

## 0-6890: Tools for Port TRZs and TRZs for Multimodal Applications

### Background

Transportation reinvestment zones (TRZs) are a relatively new tool for infrastructure finance that allows governmental entities with taxing authority to set aside local match contributions for transportation projects and capture the land value increases that result from the transportation projects. TRZs work by designating the area around a needed transportation project as an impact zone, and allowing the governmental entity that built the project to capture some or all of the increment in local property and sales tax revenues that result from the growth in the zone's tax base. TRZs join a suite of funding sources and finance mechanisms that ports currently use but that do not address all of a port's financial needs.

### What the Researchers Did

Researchers compiled information on the legislative history, funding mechanisms, and current practices of TRZs, and identified the port authority TRZs that have been established to date. Researchers also developed tools and guidance to assist Texas Department of Transportation staff, Texas port authorities, and local government stakeholders in understanding port authority TRZs—how they work and how they might be of benefit to a port authority, its surrounding community, and the U.S. and Texas highway systems.

### What They Found

The port authority TRZ mechanism could significantly help port authorities address infrastructure needs in areas adjacent to port property that are not owned or controlled by the port but that can improve the port's efficiency or security.

There is one practical limitation to port authority TRZs when it comes to targeting infrastructure that is specifically port related. Several TRZs around the state have used their tax increment funds to acquire funding from the state infrastructure bank (SIB). However, because the bank's funding comes from the federal and state governments' highway programs, the SIB cannot currently be used to finance port projects because port property is not considered part of the state highway system. In such cases, it would be technically possible to go to the bond market or other lenders, but to date the cost of such financing has been prohibitive.

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Researchers identified four navigation districts or port authorities<sup>1</sup> that have created port authority TRZs, all established in December 2013. Three of the navigation districts, namely the Port of Beaumont, Port of Port Arthur, and Sabine-Neches Navigation District, are located in Jefferson County, and all have the stated purpose of providing part of the local match required for the federal government to improve the Sabine-Neches Waterway. The Port of Brownsville (located in Cameron County), the fourth navigation district, has not declared a stated intention for its TRZ.

Of significance is the fact that, in all four cases, TRZ boundaries are the same as navigation district boundaries, and navigation district boundaries far exceed the boundaries of the port facilities. Major cities are included within the navigation district boundaries, meaning that land uses are not limited to commercial and industrial uses. Most properties, in fact, are residential or agricultural. Because the ability of the TRZ mechanism to generate revenue depends on land development, value trends, and patterns within its boundaries, it is critical to understand how port authorities are able to influence such development within their overall taxing jurisdictions.

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<sup>1</sup> *Navigation districts* and *port authorities* are terms commonly interchangeable and refer to an entity enabled by the law to establish a port authority TRZ.

## What This Means

This research provides the Texas Department of Transportation and navigation districts with an understanding of port authority TRZs, their implementation process, and how they fit within the context of port funding options. This research provides them with TRZ implementation guidance, including webinar materials, case studies, and evaluation tools. This innovative mechanism could help navigation districts address last-mile connectivity issues and capacity constraints, such as improvements to nearby roadways not owned by the port but used to access it. This flexibility can help port authorities overcome some of the limitations of traditional port infrastructure funding sources and mechanisms. Additionally, port authority TRZs make it possible for port authorities to team with counties and/or cities that also have TRZs to construct projects that will benefit all parties.

### For More Information

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