Commuter Rail Expansion and Transit Oriented Development in Northwest Indiana

Northwest Indiana Regional Development Authority
REGIONAL DEVELOPMENT AUTHORITY TEAM

- RDA was created in 2006 to catalyze key infrastructure development
- $29.5 million pro forma annual budget
- Seven-member Board of Directors and five-member staff team
- Fiscal officer for the rail and TDD projects per HEA 1001-2017
NW INDIANA’S MOST TRANSFORMATIVE PROJECT

NWI HAS LAGGED NATION AND STATE IN GROWTH FOR 50 YEARS

- The Metra system in Chicago (blue) has 490 miles of commuter rail. Indiana (yellow) has about 90 miles.
- This limits access to the Chicago job market and discourages new residents.
- Population in suburban Chicago counties grew 226% between 1970 and 2015. Northwest Indiana had a 4% population increase.
- Household incomes are also much higher on the Illinois side of the border.
NW INDIANA’S MOST TRANSFORMATIVE PROJECT

STATE AND LOCAL LEADERS IDENTIFIED CONNECTIVITY AS A BARRIER TO GROWTH

• The Chicago Metro area has been ranked as the top metro for new business starts, business relocations and business expansions by Site Selection magazine for the past several years.

• Despite NWI’s proximity, better business climate and lower taxes, lack of connectivity means we attract much fewer projects than the Illinois side of the metro area.

• In 2015, Lake and Porter counties in Indiana had a combined 13 business deals, the same as distant Kenosha, WI.
THE WEST LAKE & DOUBLE TRACKING PROJECT

TRANSFORMING THE SOUTH SHORE LINE INTO A MODERN COMMUTER RAIL SERVICE

**West Lake**: Establish commuter rail service between Dyer, Indiana and Millennium Station in Chicago, with a new Gateway Station in Hammond and additional stations in South Hammond, Munster and Dyer. 
*Construction cost estimated at $665 million.*

**Double Tracking**: Extend parallel tracks from Gary to Michigan City to allow for express routes and increased reliability. Install high level platforms at all stations to reduce boarding times. Re-route tracks in Gary, South Bend and Michigan City to speed up commuting times. 
*Construction cost estimated at $312 million.*
The State of Indiana recognized the need to transform the economy of Northwest Indiana and approved an unprecedented $360 million to support West Lake and Double Tracking – the largest investment in commuter rail ever made in Indiana.

16 cities and towns, and four counties have pledged more than $160 million in additional funding for West Lake and Double Tracking. Never before in Indiana history have so many communities come together to support a project.
LEVERAGE OF PRIVATE SECTOR INVESTMENT

STATION AREA DEVELOPMENT

• West Lake and Double Tracking represent a total investment of more than $900 million.
• TOD investment is projected at more than $2.5 billion over the next 20 years.
• TOD projected to result in $502 million of state sales and income taxes (4.5x return on investment in Year 20)
• Under HEA 1144, the RDA will be the head development agent to leverage state, local and federal money to activate economic development opportunities.
TRANSIT DEVELOPMENT DISTRICTS WILL INCENTIVIZE PRIVATE DEVELOPMENT

- Under new legislation passed in 2017, the RDA will lead and coordinate various aspects of the project and be the head development agent.
- Directs RDA to establish a Transit Development District (TDD) around train stations.
- A portion of incremental property tax revenues from the TDD goes to RDA to invest back into TDD in incentives and infrastructure improvements.
WHAT IS A TRANSIT DEVELOPMENT DISTRICT?

• Enabled by HEA 1144 (now IC 36-7.5-4.5)
• Allows RDA to establish a TDD in ½ mile radius around train station
• RDA and localities must jointly agree on % of incremental property tax revenues from TDD to go to RDA to invest back into TDD

BENEFITS OF A TDD:

• Attracts private investment to local community
• Revenues generated in a district must be spent in that district
• Does not usurp local control of planning and zoning
• RDA will likely utilize Tax Increment Financing
• HEA 1144 creates steering committee of locally appointed representatives to guide development
WEST LAKE EXTENSION TIMELINE

- **File application for a New Start federal project rating**: September 2017
- **Complete NEPA and begin property acquisition**: Late Fall 2017
- **Begin financing drawdowns**: Fall 2018
- **Negotiate Full Funding Grant Agreement**: 2019
- **Begin construction**: 2020
- **Begin operations**: Late 2022
DOUBLE TRACK TIMELINE

- **File application for a Core Capacity federal project rating**
  - September 2017

- **Begin financing drawdowns**
  - Late Fall 2017
  - Fall 2018

- **Negotiate Full Funding Grant Agreement**
  - 2019

- **Begin operations**
  - Late 2020

- **Complete NEPA and begin property acquisition**
## FUNDING DOUBLE TRACKING

<table>
<thead>
<tr>
<th>Capital Costs¹</th>
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<tbody>
<tr>
<td>Double Track Project</td>
<td>$312.0</td>
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<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Source of Commitment</th>
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<tbody>
<tr>
<td>Federal Grant Funding²</td>
<td>Source of Commitment</td>
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<tr>
<td>RDA/State of Indiana Funding and Financing</td>
<td>$156.0 FTA Section 5309 Core Capacity Grant Program</td>
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<tr>
<td>RDA/State of Indiana Funding and Financing</td>
<td>$119.5</td>
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<tr>
<td>- 50% of state/local funding amount @ $6M per year appropriation for 30 years ($180M total) per HEA 1001-2017 (2017 Budget Bill)</td>
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<tr>
<td>- RDA general revenues for Double Track and West Lake projects for the term of the financing, estimated @ $12.5M per year</td>
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</tr>
<tr>
<td>Local Funding</td>
<td>$36.5 LaPorte County ($18.25M) and St. Joseph County ($18.25M) upfront cash contribution per HEA 1144-2017</td>
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<thead>
<tr>
<th>Total Sources of Funds³</th>
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<td>$312.0</td>
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1 Preliminary estimate, subject to further refinement including value engineering
2 Does not include reimbursement for eligible financing costs
3 Totals may not sum due to rounding

**Double Track NWI Project Capital Costs and Funding Sources (YOE$, in millions)**
## FUNDING WEST LAKE EXTENSION

<table>
<thead>
<tr>
<th>Capital Costs</th>
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<tbody>
<tr>
<td>West Lake Project</td>
<td>$665.3</td>
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<tr>
<td>Federal Grant Funding²</td>
<td>$332.7</td>
<td>FTA Section 5309 New Starts Grant Program²</td>
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<td>RDA/State of Indiana Funding and Financing</td>
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<tr>
<td></td>
<td></td>
<td>- RDA local governmental unit commitment of county income tax @ $4.5M per year for 30 years per inter-local agreement</td>
</tr>
</tbody>
</table>

| Total Sources of Funds³   | $665.3                       |                              |

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1 Preliminary estimate, subject to further refinement including value engineering
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STATE FUNDING

INDIANA’S COMMITMENT TO FULLY FUNDING BOTH PROJECTS IS VITAL

- West Lake Project: $6 million per year for 30 years (HEA 1001-2015)
- Double Track Project: $6M per year appropriation for 30 years ($180M total) per HEA 1001-2017 (2017 Budget Bill)
- State contributions anticipated to be used for both pay-go funding and to raise financing
- Financing not required until September 2018 based on current costs and schedule
LOCAL FUNDING

RDA AND LOCAL UNITS WILL PROVIDE ABOUT 54% OF STATE AND LOCAL FUNDING

RDA Membership Fees:

- Lake County units\(^1\): $3.5 million per year per unit, or $14 million per year in total. Historically, source has been gaming revenues but obligation is not restricted to specific revenue source (property tax excluded).
- Porter County: $3.5 million per year from its 0.25 percent County Economic Development Income Tax (CEDIT).
- Sources of funds are strengthened by the “intercept mechanism”
- RDA revenues to be used for both pay-go funding and to raise financing
- Financing not required until September 2018 based on current costs and schedule

LaPorte and St. Joseph counties: one-time contribution of $18.25 million each, or $36.5 million total, for Double Track project

1. City of East Chicago, Lake County, City of Gary, and City of Hammond
INNOVATIVE FINANCING

IN ADDITION TO BONDS, RDA IS CONSIDERING OTHER FINANCING OPTIONS

• Federal loan programs, including Railroad Rehabilitation & Improvement Financing (RRIF) and Transportation Infrastructure Finance and Innovation Act (TIFIA), for both the rail and TDD projects
• Tax Increment Financing (TIF) for the TDD projects per HEA 1144
• Private investment in both the rail and TDD projects
• Innovative financing mechanisms may allow RDA to access flexible and lower-cost capital for the projects
• RDA has performed preliminary analyses and will continue to explore all options, particularly for the local revenue financing
FEDERAL LOAN PROGRAMS

TDD PROJECTS WILL CREATE SIGNIFICANT VALUE FOR NORTHWEST INDIANA

- Tax Increment Financing (TIF)
- Allow eligible projects to borrow at U.S. Treasury rates and include flexible features such as extended capitalized interest. Both rail and TDD projects would be eligible.
- Relative benefit of lower-cost financing through TIFIA and RRIF is most pronounced for low investment grade credits such as those expected to fund TDD projects
- Preliminary analysis suggest that cost of capital savings can range from 110 to 150 bps
- Meeting with USDOT and BAB to be scheduled in mid-September to begin exploring options
LEVERAGE OF PRIVATE SECTOR INVESTMENT

MARKET SOUNDING INITIATIVE

• To gauge private developer interest in transit oriented development in Northwest Indiana, RDA engaged KPMG to perform a market sounding to:
  • Provide the market with information about rail and TOD projects in Northwest Indiana.
  • Obtain feedback on the optimal financial and commercial structures to maximize interest in the projects.
  • Obtain feedback to further inform the evaluation of delivery options and financing strategies.
LEVERAGE OF PRIVATE SECTOR INVESTMENT

MARKET SOUNDING FINDINGS

• Significant market interest in all elements of the project
• Certainty of rail delivery/operations is vital to real estate investment
• Comprehensive strategy across all station areas is vital to de-risking the project, including financial and non-financial risks
• Combining West Lake Corridor and South Shore double tracking increases investment interest and can reduce costs
• State, RDA, and NICTD are viewed as strong counterparties
• Rail and real estate development are inextricably linked and must be developed in parallel
GOVERNANCE APPROACH

WHAT IS A GOVERNANCE FRAMEWORK?

• Outlines the roles and responsibilities of the various public sector entities involved
• Helps ensure that decisions are being made in a coordinated manner
• Viewed favorably by private sector especially in complex projects
• Many models available to adopt and adapt, including the Joint Board approach from Ohio River Bridges project

*RDA is currently developing a formal governance framework*
## OPPORTUNITIES AND CHALLENGES

<table>
<thead>
<tr>
<th>Opportunity/Challenge</th>
<th>RDA Actions</th>
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<tbody>
<tr>
<td>Federal interface</td>
<td>• USDOT/BAB</td>
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<tr>
<td></td>
<td>• FTA</td>
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<tr>
<td>Cost reduction and control</td>
<td>• Innovative delivery and financing</td>
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<tr>
<td></td>
<td>• Bundling of projects</td>
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<tr>
<td>Streamlined decision making</td>
<td>• Governance model</td>
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<tr>
<td></td>
<td>• Joint board framework</td>
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<tr>
<td>Accelerate private investment and innovation</td>
<td>• Master developer</td>
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<tr>
<td></td>
<td>• TDDs</td>
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<td></td>
<td>• P3</td>
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<tr>
<td>Strengthen local revenue stream</td>
<td>• Board resolution and inter-local agreements</td>
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<tr>
<td></td>
<td>• Cash reserves/financial planning</td>
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<tr>
<td>Legislative improvements</td>
<td>• Legal due diligence in process</td>
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</tbody>
</table>
NW INDIANA’S MOST TRANSFORMATIVE PROJECT

BREAKING WITH THE PAST, BUILDING THE FUTURE

- Timid past approaches have led to the loss of hundreds of thousands of people and jobs in Northwest Indiana. Bold, region-wide steps were needed to reignite the economy.
- West Lake and Double Tracking will leverage NWI’s most unique asset, proximity to Chicago, in a way never done before.
- State and local support for this project are unprecedented. More than $500 million in matching dollars are on the table seeking federal support.
- Commuter rail expansion will create new businesses and approximately 6,150 permanent jobs in Northwest Indiana, offering the opportunity for more than $2 billion in new private development over the next 20 years.
Thank You

Bill Hanna
President and CEO
Regional Development Authority
9800 Connecticut Dr., Crown Point, IN 46307
219.644.3500
bhanna@rda.in.gov