

WFRC White Paper – Transportation Reinvestment Zones (TRZ)

Utah State Senate Bill 136 (SB 72 – 2019 Revisions)

Chief Sponsor – Wayne Harper – Utah State Senate

House Sponsor – Mike Schultz – Utah House of Representatives

Zions Public Finance, Inc. (ZPFI), was hired by the Wasatch Front Regional Council (WFRC), the Utah League of Cities and Towns (ULCT), the Utah Transit Authority (UTA), the Utah Department of Transportation (UDOT), and the Utah Association of Counties (UAC), amongst others, to draft this paper regarding transportation reinvestment zones.

Utah State Senate Bill 136 was adopted in 2018 (with revisions set forth in Senate Bill 72 in 2019). Amongst numerous other transportation-related directives, the bill provided for transportation reinvestment zones (TRZs). According to the bill, the definition of a transportation reinvestment zone is as follows:

“Transportation Reinvestment Zone” means an area created by two or more public agencies by interlocal agreement to capture increased property or sales tax revenue generated by a transportation infrastructure project. Utah Code §11-13-103(22)

The intent of this paper is to understand the purpose of the bill, possible application in Utah, and to consider whether additional changes are necessary to make the bill more useful as an economic development tool. Additionally, it is noted that Utah utilizes community reinvestment areas (CRAs) as an effective economic development agent. The differences between CRAs and TRZs are important to consider, as their similarities are extensive. This paper is divided into the sections highlighted below:

1. Creation of a TRZ – what is the process, what is required
2. Purpose of a TRZ
3. Governance of a TRZ
4. Reporting Requirements
5. Surplus Funds
6. Advantages of TRZs Covering Multiple Jurisdictions
7. Affordable Housing Requirements
8. Areas of Further Research
9. Case Studies
10. Funding of TRZs
11. Possible application to Utah
12. What Remains to be Answered/Summary of Discussion Groups
13. Appendix A – Common Funding Tools

1. Creation of a TRZ

Any two or more public agencies may enter into an agreement to create a transportation reinvestment zone. One of these entities must have land use authority over the TRZ area. The agreement between the two or more public entities must include the following, as specified in the Utah Code §11-13-227(2):

- Define the transportation need and proposed improvement
- Define the boundaries of the zone

- Establish terms for sharing sales tax revenue among the members of the agreement
- Establish a base year to calculate the increase of property tax revenue within the zone
- Establish terms for sharing any increase in property tax revenue within the zone
- Hold a public hearing regarding the details of the TRZ

Define the Transportation Need and Proposed Improvement

To create a transportation reinvestment zone, the affected agencies must “define the transportation need and the proposed improvement” (Utah Code §11-13-227(2)(a)). While a TRZ must identify transportation needs and proposed improvements, the law is relatively vague regarding the use of tax increment funds. While transportation is the primary purpose, the law does not specifically preclude complementary uses of funds, such as beautification of transportation improvements, parking structures, or even water and sewer improvements that are related to the transportation improvements. However, transportation infrastructure must be the primary purpose of the zone as the law clearly states that the purpose of such a zone is to “capture increased property or sales tax revenue generated by a transportation infrastructure project as defined in Section 11-13-227.” But, the closest that Section 11-13-227 comes to defining a transportation infrastructure project is to state “that two or more public entities, at least one of which has land use authority over the proposed transportation reinvestment zone area, shall: (a) define the transportation infrastructure need and proposed investment.”

State Bill 72 revisions (passed in 2019) provide some additional guidance for uses. The bill notes that a “transportation project means a project to (i) improve a state or local highway; (ii) improve a public transportation facility or nonmotorized transportation facility; (iii) to improve parking facilities that support an intermodal regional transportation purpose; or (iv) that is subject to a transportation reinvestment zone agreement if the state is a party to the agreement.” The revised bill still allows for notable flexibility but does indicate that a project needs to be a part of the “(i) statewide long-range plan; (ii) a regional transportation plan of the area metropolitan planning organization if a metropolitan planning organization exists for the area; or (iii) a local government general plan.”

It would be difficult for a community to specifically identify the amount of property or sales tax revenue generated by a specific infrastructure project. Therefore, in practice, it is our opinion that the transportation infrastructure project must be significant enough that it can be reasonably argued that it was the reason for at least some portion of the increased property or sales tax revenues. The actual amount of increment to be shared will be negotiated between the public entities on a case-by-case basis, taking into account the perceived public benefit from the transportation infrastructure improvements.

Define the Boundaries of the Zone

The law provides no limitations, or guidance, on the size of a zone for the purpose of collecting tax increment. General practice with other tax increment areas would suggest that the zone be drawn to include properties impacted by the improvements (primarily transportation improvements in a TRZ), and where impacts would be seen in increased property or sales tax revenues within the foreseeable future.

Establish Terms of the Agreement – Revenue Sharing

The law clearly allows for the sharing of both sales tax and property tax revenue among the members of the agreement. Sales tax revenues would be based on sales tax revenue generated within the boundary

of the TRZ. The law does not specify that sales tax revenues need to be incremental (i.e., over and above current sales tax revenues generated in the area), as it states that the parties to the agreement must establish terms for sharing sales tax revenue among the members of the agreement (Utah Code §11-13-227(2)(c)). In comparison, the guidelines for sharing property tax state that the parties must “establish terms for sharing any increase in property tax revenue within the zone” (Utah Code §11-13-227(2)(e)).

Establish a Base Year

Property tax revenues that are shared between members of the agreement are required to be incremental (Utah Code §11-13-227(2)(e)). In order to identify incremental revenues, a “base year” needs to be established. The general practice for establishing a base year for community reinvestment areas (which share tax increment for a period of time) is to use “the year during which the assessment roll is last equalized” (Utah Code §17C-1-102 (9)). Assessment rolls are equalized in Utah as of November 1 of each year. Therefore, following this generally-accepted practice, if a TRZ were to be created on October 31, 2018, it might use taxable value as of January 1, 2017 as its base year. If it were created November 1, 2018, then it might use taxable value as of January 1, 2018 as its base year. However, base year taxable value can also be negotiated as part of a CRA, and the law regarding TRZs also allows for this flexibility.

No definition of base year is given for a TRZ. Therefore, any base year can be negotiated which is acceptable to the parties in the agreement. Based on the vagueness of the law in this regard, a different base year could even be established for each party to the agreement. In practice, the likelihood is that base years will be established similar to those established for community reinvestment areas (CRAs), but there are no limitations on what base year may be established for a TRZ.

The law also does not specify that a Budget needs to be created, only that terms need to be established for sharing revenue within the zone. However, in our experience, it would be difficult to gain the support of taxing entities, or other public agencies, without a Budget. A Budget allows participants to see the total amount of increment anticipated to be generated, the timeframe for which increment is to be collected, the necessary percentage of property tax increment or sales tax revenue contributions in order to meet the transportation and other related infrastructure costs.

The requirements for a TRZ clearly eliminate the need for a Project Area Plan, which is a central part of the creation of a CRA.

A comparison of the requirements for creating a TRZ and a CRA are included in the following table. As noted previously, the overall similarities between CRAs and TRZs are significant, but as the table below demonstrates, the TRZ process is much simpler and streamlined, eliminating the need to involve a Redevelopment Agency.¹

TABLE 1: COMPARISON OF TRZ AND CRA CREATION PROCESS

	TRZ	CRA
Redevelopment Agency Involvement Required	No	Yes
Resolution required by Agency to study a project area	No	Yes

¹ Also known as Urban Renewal Agencies and Community Reinvestment Agencies.

Requires at least 2 public entities to participate	Yes	No (can form with one entity)
Eminent domain	No	Possibly, with blight study
Establish a base year from which to calculate increment	Yes	Yes
Requires Project Area Plan and Budget	No	Yes
Public Hearing Required	Yes	Yes
Mailing to all Property Owners in Area or Zone Required	No	Yes

2. Purpose of a TRZ Use

A TRZ must be centered around transportation infrastructure needs because the agreement between the parties must define the transportation need and proposed investment (Utah Code §11-13-227(2)(a)). However, the type of transportation needs is not explicitly defined in the law. There could be a wide range of uses, all with a transportation purpose. These uses may include but are not limited to roads, multi-modal transportation improvements, airports, street widenings, street landscaping, pedestrian access and walkways, transit-oriented development, transit, expanded bus routes, parking garages, etc. As noted previously, some additional guidance was provided regarding what constitutes a transportation project, with relative flexibility still provided under SB72.

3. Governance of a TRZ

A TRZ is governed by the interlocal agreement(s) between the public entities. While an interlocal entity can be formed, one is not required. However, at least one of the public entities must have land use authority over the transportation reinvestment area in order for the TRZ to be formed (Utah Code 11-13-227(2)). While a local redevelopment (urban renewal) agency is not involved, nothing in the law precludes the Agency from administering the TRZ, if such an agreement is made.

4. Reporting Requirements

An annual report is required for each TRZ. This report must include the following:

- Statement of the increased tax revenues
- Statement of the increased tax expenditures made in accordance with the agreement.

This report must be “published” and submitted to the State Auditor. This process is greatly simplified when compared to a CRA which has extensive requirements including prior year values, current assessed values, percentage change in marginal value, comparisons of funds received each year with funds forecasted each year, historical receipt of funds, description of benefits to each taxing entity, amounts paid to taxing entities, description of improvements made in the project area, developed and undeveloped acreage within each project area, percentage of residential development, housing units authorized (if applicable), details regarding project area funds collection period, years and amount remaining in the collection period, administrative costs, estimate of funds to be received in current calendar year, map of project area, etc.

5. Surplus Funds

If any surplus funds remain in a tax revenue account created as part of a reinvestment zone agreement, the parties may use the surplus for other purposes as determined by agreement of the parties (Utah Code §11-13-227(5)).

6. Advantages to TRZs Spanning Multiple Jurisdictions

There are only a few redevelopment areas in Utah that span multiple jurisdictions. While such are allowed by law, governance can be tricky. For example, in a CRA spanning two cities, each city would have its own redevelopment agency. Who then governs the project area? Joint RDA board meetings can be held, each agency board can meet separately, or there can be a MOU designating one of the RDA boards as the lead agency. Experience dictates that concerns often arise when more tax increment is generated in one jurisdiction of the project area than in another. There are often concerns about equity in spending funds in the same jurisdiction from which they come. Each redevelopment agency involved has to submit its annual report detailing the increment generated and how funds were spent, further exacerbating this concern.

The TRZ overcomes many of these problems. First, with a TRZ, there is no requirement for RDA involvement, and therefore no need for RDA meetings. The TRZ is simply governed by an interlocal agreement signed by the parties. TRZs have proven effective in other states where roadway projects cross multiple jurisdictions. With a TRZ there is no requirement to measure where increment is generated and where funds are spent. The purpose is simply to achieve an overall project. And, only one report has to be filed for the TRZ – not for each entity participating.

The multiple jurisdictional angle of TRZs may be beneficial in Utah for both the Inland Port and the Point of the Mountain areas. Both areas encompass multiple cities and/or counties, and will require significant transportation improvements in order to realize full economic activity. A TRZ, in comparison to a CRA, will allow for ease in creating and operating project areas that span multiple jurisdictional boundaries. Otherwise, CRA areas would likely remain confined to municipal boundaries.

Another advantage to TRZs is the ability to obtain the commitment of transportation agencies, such as UDOT or UTA, for specific planning projects. Interlocal agreements between the public entity with the land-use authority and a transportation agency will identify the specific projects associated with the TRZ. This will add another level of certainty to City/County planning efforts and will give these public entities some additional leverage in prioritizing needed transportation projects.

7. Affordable Housing Requirements

Per Utah law, ten percent of increment gained from CRAs that are formed through an interlocal agreement is required to be set aside by the agency for affordable housing, if more than \$100,000 of increment is distributed to the Agency in a given year (Utah Code §17C-5-307(2)).² Senate Bill 136 does not require a housing allotment for TRZ projects. While the bill sponsors have indicated that this difference with CRAs was not an intended part of the law, it is nonetheless a notable consideration. The participating agencies in a TRZ would have more financial flexibility for increment spending, as compared to a CRA, without the affordable housing requirement.

² For CRAs created subject to a taxing entity committee, an agency shall require at least 20 percent of the agency's annual tax increment for housing if more than \$100,000 of revenue is distributed to the Agency in a given year.

8. Areas of Further Research

Some clarity is still likely necessary regarding personal property valuation, as highlighted in following paragraphs. The 2019 SB72 did clarify that Cost-Benefit Analyses are not required with formation of a TRZ, thus somewhat lessening the time needed to create a TRZ.

Incremental Personal Property Valuation

There is a difference in how personal property is added to the taxable value of a taxing entity, depending on whether or not the property is located within or outside of the boundaries of a CRA. For projects with large amounts of personal property, it is advantageous, from a tax standpoint, to be part of a CRA. It is unclear whether or not TRZs would receive this favorable treatment under the law.

Personal Property Tax Revenues in a Non-CRA Area. The prior year's personal property value is used to set a portion of the "base year taxable value." If personal property is then valued, under the current year, higher than the prior year, then the taxing entity gets the additional revenue for a 1-year period. For example, if the value used to set the tax rate was \$1,000,000 and the tax rate was 0.0035, then the property should generate \$3,500 in revenue. However, if the actual value increased to \$1,500,000 when the taxpayer reported the personal property, then the tax revenues would be \$5,250 ($\$1,500,000 \times 0.0035$). In this case, the entity gets to keep the extra \$1,750. But, the budget used to set the tax rate the following year will just be \$3,500. This means that the tax rate will go down ($\$3,500/\$1,500,000 = 0.002333$). If the additional value had counted as new growth, before HB25 in 2016, then the tax rate calculation would have been $\$5,250/\$1,500,000$, or 0.0035.

Personal Property Tax Revenues in a CRA Area. On the other hand, personal property in a CRA is counted as incremental taxable value each year. It does not affect a lowering of the tax rate, as in a non-CRA area. When the collection of tax increment in a project area expires, then the personal property is counted as new growth to the taxing entities for the first year out of the project.

Cost-Benefit Analyses

Additional clarification has revealed that a cost-benefit analysis does not need to be performed for a TRZ.

Possible "Value Capture"

For a TRZ to be most effective, it must have the ability to generate significant revenue. Consequently, consideration should be made for future legislative action regarding (1) enhancing revenue sources that can be shared through an interlocal agreements, and (2) clarification of public agencies that can participate in a TRZ interlocal agreement.

To enhance revenue sources, recommendations include code revisions that may allow, where appropriate, for participation of sales and use taxes, mass transit taxes, transient room taxes, and income taxes, amongst others. To clarify participating public agencies, bill language should be addressed that allows municipal governments, local government entities, county governments, special service districts, and state governments and departments to participate in TRZ interlocal agreements. Infrastructure improvements do not often result in rapid, initial valuation increases. Consequently, additional funding sources should be studied to alleviate upfront costs that ultimately may be repaid through the growth in taxable values. The State Infrastructure Bank should be considered as a possible resource to accelerate the viability of Transportation Reinvestment Zones.

9. Case Studies

According to sponsors of the bill, the fundamentals of transportation reinvestment zones were based upon similar law in Texas. According to various Texas officials and studies, TRZs have become a fairly popular economic development tool in the past ten years. Numerous revisions have been made to the original bill (enacted in 2007), with each ultimately providing for additional flexibility and application. Several large-scale projects have been completed that span multiple jurisdictional boundaries, thereby allowing for massive transportation improvements across large areas. The goals of the various transportation projects have largely been to mitigate traffic and expedite area development, with some having costs in excess of \$1.0 billion. Projected revenue increases from property taxes have been forecast at well beyond \$100 million for specific projects.

Two specific projects in Texas are herein presented, both of which were reported by the Texas Department of Transportation. The first is primarily in the area of El Paso, and included the improvement of roadways in three separate jurisdictions in El Paso County. The project included the construction and improvement of eight connected roadways, with a goal to mitigate the increasing traffic in the area, and to expedite local development. Based on projected property value increases from improved exposure, limited traffic congestion, and more access and connections to areas, revenues were forecast at \$98,300,000. These funds were intended to partially pay for the road construction, as well as maintenance and projects that were to include connecting roads and improvements.

The second project involves Bexar County, Texas. Four new highway lanes were added along a 36-mile stretch. The improvements included HOV and transit lanes, and spanned several municipal and county boundaries. The estimated cost of \$1.0 billion was initially funded from a mix of federal, state, and local funds. Increment revenue was projected at \$310,000,000, due to significantly higher property valuations from notably improved access. Property that was largely undevelopable due to limited access became more likely to see construction based on on/off ramps and heightened traffic counts.

10. Funding in TRZs

The same funding mechanisms used by the public entities involved in the agreement would be available for TRZs. For example, a City could issue general obligation (GO) bonds, sales tax bonds, municipal building authority bonds and Class B/C road bonds. An assessment area could be overlaid on the zone and special assessment bonds could be issued. Some of the characteristics of these funding sources are set forth below. However, the major difference between issuing bonds for a TRZ, as compared to a CRA, is regarding which entity carries the debt obligation on its books. In a CRA, the debt obligation is carried on the books of the Redevelopment Agency, and Utah laws provide express permission for redevelopment agencies to issue debt. This keeps the debt off the books of the city, or county as the case may be, and clears them of this additional debt. With a TRZ, there is no other entity, other than those participating in the Agreement, that can issue the debt. Therefore, the debt would need to be carried by either the city, county, or one of the other public entities participating in the Agreement.

Due to the large amount of interest expressed in the committee meetings held during the process leading to creation of SB136, an Appendix has been provided that details some of the more common funding mechanisms employed by public entities.

11. Possible Application to Utah

TRZs, similar to CRAs, appear to have broad applicability to Utah. A few potential examples are presented herein:

- Point of the Mountain – this multi-jurisdictional area will have significant needs for transportation infrastructure. As major and minor corridors will expand across numerous municipalities, the TRZ format will likely lead to easier application than the CRA program.
- Inland Port – Texas law was specifically restructured to allow for greater flexibility for port operations under a TRZ. Within Utah, the Inland Port area will have notable transportation needs and will furthermore span multiple cities. The TRZ structure should allow for a degree of flexibility within this area that is not afforded by a CRA.
- Clearfield Station – This central area of Clearfield is home to a UTA Frontrunner station, with roughly 60 vacant acres surrounding the station owned by UTA. Under the TRZ structure, UTA could have an active voice in determining how increment is spent and what type of improvements would best serve the areas in collaboration with Clearfield. Connections to the station from major thoroughfares, as well as a significant employment center, are lacking, and a TRZ could help fund possible improvements.
- American Fork Station – Similar to Clearfield, this area includes a UTA Frontrunner station. It also has a significant amount of vacant land that has largely been undeveloped due to a lack of connections to the freeway and the eastern side of Interstate 15 (where notable retail exists). A proposed overpass is being considered that would better connect this area, resulting in the potential of significantly increased property values. A TRZ appears to be a possible application in this area.

Multiple other areas exist in Utah that would likely have appeal for a TRZ. Needed transportation investments that span multiple jurisdictions (BRT lines, highways, etc.) would have applicability to a TRZ, and are found within urban and rural areas of Utah. Land that is owned by UTA appears to also have appeal for a TRZ, as the entity could be active in planning and fulfillment.

12. What Remains to Be Answered?

Due to the relative vagueness of the bill (reportedly a purposeful attempt to provide for flexibility and creativity), several questions remain unanswered. Notable questions include the following:

- What constitutes an eligible project?
- How are TRZs to be monitored and reported?
- How can increment be spent?
- How will property tax increment be calculated in a TRZ as compared to a CRA?
- Can projects already in place now qualify to be part of a TRZ?
- What is the role of already-existing community reinvestment agencies in a TRZ?

Additionally, as noted previously under section 8, additional research could be applied to clarify participating agencies and how revenue sources might be enhanced.

Some of the above questions were raised during discussions with partners and local government representatives as part of the collaborative effort to construct this paper. Two meetings were held in order for the consultants to receive input regarding transportation reinvestment zones. These meetings

were held on May 30, 2018, and June 26, 2018. Information that was raised, particularly considering unanswered questions regarding TRZs, is highlighted on the following page:

Eligible Projects

Concern was expressed that there are limited guidelines regarding what projects can be included in a TRZ (although the revisions of SB 72 provide some guidance). The law is expressly vague in this regard. Some expressed concern over this vagueness and that the lack of directness and clarity would result in hesitation to use the tool. However, others liked the potential to have a wide breadth of projects included in a TRZ, although transportation infrastructure was seen by all as the basis for the creation of the zone.

Reporting Requirements

Some members of the discussion groups expressed concern over the simplicity of the reporting requirements. They felt that the lack of specificity would perhaps come back to bite some of the projects and that the tool could perhaps be lost in the future due to lack of sufficient reporting requirements.

Funding

There was some discussion on whether the TRZ funds could be used as part of a statutorily-required 40 percent match minimum for state funding of transit capital projects under the Transit Transportation Investment Fund created by SB136. Concern was expressed that while tax increment will be helpful, it still doesn't satisfy the need, up front, for funding to offset construction costs.

In general, the group was desirous of exploring additional funding mechanisms that would be compatible with TRZs, in order to maximize the effectiveness of this new tool.

Governance

The second discussion group included economic development leaders throughout the State. While excited about the potential for this new tool, several expressed concerns about the role of community reinvestment agencies in overseeing TRZs. Since agencies technically don't need to be involved with TRZs, there was some apprehension about maintaining a unified planning approach for communities and consistency in dealing with the various taxing entities.

Appendix A – Common Funding Tools

Special Assessment Bonds

Special Assessment Areas (“SAAs”), formerly known as Special Improvement Districts or “SID”s, are a financing mechanism that allows governmental entities to designate a specific area for the purpose of financing the costs of improvements, operation and maintenance, or economic promotion activities that benefit property within the area. Entities can then levy a special assessment, on parity with a tax lien, to pay for those improvements or ongoing maintenance. The special assessment can be pledged to retire bonds, known as Special Assessment Bonds, if issued to finance construction of a project. Utah Code §11-42 deals with the requirements of special assessment areas.

The underlying rationale of an SAA is that only those property owners who benefit from the public improvements and ongoing maintenance of the properties will be assessed for the associated costs as opposed to other financing structures in which all taxing entity residents pay either through property taxes or increased service fees.

While not subject to a bond election as is required for the issuance of General Obligation bonds, SAAs may not be created if 40 percent or more of those liable for the assessment payment³ protest its creation. Despite this legal threshold, most local government governing bodies tend to find it difficult to create an SAA if 10-20 percent of property owners oppose the SAA. Given the large number of property owners that may be in a large-scale SAA, it might be difficult to obtain the needed support for the creation of a SAA.

Once created, an SAA’s ability to levy an assessment has similar collection priority/legal standing as a property tax assessment. However, since it is not a property tax, any financing secured by that levy would likely be done at higher interest rates than general obligation, sales tax revenue or other revenue bonds. Interest rates will depend on a number of factors including the ratio of the market value to the assessment bond amount, the diversity of property ownership and the perceived willingness and ability of property owners to make the assessment payments as they come due. Even with the best of special assessment credit structure, if bonds are issued they are likely to be non-rated and therefore would be issued at rates quite a bit higher than similar General Obligation Bonds that would likely be rated. All improvements financed via an SAA must be owned by the taxing entity and the repayment period cannot exceed twenty (20) years.

Whenever SAAs are created, entities have to select a method of assessment (i.e. per lot, per unit (ERU), per acre, by front-footage, etc.) which is reasonable, fair and equitable to all property owners within the SAA. State law does not allow property owned by local government entities such as cities or school districts to be assessed.

Advantages of Special Assessment Areas:

- Bonds are tax-exempt although the interest cost is not as low as a GO or revenue bond
- No requirement to hold a bond election but the taxing entity must hold a meeting for property owners to be assessed before the SAA can be created
- Only benefited property owners pay for the improvements or ongoing maintenance
- Limited risk to the taxing entity as there is no general tax or revenue pledge

³ Based on the method of assessment selected, i.e. acreage, front footage, per lot, etc.

- Flexibility since property owners may pre-pay their assessment prior to bond issuance or annually thereafter as the bond documents dictate – if bonds are issued

Disadvantages of Special Assessment Areas:

- Forty percent of the assessed liability, be it one property owner or many could defeat the effort to create the SAA if they do not want to pay the assessment
- Some increased administrative burden for the taxing entity although State law permits an additional amount to be included in each assessment to either pay the taxing entity's increased administrative costs or permit the taxing entity to hire an outside SAA administrator
- The taxing entity cannot assess certain government-owned property within the SAA

General Obligation Bonds

General Obligation bonds (“GO”) are subject to simple majority voter approval by the constituents of the issuing entity. General obligation elections can be held once each year, in November, following certain notification procedures that must be adhered to in accordance with State Statutes in order to call the election (pursuant to Utah State Code 11-14-2 through 12). Following a successful election, it is not necessary to issue bonds immediately, but all bonds authorized must be issued within ten years. Once given the approval to proceed with the issuance of the bonds, it takes approximately 90 days to complete the bond issuance.

General obligation bonds can be issued for any governmental purpose as detailed in Utah Code §11-14-1.

The amount of general obligation debt is subject to the following statutory limitations:

- Counties are limited to two percent (2%) of the total taxable value of the County;
- School Districts are limited to four percent (4%) of the total taxable value in the District;
- Cities of the 1st and 2nd class are limited to a total of eight percent (8%) of the total taxable value, four (4%) for general purposes and four (4%) for water, sewer and lights; and
- Cities of other classes or towns are limited to a total of twelve percent (12%) of total taxable value, four percent (4%) for general purposes and eight percent (8%) for water, sewer and lights.

Notwithstanding the limits noted above, most local governments in Utah have significantly less debt than their statutory limitations.

Pursuant to state law, general obligation bonds must mature in not more than forty years from their date of issuance. Typically, however, most GO bonds mature in 15- 20 years.

Advantages of G.O. Bonds:

- Lowest cost form of borrowing
- ‘New’ source of revenues identified

Disadvantages of G.O. Bonds:

- Timing issues; limited date to hold required G.O. election
- Risk of a “no” vote while still incurring costs of holding a bond election

- Possibility of election failure due to lack of perceived benefit to majority of voters
- Must levy property tax on all property even if some properties receive limited or no benefit from the proposed improvements
- Can only bond for physical facilities, not ongoing or additional operation and maintenance expense

Sales and Class B/C Road Fund Revenues

Revenue bonds payable from sales and Class B/C revenues are governed pursuant to Utah State Code Section 11-14-307. Without the need for a vote, cities and counties may issue bonds payable solely from these sources.

The advantages and disadvantages of using sales and/or Class B/C revenues are as follows:

Advantages:

- Fairly steady revenue stream (although more volatile than property tax revenues based on economic cycles)
- Available history of sales and road fund revenues on which to base projections
- Can be issued without voter approval

Disadvantages:

- Does not provide a new revenue stream unless tax rates are increased or sales increase

State and Local Match for Funds

Pledged TRZ revenues may be able to serve as all or a portion of a local match for federal funds or state-funded projects, including the statutorily-required 40% minimum for state funding of transit capital projects under the Transit Transportation Investment Fund created by SB136. However, TRZ increment will be received over time, increasing annually as development takes place. Therefore, there are timing issues with when funds may be needed and when they become available. If TRZ funds are used as a local match, there will still need to be some funding mechanism put in place, such as bonds, in order for monies to be available upfront for construction.