AGENDA

1. Update on the progress of the rail projects

2. Community meeting updates

3. Spotlight on new financing tools
   a) Opportunity Zones
   b) Redevelopment Tax Credit

4. Next steps and questions
# TEAM INTRODUCTIONS

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<th>RDA</th>
<th>Policy Analytics</th>
<th>KPMG</th>
<th>MKSK</th>
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<tr>
<td>Bill Hanna</td>
<td>Bill Sheldrake</td>
<td>Vince Dolan</td>
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<td>Sherri Ziller</td>
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<td>Dave Wellman</td>
<td>David Reynolds</td>
<td>Tom Harmening</td>
<td>Luis Huber-Calvo</td>
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RAIL PROJECTS UPDATE

West Lake Corridor Project

- 9-mile extension to Dyer, Indiana
- First extension of commuter rail in NW Indiana in over a century
- Project Cost: Estimated $816 million
- Seeking federal ‘New Starts’ funding (50% non-federal share secured)
- Completed environmental review and received a Record of Decision
- Completed 30% Engineering
- Project rating of medium-high (the second-highest rating possible) received from the FTA in March
- RDA, NICTD and IFA have completed West Lake’s entry into the engineering phase, which included an updated financial plan, and are awaiting a decision by FTA.
Rail Projects Update

Double Track Project

- 25 mile project area, 16 miles new 2nd track, 4 new bridges, 3 new hi-level boarding platforms, 7 new hi-speed crossovers, closing 20 grade X-ings in Michigan City, train/car separation in Michigan City.
- Estimated cost: $416 million
- Completed Environmental reviews
- Completed 30% Engineering
- Seeking federal New Starts funding (50% non-federal share secured)
- RDA has completed financial plan for double tracking and has submitted it to the RDA board, IFA, NICTD and the State Budget Committee – which was approved.
- The Double Track Project application to the FTA was submitted at the end of June.
Community Meeting Updates

- Munster – May 24, 2019
- Dyer – July 15, 2019
- Michigan City – July 30, 2019
Opportunity Zone Discussion
Northwest Indiana Regional Development Authority

Opportunity Zone Presentation

August 21, 2019
Qualified Opportunity Zones (QOZ) Presentation
Introduction to Qualified Opportunity Zones

Qualified Opportunity Zone (QOZ) provision allows the deferral and partial exclusion of certain gains from the sale or exchange of an asset if those gains are reinvested in a Qualified Opportunity Fund (QOF).

More than 8,700 low-income census tracts have been designated by the Treasury. There are 156 qualified census tracts within state of Indiana and 6 opportunity zones within the proposed rail alignment.

IRS and Treasury issued proposed regulations and Rev. Rul. 2018-29 to provide guidance under the new section 1400Z-2 of the Internal Revenue Code.
Program Overview

The Opportunity Zones program aims to increase investment in low-income areas by incentivizing investors to put reinvest capital gains and hold for 7-10 years.

By investing capital gains in an Opportunity Zone through an Opportunity Fund an investor may be eligible to defer the tax and/or a partial exclusion of taxes.

Where an investor holds an investment for at least ten years, any additional gains on the original Opportunity Zone investment are tax free.

Investments must be made by December 31, 2026 to qualify for the tax exemption.

Gains on the QOF interest held for at least 10 years may be permanently excluded.
What are the potential benefits of investing in a qualified opportunity funds?

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<th>Benefit</th>
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| Benefit 1 | Encourages investment in low-income census tracts  
*Benefit description:* The Tax Cuts and Jobs Act, grants significant tax benefits to investors who reinvest their capital gains in designated “Opportunity Zones.” |
| Benefit 2 | Promotes shovel ready projects  
*Benefit description:* Given the window in which an investor is required to invest capital gains under the Opportunity Zones provisions; investors are encouraged to seek out opportunities that are ready for construction. |
| Benefit 3 | Retention of Capital in areas of investment  
*Benefit description:* Investors are reward based on the length of time the QOF investment is held. This will help to ensure capital remains in low income census tracks as investments held for at least 10 years may be permanently excluded.
Qualified opportunity zones

Qualified opportunity zone investment timeline

- **Jun 30, 2020**: Deadline for investment in QOF to achieve 15% step-up in basis.
- **Jun 30, 2021**: Deadline for investment in QOF to achieve 10% step-up in basis.
- **Dec. 31, 2026**: Deferral of tax on reinvested gains must be recognized.
- **Jun 30, 2027**: Deadline for investment in QOF to achieve 100% exclusion on invested capital gains under 10-year rule.
- **Dec 31, 2028**: Opportunity Zone designation expires.
- **Dec 31, 2047**: Deadline to exit from investment in QOF.
Key Takeaways

Opportunity Zones were designated by governors and approved by Treasury

Opportunity for Economic Growth

Incentivizes patient capital

Understanding Timing is Critical

Anyone can invest

Investments may be in a real estate or business in a QOZ
Qualified opportunity zones

Opportunity zones

NW INDIANA TDD
WL: Hammond Gateway Station
Qualified opportunity zones

Opportunity zones
Qualified opportunity zones

Opportunity zones

NW INDIANA TDD
SS: Metro Center Station

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Qualified opportunity zones

Opportunity zones
Redevelopment Tax Credit
REDEVELOPMENT TAX CREDIT

Senate Enrolled Act 563

- Phases out the Industrial Tax Credit after 2019.
- Provides a credit on Indiana Income Taxes to qualified investments.
- Provides an additional benefit for projects included in a redevelopment plan.
- Permits the assignment of the tax credit.
**Eligibility Criteria**

- Vacant building or complex of buildings placed in service 15 years before the date of application.
- Potentially qualifying buildings were demolished to protect the health, safety and welfare of the community.
- Potentially qualifying buildings were placed in service as a public building.
- Vacant land
- Brownfields greater than 50 acres are eligible for the incentive.

The investment and tax credit must be pre-approved and granted by the IEDC.
REDEVELOPMENT TAX CREDIT

Benefit to Taxpayers

15 to 30 Years

15% Included in Development Plan

30 to 40 Years

10% Included in Development Plan

40+ Years

15% Included in Development Plan
REDEVELOPMENT TAX CREDIT

Further Considerations

1. The Redevelopment Credit is significantly more expansive and valuable to taxpayers/investors than the previous Industrial Revitalization Credit.

2. No specific guidance has been issued as to implementation for Regional Development Authorities.

3. It will be important to have a mechanism to maintain and update the Development Plan over time.

4. An additional 5% tax credit may be applied by the IEDC if the redevelopment project is located within an opportunity zone or eligible for federal new market tax credits.

5. IEDC is limited to grant no more than $50mm in tax credits per year

6. Individual tax credits awarded >$7mm require a repayment of the tax credit in excess of $7mm.
NEXT STEPS

• RDA Team is assessing existing conditions around station areas, and analyzing market demand.

• RDA Team will contact and meet with local communities.

• RDA Team when meeting with each community, will require information regarding:
  • Zoning plans
  • Local ordinances
  • Other development related plans
  • Etc.

• As the planning process continues, the RDA Team will collaboratively set up public meetings in each community.