TDD Steering Committee

Quarterly Update to Committee

May 15, 2019
AGENDA

1. Update on the progress of the rail projects
   a) Rail projects – schedule and deadlines
   b) Legislative fiscal update

2. Review timeline and process for community engagement
   a) Data request
   b) RDA outreach and meeting scheduling
   c) Integration of community development planning
   d) Public engagement process

3. Description of project team activities:
   a) Planning framework and analysis
   b) Initial market analysis
   c) Return on investment
   d) TDD Boundary considerations

4. Next steps and questions
### TEAM INTRODUCTIONS

<table>
<thead>
<tr>
<th>RDA</th>
<th>Policy Analytics</th>
<th>KPMG</th>
<th>MKSK</th>
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<tbody>
<tr>
<td>Bill Hanna</td>
<td>Bill Sheldrake</td>
<td>Vince Dolan</td>
<td>Eric Lucas</td>
</tr>
<tr>
<td>Sherri Ziller</td>
<td>Jason O’Neill</td>
<td>Marc Bleyer</td>
<td>Aaron Kowalski</td>
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<td>Dave Wellman</td>
<td></td>
<td>Tom Harmening</td>
<td>Luis Huber-Calvo</td>
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Northwest Indiana RDA
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 will complete West Lake’s entry into the engineering phase, including an updated financial plan, by August 31.
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 will complete financial plan for double tracking and submit it to the RDA board, IFA, NICTD and the State Budget Committee in their June meetings.
- Pending those approvals, RDA and NICTD will submit the double tracking project application to FTA for a rating by the end of June.
2019 Session Impacts

- Appropriated $205 million in funds for RDA to use on projects as needed
  - To cover potential project cost increases, for both projects
  - To cover possible funding requirements from the FTA
- RDA access to these funds will be via borrowing as needed from the Next Level Connection fund
  - The loan does not create additional cost (or cash requirements) to RDA while it pursues a FFGA
  - If a project receives a FFGA, the project borrowing is forgiven with neither principal nor interest to be repaid
  - RDA will only owe interest on principle used. Interest rates will be the same as U.S. Treasuries with the same term
  - There will be separate loans for each project. Failure on one project will not trigger repayment for the other project.
  - If a project does not receive a FFGA then RDA is required to repay the loan over 25 years. RDA is at risk if NICTD is not successful in getting a FFGA for either project (if the project draws on the loan).
• RDA has requested communities to provide GIS and planning data for use in drawing up the Transit Development District boundaries and facilitate development planning within each district.
  • As of today, Munster, Hammond and Ogden Dunes have responded with planning data, and Hammond has provided GIS data.
  • RDA will continue to work with communities to fulfill the data requests.

• RDA will begin meeting with the communities that have provided data in order to begin drafting the districts.
  • Data availability and the complexity of the planning environment will likely affect the schedule of the RDA Team’s interaction with communities.
  • The districts will be planned in collaboration with development priorities in each community.
  • By statute, RDA must hold two public meetings for each TDD to allow for public review and comment. We hope to begin holding the first public meetings this summer.
RDA has established a process for planning, analyzing, and drawing TDDs

**TDD Roadmap**
- Community Outreach/Due Diligence
- RDA/Redevelopment Commission Approval
- State Budget Committee Review

**Formal Process to Establish TDD:**

- **Coordination/Procedural**
  - Establish TDD steering committee
  - Conduct TDD Work shop
  - Draw initial draft TDDs
  - Revise/finalize TDDs

- **Due Diligence**
  - Work with locals to determine land ownership & zoning
  - Revisit CSP site plans with local units
  - Revise CSP site plans
  - Revise and refine market demand analysis

- **Financing**
  - Explore innovative financing mechanism
  - Analyze existing TIFs and impact to new TIFs
  - Analyze appropriate baseline for increment
  - Develop and refine tax increment projections

- **Funding and Incentives**
  - Identify public incentives to optimize development
  - Determine eligibility of draft TDDs for incentives
  - Incorporate incentives into financial analysis
  - Develop TDD project plans for each district
Process and Workplan

*Our interactive approach to creating TDD’s will catalyze development along the rail corridor*

Our proposed methodology will evolve based on feedback from stakeholders and will be repeated for each station development.

- **Pre- Outreach Activities**
  - Preparation, research and coordination between RDA and local units.
  - Detailed research of station-area real estate market; develop initial findings
  - Meet with local units to gain local knowledge and perspective

- **TDD Planning**
  - Obtain feedback from RDA and local units on assumptions, concepts, and early findings on real estate findings, TDD boundaries
  - Incorporate feedback into approach and present findings to local units for further analysis.
  - Host public meetings prior to establishing the TDD

- **Refining Development Concepts**
  - Present preliminary recommendations to RDA for approval.
  - RDA to submit TDD recommendations to State Budget Committee for Final Approval
  - Coordinate with local communities to establish TDDs
  - Market TDD opportunities to the development community

- **Gov’t. Approval Process**
  - Implement TDDs
Process and Workplan

1. Data Gathering and Analysis
   - Physical & Land Use Analysis
   - Market Research & Demographics
   - Identifying Opportunities

2. Testing Development Concepts
   - Testing Boundaries & Development Types
   - Development Feasibility & Market Testing
   - Identify Development Goals, Intensity & Feasibility

3. Refining Development Concepts
   - Preferred Boundaries & Development Vision
   - ROI Understanding & Market Recommendations
   - TDD Boundary & Recommendation Development Summary

Data Gather & Analysis
Testing Boundaries & Development
Types Development
Feasibility & Market
Testing
Identify
Development
Goals, Intensity & Feasibility
Preferred Boundaries & Development
Vision ROI Understanding & Market
Recommendations TDD Boundary & Recommendation Development Summary
Community Input
Community Input
Community Input
Final Summary

Northwest Indiana RDA
TDD Steering Committee – May 15, 2019
OUR ANALYSIS

Community Context
- History
  - Community character and identity
  - Past and current planning efforts
  - Community goals

Site Capacity
- On-the-ground conditions
- Adjacencies
- Streams, wetlands, and setbacks
- Brownfields, hazardous sites
- Land use and zoning
- Transportation networks and connectivity
- Civic open space

Market Demand
- Demographics
  - Development potential
- Vacancy and properties for sale

Economic Development
- Projects in the pipeline
- Case studies

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Example Project: Castleton Strategic Revitalization Plan

Taking Inventory of Existing Conditions
Example Project: Castleton Strategic Revitalization Plan

Studying Previous & Current Planning
Example Project: Castleton Strategic Revitalization Plan

Gaining Input
Example Project: Castleton Strategic Revitalization Plan

Leveraging Case Studies
Example Project: Castleton Strategic Revitalization Plan
Defining Opportunities
MARKET ENVIRONMENT

Real Estate Analysis

Step 1
- Real Estate Market Analysis

Step 2
- Real Estate Demand and Absorption Analysis

Step 3
- Return on Investment Analysis
Real Estate Market Analysis

• KPMG will complete a Real Estate Market Analysis, in conjunction with a Real Estate Demand and Absorption analysis, for each of the proposed stations.

• To complete these analyses, KPMG will conduct independent research via various real estate databases, as well as demographic data consistent with the Comprehensive Strategic Plan.

• KPMG’s independent market research will include the core real estate asset classes, including office, retail, multifamily and industrial space, within a defined area around each of the proposed stations.
Office - Market Analysis

1 mile radius Office - Market Statistics

- Number of Office Properties: 47
- Available Office Area (Sq. Ft.): 447,565
- Occupied Office Area (Sq. Ft.): 424,882
- Occupancy (%): 94.9%
- Average Gross Market Rent per Sq. Ft.: $20.00

Existing Office supply in 1 mile radius

<table>
<thead>
<tr>
<th>Address</th>
<th>City</th>
<th>Built</th>
<th>Area</th>
<th>% of Total</th>
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<tr>
<td>Example</td>
<td>Example</td>
<td>1961</td>
<td>120,218</td>
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<td>1961</td>
<td>31,472</td>
<td></td>
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<tr>
<td>Example</td>
<td>Example</td>
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<td>27,250</td>
<td></td>
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<tr>
<td>Example</td>
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<td>2005</td>
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<tr>
<td>Example</td>
<td>Example</td>
<td>1990</td>
<td>24,303</td>
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1 mile radius Office - Population and Employment Statistics

- Total 1 mile population: 11,919
- Number of employees: 10,326
- % employed: 86.6%
- Number of employees occupying office spaces: 1,953
- % employees occupying office space: 18.9%

Office - Inventory and Net Absorption Analysis

Office - Market Rent and Vacancy Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Inventory (Sq. Ft.)</th>
<th>Net Absorption (Sq. Ft.)</th>
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<tbody>
<tr>
<td>2015</td>
<td>448,000</td>
<td>445,000</td>
</tr>
<tr>
<td>2016</td>
<td>446,000</td>
<td>443,000</td>
</tr>
<tr>
<td>2017</td>
<td>447,000</td>
<td>444,000</td>
</tr>
<tr>
<td>2018</td>
<td>448,000</td>
<td>445,000</td>
</tr>
<tr>
<td>Current</td>
<td>449,000</td>
<td>446,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Market rent per Sq. Ft.</th>
<th>Vacancy (%)</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>$17.00</td>
<td>0.50%</td>
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<tr>
<td>2016</td>
<td>$18.00</td>
<td>1.00%</td>
</tr>
<tr>
<td>2017</td>
<td>$19.00</td>
<td>1.50%</td>
</tr>
<tr>
<td>2018</td>
<td>$20.00</td>
<td>2.00%</td>
</tr>
<tr>
<td>Current</td>
<td>$20.50</td>
<td>2.50%</td>
</tr>
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</table>
Real Estate Demand

- Real estate demand for a particular property type bears a significant relationship to employment and population. Identifying and understanding the relationship between demand drivers and real estate use types is the first requirement in demand estimation.

- As a part of real estate demand analysis, we will focus on employment and population forecasts estimated in the Comprehensive Strategic Plan to quantify anticipated increases in demand for the various space types.

Real Estate Supply

- Real estate supply consists of the competitive properties for space users in the market analysis area.

- Two components of most interest include:
  - 1) The stock or inventory of properties of a particular property type, within a defined market area.
  - 2) The new supply of competitive properties that will enter the market during the projection period.

Marginal Supply

- With the market’s real estate demand and supply identified, the following can then be determined:
  - *Incremental Demand* – the additional demand that is forecast to develop, based on an inventory of anticipated supply
  - *Excess Demand (Shortage)* – a situation in which the demand for a product exceeds its supply in a market
  - *Excess Supply (Surplus)* – a situation in which the quantity of a good supplied is more than the quantity demanded
MARKET ANALYSIS

Demand and Absorption Analysis – Illustrative Example

KPMG vs. Policy Analytics Cumulative Supply Forecasts

KPMG Supply and Demand Analysis

Northwest Indiana RDA
In order to facilitate development there must be a balanced approach that aligns the needs of the community with the market.

**Community Needs**
- Sustainable urban planning
- Transit-oriented streets which encourage alternative modes of transportation
- New housing stock
- Suitable recreational and community amenities (e.g. parks, public libraries)
- Improved “Live-ability”

**Market (Private Sector) Needs**
- Reduced costs of development
- Maximization of development commercial value
- “Bankability” of development
- Lower cost of capital
- Incentives

**Balancing Needs**
Key Inputs for ROI Calculation

Return on Investment

- Current and Future State factors

Community

- Incremental tax revenues & public subsidies

Government

Private Investment

- Market assumptions

- Costs of development including construction, financing, soft costs

Developer

Private Market

Public Contributions

- Property tax revenue

- Sales and use taxes and Income Taxes

- Grants and Subsidies

Community and Economic Aspects

- Property Values

- Business programs

- Job opportunities

- Retail activity

- Population growth

- Transit & Transportation options

- Demographics
# Return on Investment Measures

<table>
<thead>
<tr>
<th><strong>Direct Measures of ROI</strong></th>
<th><strong>Indirect Measures of ROI</strong></th>
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<tbody>
<tr>
<td>• Tax Revenue</td>
<td>• Regional Growth</td>
</tr>
<tr>
<td>• Incremental property taxes</td>
<td>• Follow on development</td>
</tr>
<tr>
<td>• Incremental sales and use taxes</td>
<td>• Retail activity</td>
</tr>
<tr>
<td>• Incremental income taxes</td>
<td>• Economic activity</td>
</tr>
<tr>
<td>• Jobs</td>
<td>• Firm Formation</td>
</tr>
<tr>
<td>• Construction</td>
<td>• Population Growth</td>
</tr>
<tr>
<td>• Permanent</td>
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</table>
FISCAL IMPACT

Development Scenarios

Assessed Value
- Homesteads
- Non-Homestead Res
- Commercial

Economic Development
- Retail
- Office

Captured for TDD Investment
- Property Tax
- Local Income Tax
- Measured for State Return
- State Sales Tax
- State Income Tax
STATE APPROVAL PROCESS

January 14, 2019 – Spring 2020

RDA + Local Community
Work to achieve a consensus plan and boundary

Summer 2019 – Summer 2020

RDA + Community
Hold required public meetings to vet the plan

Fall 2019 – Fall 2020

RDA
Presents plan and ROI Projections to State for feedback

Fall 2019 – Winter 2020

RDA + Community
Presents plan for approval at State Budget Committee Meeting
**NEXT STEPS**

- RDA Team is now beginning an assessment of existing conditions around station areas, and analyzing market demand.
- RDA Team is beginning to 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.
Q & A

Thank you for your feedback and attendance.