ▶ Required 100% of annual tax increment to be set aside

- ▶ % of annual tax increment to be set aside is flexible (e.g. 20%, 50%)

**County
TRZs**

- ▶ Tax increment to be set aside only through a tax abatement and the creation of a Road Utility District (RUD)

- ▶ Tax increment can be set aside through a tax abatement or other form of tax relief
- ▶ County can pledge all or part of the increment to a public or private entity to pay for project, or create a RUD



Legislative Changes Introduced in 2013 Expand TRZ Options

- SB 1110 – Municipal/County TRZs
 - Allows creating a TRZ in an adjacent jurisdiction to support a project located outside of TRZ boundaries
 - De-couple sales tax TRZs from pass-through program
 - Clarify that a TRZ may be formed for “one or more” projects” within a zone
- SB 971 – Port Authority TRZs
 - Authorizes port authorities and navigation districts to create TRZs
 - TRZ area must be unproductive/underdeveloped
 - TRZ should “improve the security, movement, and intermodal transportation of cargo or passengers in commerce and trade”



Legislative Changes Introduced in 2013 Expand TRZ Options

- SB 1747 and HB 2300– County Energy TRZs
 - Creates Transportation Infrastructure Fund (TIF) administered by TxDOT (\$225 million)
 - Grants for projects in areas affected by oil and gas production;
 - Eligibility to receive TIF grant contingent on:
 - Establishing a County Energy TRZ (CETRZ)
 - Creating a CETRZ advisory board
 - County providing matching fund
 - Allocation is formula-based
 - Well completions, weight tolerance limits, oil and gas production taxes, oil and gas waste
 - 100% of tax increment must be pledged and cannot be bonded against – must be transferred to Road Utility Dist.



TRZ vs. TIF/TIRZ

- Similar to Tax-Increment-Finance (TIF) or Tax-Increment-Reinvestment-Zone (TIRZ)
- What Makes TRZ's Different from TIF/TIRZ?
 - TRZs cannot be established by petition
 - Revenues not portable across TRZs

TRZ Case Examples in Texas

Location	Project Type
City of El Paso	<ul style="list-style-type: none">•Road project•Single jurisdiction
City of McAllen	<ul style="list-style-type: none">•Interchange project•Single jurisdiction
El Paso County, Cities of Socorro and Horizon	<ul style="list-style-type: none">•Road project•Multiple jurisdictions
Bexar County	<ul style="list-style-type: none">•Road project•Multiples jurisdictions
Port of Corpus / Counties of Nueces & San Patricio	<ul style="list-style-type: none">•Bridge project•Multiple jurisdictions





City of El Paso TRZs

- El Paso – first major Texas city implementing a TRZ
 - TRZ No. 1 established in 2008, but rescinded in 2009 due to concerns over corridor contiguity compliance
 - TRZs No.2 and No.3 approved in 2009
- Key funding mechanism for the \$1 billion El Paso Comprehensive Mobility Plan (CMP)
 - Multimodal plan to improve connectivity of regional network and expedite redevelopment of influenced areas
 - Traditional roadways, transit, aesthetics, and toll roads
 - CMP Financial Plan includes \$70 million in TRZ revenue along with tolls and other traditional funds

2008 COMPREHENSIVE MOBILITY PLAN

NEW MEXICO

TEXAS



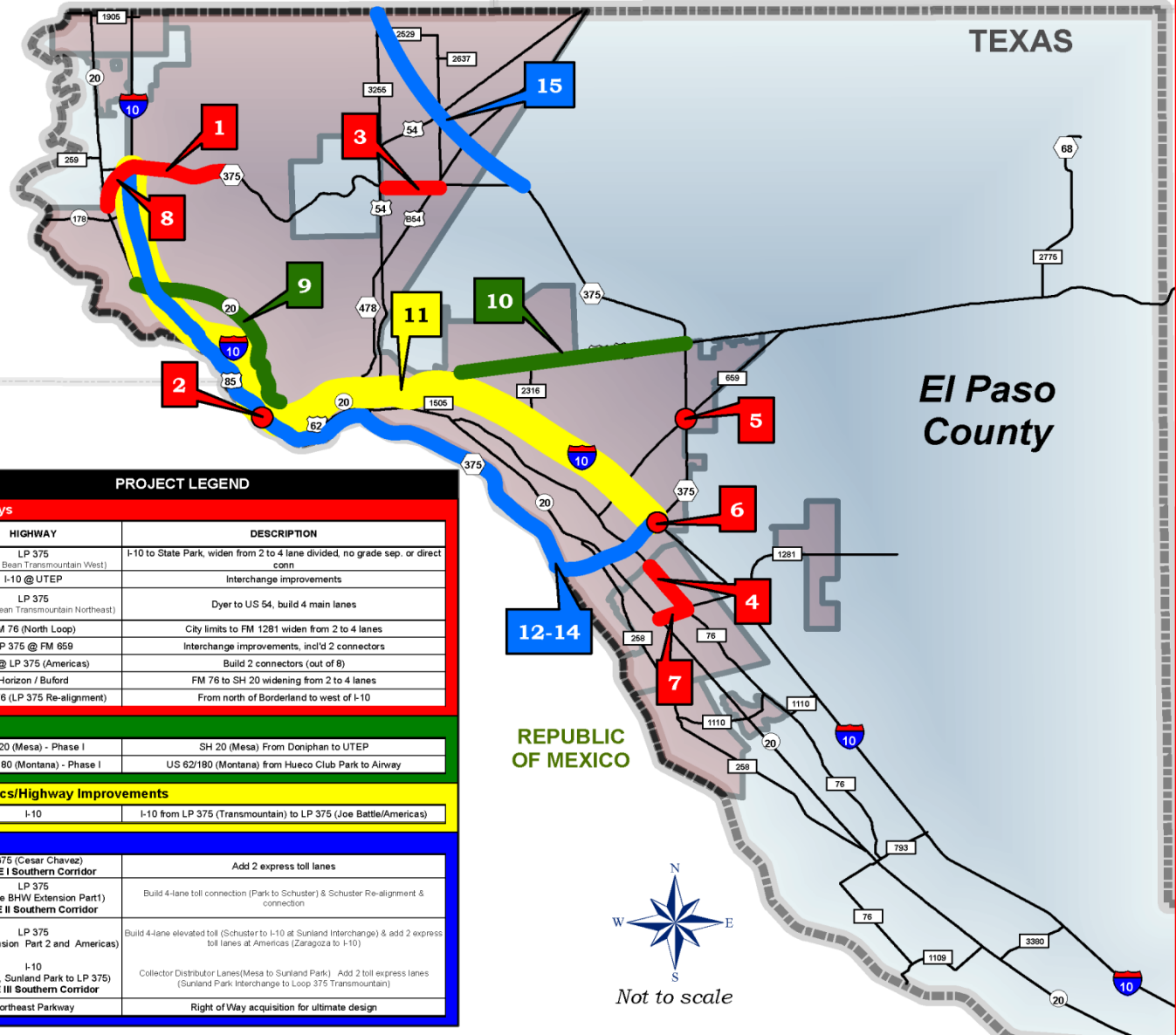
Camino Real
Regional Mobility Authority
CRRMA



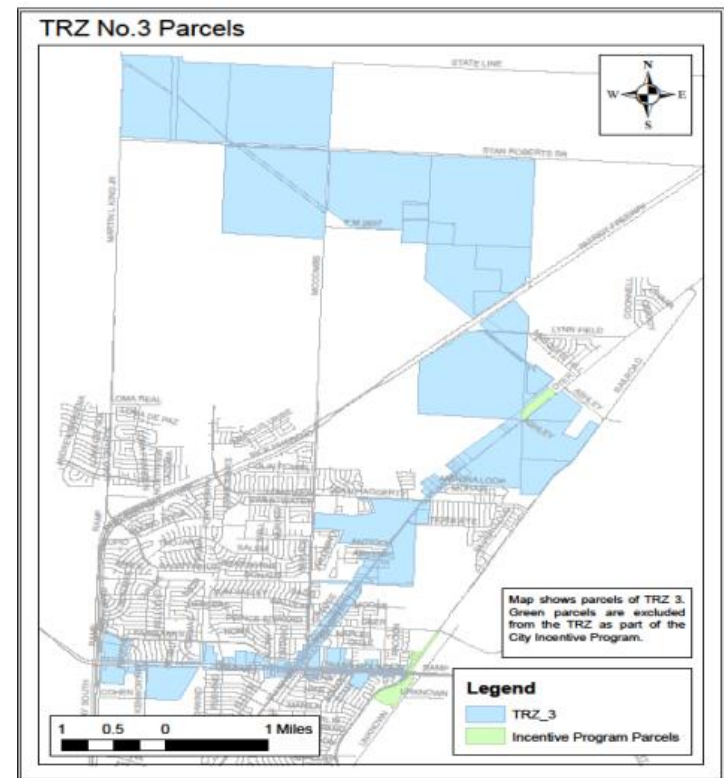
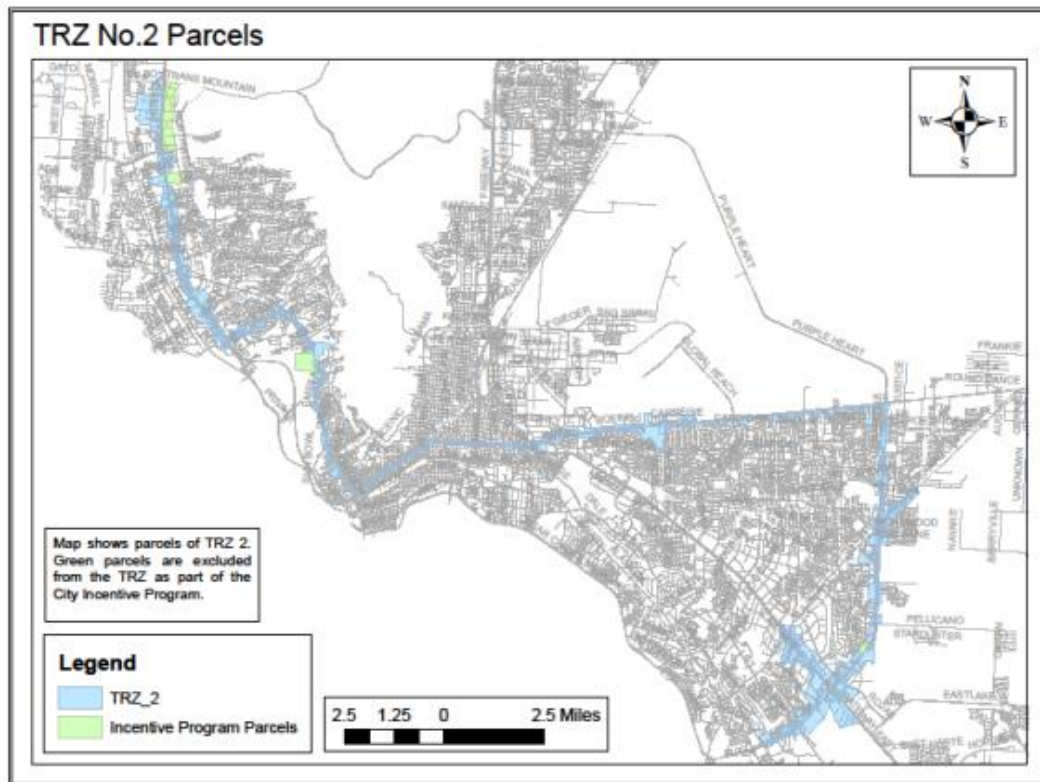
Revised: July 21, 2008


PROJECT LEGEND		
Roadways		
Map #	HIGHWAY	DESCRIPTION
1	LP 375 (Woodrow Bean Transmountain West)	I-10 to State Park, widen from 2 to 4 lane divided, no grade sep. or direct conn.
2	I-10 @ UTEP	Interchange improvements
3	LP 375 (Woodrow Bean Transmountain Northeast)	Dyer to US 54, build 4 main lanes
4	FM 76 (North Loop)	City limits to FM 1281 widen from 2 to 4 lanes
5	LP 375 @ FM 659	Interchange improvements, ind'd 2 connectors
6	I-10 @ LP 375 (Americas)	Build 2 connectors (out of 8)
7	Horizon / Buford	FM 76 to SH 20 widening from 2 to 4 lanes
8	SPUR 276 (LP 375 Re-alignment)	From north of Borderland to west of I-10
Transit		
9	SH 20 (Mesa) - Phase I	SH 20 (Mesa) From Doniphan to UTEP
10	US 62/180 (Montana) - Phase I	US 62/180 (Montana) from Hueco Club Park to Airway
Aesthetics/Highway Improvements		
11	I-10	I-10 from LP 375 (Transmountain) to LP 375 (Joe Battle/Americas)
CRRMA		
12	LP375 (Cesar Chavez) PHASE I Southern Corridor	Add 2 express toll lanes
13	LP 375 (Keystone BHW Extension Part I) PHASE II Southern Corridor	Build 4-lane toll connection (Park to Schuster) & Schuster Re-alignment & connection
14	LP 375 (BHW Extension Part 2 and Americas) I-10 (CD lanes, Sunland Park to LP 375) PHASE III Southern Corridor	Build 4-lane elevated toll (Schuster to I-10 at Sunland Interchange) & add 2 express toll lanes at Americas (Zaragoza to I-10) Collector Distributor Lanes (Mesa to Sunland Park) Add 2 toll express lanes (Sunland Park Interchange to Loop 375 Transmountain)
15	Northeast Parkway	Right of Way acquisition for ultimate design

REPUBLIC OF MEXICO



City of El Paso TRZ No 2 and 3





Baseline and PV of Revenue for City of El Paso TRZ No. 2 and 3

TRZ No. 2	Developed	Vacant	Grand Total
Total Acreage	1,806	2,628	4,434
Taxable Value (Tax Base)	\$ 986,260,002	\$ 119,291,602	\$ 1,105,551,604
PV of Revenue (Tax Rate 0.633%)			\$ 65,041,931
TRZ No. 3	Developed	Vacant	Grand Total
Total Acreage	350	5,163	5,513
Taxable Value (Tax Base)	\$ 98,733,299	\$ 6,699,764	\$ 105,433,063
PV of Revenue (Tax Rate 0.633%)			\$ 6,361,429
Grand Total	Developed	Vacant	Grand Total
Total Acreage	2,156	7,791	9,947
Taxable Value (Tax Base)	\$ 1,084,993,301	\$ 125,991,366	\$ 1,210,984,667
PV of Revenue (Base Year)			\$ 71,403,360



City of McAllen TRZ

- Replacement of existing interchange on Expressway 83, to improve safety, mobility and provide airport access
 - Most congested corridor in McAllen
 - Existing off-ramp providing access to airport, closed in 2011 because of recurring accidents (including several fatalities)
 - City to replace intersection with a new interchange design – cost of \$25 million
- City commissioned study to assess TRZ financing potential
 - All properties within a 1-mi radius from center of interchange
 - 100% of City tax increment allocated over 30 years





Baseline and PV of Revenue for City of McAllen TRZ

City of McAllen TRZ	Developed	Vacant	Grand Total
Total Acreage	1,574	366	1,940
Taxable Value (Tax Base)	\$ 771,231,381	\$ 33,831,260	\$ 805,062,641
PV of Revenue (Tax Rate 0.4313%)			\$28,881,255

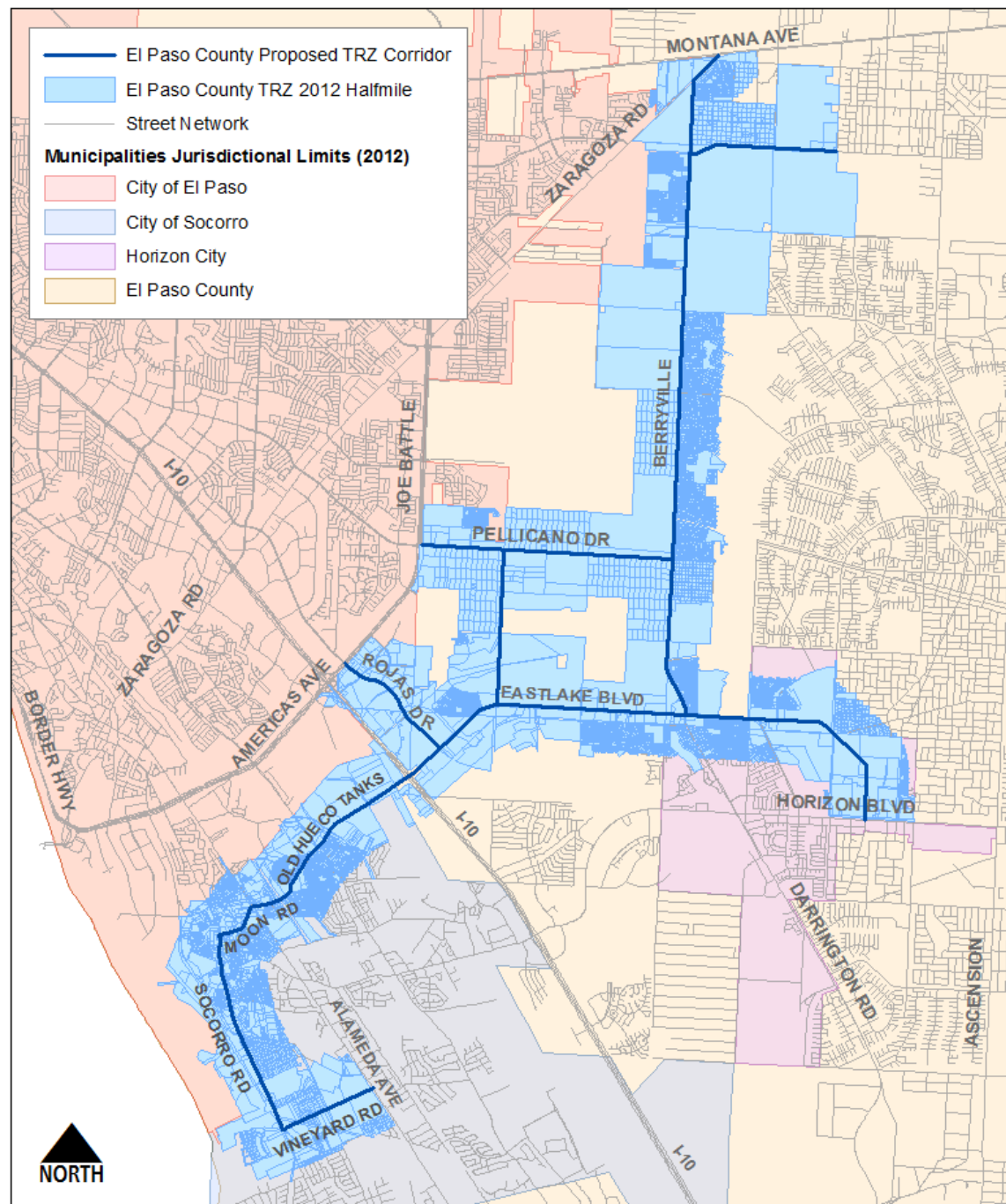


Multiple jurisdiction TRZs in El Paso County

- Improvement of 8 connected roadways located in 3 different jurisdictions within El Paso County
 - County of El Paso
 - City of Socorro
 - Town of Horizon
- Objective of improvements is to mitigate increasing congestion on existing roads and expedite area development
 - Estimated cost of \$90 million
- All 3 jurisdictions interested in jointly funding it using the TRZ mechanism within their respective jurisdictions



- **El Paso County TRZ:**
½-mi buffer from centerline
- **Horizon City TRZ:** ½-mile buffer
- **City of Socorro TRZ:**
½-mi buffer





Baseline and PV of Revenue for Multi-jurisdiction TRZs in El Paso County

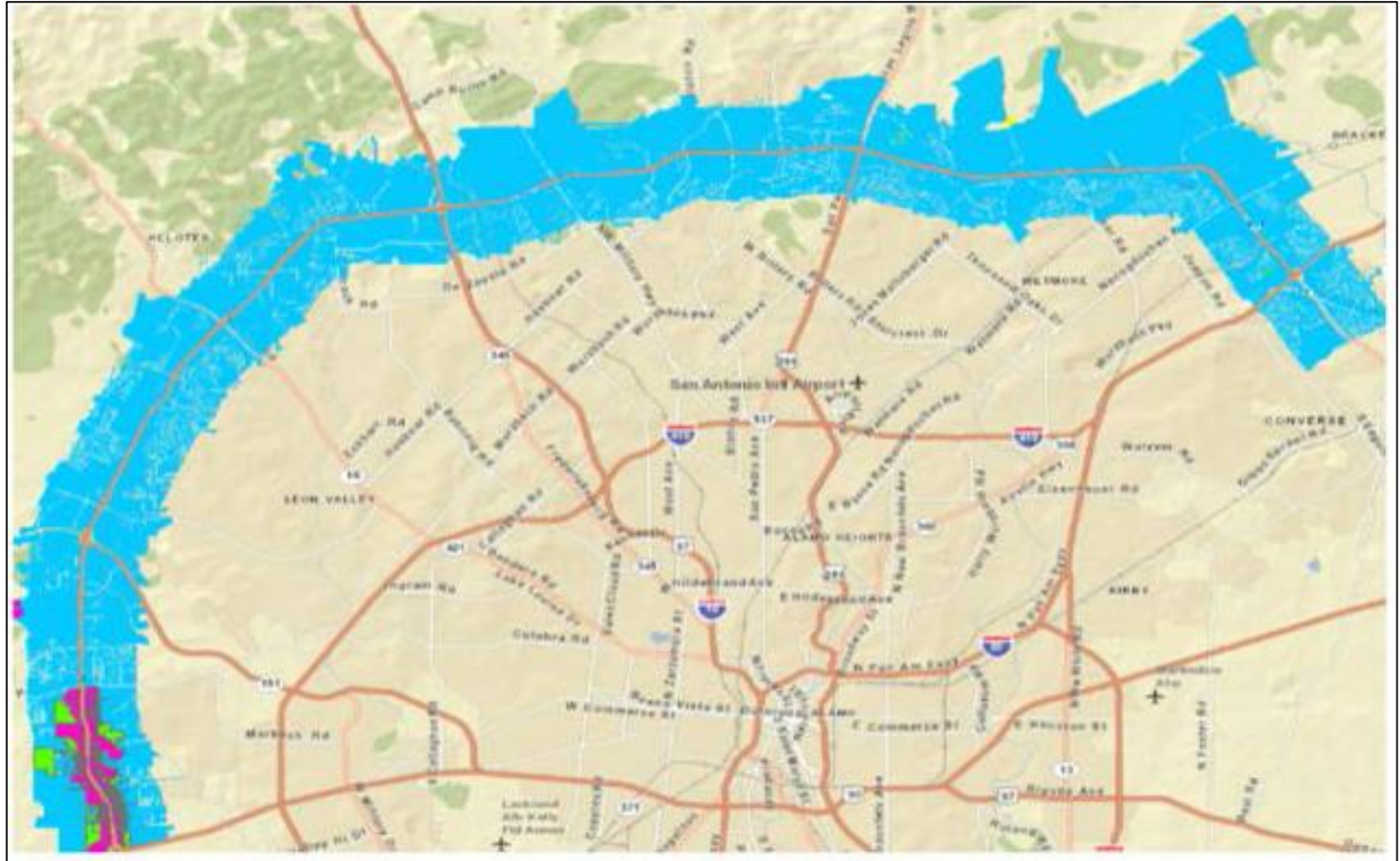
El Paso County TRZ	Developed	Vacant	Grand Total
Total Acreage	2,495	13,235	15,730
Taxable Value (Tax Base)	\$ 833,965,638	\$ 99,578,041	\$ 933,543,679
PV of Revenue (Tax Rate 0.4089%)			\$77,596,799
Horizon City TRZ	Developed	Vacant	Grand Total
Total Acreage	463	1,243	1,706
Taxable Value (Tax Base)	\$ 207,475,206	\$ 9,120,153	\$ 216,595,359
PV of Revenue (Tax Rate 0.3228%)			\$8,109,224
City of Socorro TRZ	Developed	Vacant	Grand Total
Total Acreage	480	819	1,299
Taxable Value (Tax Base)	\$ 147,116,278	\$ 5,379,422	\$ 152,495,700
PV of Revenue (Tax Rate 0.5658%)			\$12,604,103
Grand Total	Developed	Vacant	Grand Total
Total Acreage	3,437	15,297	18,734
Taxable Value (Tax Base)	\$ 1,188,557,122	\$ 114,077,616	\$ 1,302,634,738
PV of Revenue (Base Year)			\$ 98,310,126



Multiple jurisdiction TRZs in Bexar County

- Capacity enhancements on Loop 1604 to improve safety, and increase mobility and operational efficiency
 - 4 new managed lanes along 35.5 miles (HOV/HOT/transit)
- Project completely within Bexar County - traverses several municipalities, including cities of San Antonio and Live Oak
 - Estimated cost between \$ 770 million and \$ 1.47 billion
 - Funding to require a mix of federal, state and local funds
- 3 jurisdictions interested in using the TRZ mechanism to raise the local match for the project (10-20% of cost)

Bexar County TRZ, buffer: 1-mile from centerline





Baseline and PV of Revenue for Multi-jurisdiction TRZs in Bexar County

City of San Antonio TRZ	Developed	Vacant	Grand Total
Total Acreage	18,046	17,584	35,631
Taxable Value (Tax Base)	\$7,736,991,389	\$ 2,510,957,002	\$ 10,247,948,391
PV of Revenue (Tax Rate 0.5657%)			\$ 192,185,536
City of Live Oak TRZ	Developed	Vacant	Grand Total
Total Acreage	748	770	1,518
Taxable Value (Tax Base)	\$ 351,831,649	\$ 39,557,653	\$391,389,302
PV Revenue (Tax Rate 0.4773%)			\$7,651,857
Bexar County TRZ	Developed	Vacant	Grand Total
Total Acreage	22,997	24,837	47,834
Taxable Value (Tax Base)	\$ 726,645,549	\$ 13,140,725,912	\$ 13,867,371,461
PV Revenue (Tax Rate 0.6330%)			\$150,765,770
Grand Total	Developed	Vacant	Grand Total
Total Acreage	41,791	43,191	84,983
Taxable Value (Tax Base)	\$ 8,815,468,587	\$ 15,691,240,567	\$ 24,506,709,154
PV Revenue (Base Year)			\$309,183,397



Corpus Christi Harbor Bridge: Nueces Co. and San Patricio Co. TRZs

- Critical infrastructure link connecting US-181 across the Port of Corpus Christi ship channel
 - Only direct link between Nueces Co. and San Patricio Co.
 - Port is nation's 5th by tonnage (80-million tons in 2011)
 - 138 ft clearance allows movement of < Panamax
- Current bridge built in 1959 constrains post-Panamax navigational traffic growth and is structurally deficient
- Planned replacement will improve safety and connectivity, and allow post-Panamax ships to use the port
 - Replacement cost: \$870 million (federal, state and local funds)
 - Counties to raise between \$25-\$40 million in TRZ finance



Baseline and PV of Revenue for TRZs in Nueces and San Patricio Counties

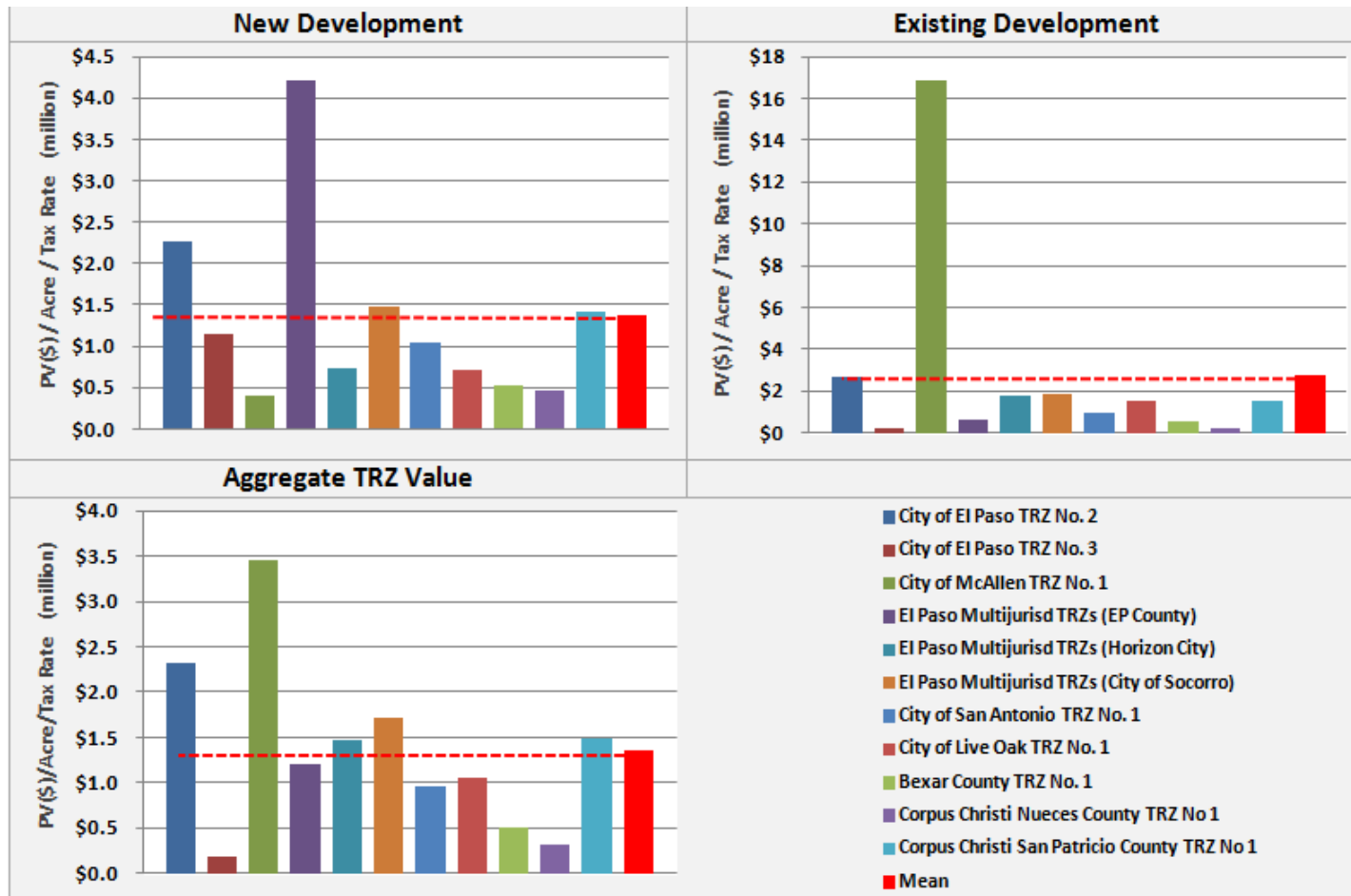
Nueces County TRZ	Developed	Vacant	Grand Total
Total Acreage	4,587	6,408	10,995
Taxable Value (Tax Base)	\$ 72,489,484	\$ 142,885,782	\$ 215,375,266
PV Revenue (Tax Rate 0.3510 %)			\$ 12,186,464
San Patricio TRZ	Developed	Vacant	Grand Total
Total Acreage	1,565	1,894	3,459
Taxable Value (Tax Base)	\$457,145,237	\$24,728,278	\$481,873,515
PV Revenue (Tax Rate 0.4812%)			\$ 24,736,860
Grand Total	Developed	Vacant	Grand Total
Total Acreage	6,152	8,301	14,454
Taxable Value (Tax Base)	\$ 529,634,721	\$ 167,614,060	\$ 697,248,781
PV Revenue (Base Year)			\$ 36,923,324



Revenue generation analysis and comparison across case examples

- Case examples analyzed to illustrate differences in revenue-generation potential across locations
- PV of revenue (\$/acre) normalized for location-specific TRZ factors to assess the influence of location on revenue generation potential
 - Total TRZ acreage
 - Share of revenue generated by land already developed and by new development
 - Property tax rates of each jurisdiction involved

Normalized Future TRZ Revenue: *PV(\$)/Acre/Tax Rate*



Normalized Future TRZ Revenue: *PV(\$)/Acre*





Conclusions

- Local governments in Texas have successfully used TRZs to fund transportation projects
- Diverse case examples provided a cross-section of TRZ applications
 - Roadway and bridge projects
 - Geographic location
 - Project purpose
- Location, location, location ... and project purpose are key considerations
 - Locality-specific factors - land use, development, property values and local tax rates
 - How does the project promote development?



More information and other credits

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