



Economic Impact Study of the Illiana Corridor Project

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TABLE OF CONTENTS

Introduction.....	1
Potential Impact on Employment, Personal Income, and Output.....	5
Key Drivers of Regional Impact	6
Timing of Impact.....	8
Economic Impacts on Indiana’s Existing and Future Commercial and Industrial Development	13
Context of Effects on Indiana Communities.....	14
Lake County	14
Porter County	19
Fiscal Impacts on Revenues to Local Units of Government and Demands on Government Services.....	20
SUMMARY OF PROJECT FISCAL IMPACTS	22
Methodology	23
Revenue Impacts	24
Expenditure Impacts	25
Conclusion	26
Appendix.....	27
Sources:.....	27

LIST OF TABLES AND FIGURES

Table 1: Statutory Compliance Lookup Table 1

Table 2. Counties Included In Economic Impact.....2

Table 3: Employment Impact by Category 10

Table 4: Personal Income (Wages) Impact by Category 10

Table 5: Business Output Impact by Category 11

Table 6. Summary of Net Fiscal Impact – Indiana22

Figure 1. Tier One Illiana Corridor Study Area.....2

Figure 2. Tier Two Analysis Sections3

1 INTRODUCTION

This report and its findings are offered in compliance with Indiana Statute IC 8-15.5-4-1.5 requirement for an economic impact study for the Illiana Corridor Project (“the project”). This report addresses each of the provisions of the statute as cited below:

From IC 8-15.5-4-1.5

...The economic impact study must, at a minimum, include an analysis of the following matters with respect to the proposed project:

- (1) Economic impacts on existing commercial and industrial development.*
 - (2) Potential impacts on employment.*
 - (3) Potential for future development near the project area, including consideration of locations for interchanges that will maximize opportunities for development.*
 - (4) Fiscal impacts on revenues to local units of government.*
 - (5) Demands on government services, such as public safety, public works, education, zoning and building, and local airports.*
- ...

Some provisions of the statute involve analysis of interdependent aspects of the project (such as provision 4 on the impact on revenues to local units of government and provision 5 on the demands on government services). For this reason, this report is organized to present the analysis and findings of each area required by the statute within the context of other relevant considerations. Table 1 summarizes where within this document each of the statutory items is addressed.

Table 1: Statutory Compliance Lookup Table

Statutory Requirement	Chapter(s) of this Document
1. Economic impacts on existing commercial and industrial development	2 & 3
2. Potential impacts on employment	2
3. Potential for future development near the project area, including locations for interchanges that will maximize opportunities for development	2 & 3
4. Fiscal impacts on revenues to local units of government	4
5. Demands on government services, such as public safety, public works, education, zoning and building and local airports	4

This study includes quantitative modeling analysis of the overall regional impact of the project for the fifteen counties in the study region as modeled in the environmental documentation. The economic impacts of this report are for a defined region consistent with

travel demand modeling conducted for the project. This region includes counties in Indiana as well as in Illinois. The counties in this regional economic model are as follows in Table 2. An overview of the project corridor are included in

Figure 1 and Figure 2.

Table 2. Counties Included In Economic Impact

Indiana¹	Illinois		
Lake	Boone	Grundy	Lake
LaPorte	Cook	Kane	McHenry
Porter	DeKalb	Kankakee	Will
Newton	DuPage	Kendall	

¹ Newton and La Porte County, Indiana, were not included as part of the Illiana Corridor Project NEPA (Tier One FEIS) regional analysis.

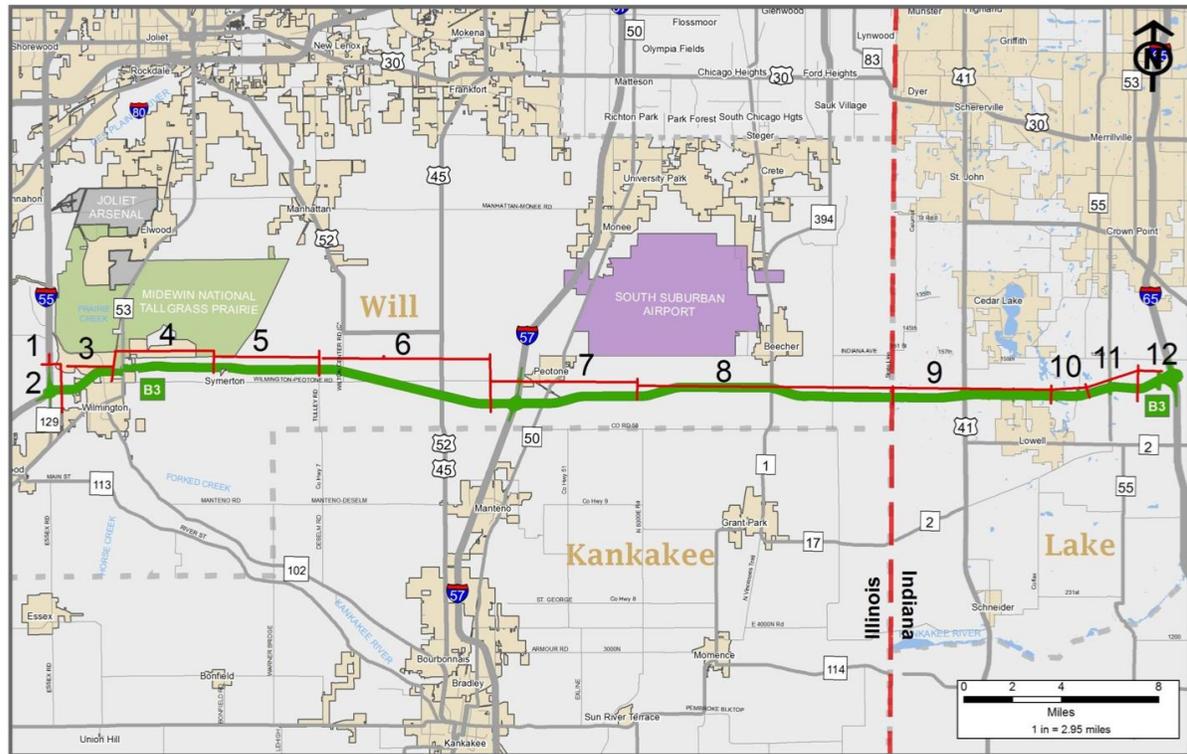


Figure 2. Tier Two Analysis Sections

Project impacts on the region’s long-term employment, personal income, and business output are reported. The impacts include stimulus associated with construction outlays, improved transportation efficiency and market access, and project-associated land use changes in Indiana which may attract new development to the region, as well as the potential adverse effects of tolling on the regional economy.

Because the economic modeling and its findings are aggregate and regional in nature (consistent with the travel demand model on which it is based), the study goes on to analyze specifically how the regional economic impacts are expected to be experienced at specific locations in Indiana. This analysis includes a more detailed assessment of how existing and potential future development at locations in Indiana near the project area or otherwise sensitive to the project will be positioned within the larger economic context described in the modeling. The analysis of economic impacts on Indiana’s existing and future commercial and industrial development addresses localized development patterns and strategies, and the business outlook for specific areas affected by the project. While the emphasis is on Indiana’s industrial and commercial development, the analysis of Indiana’s economic development implications also include a discussion of housing markets, as some areas are likely to experience significant changes in real estate and land development.

The study concludes with analysis of how the economic changes associated with the project (both Indiana’s share of the overall transportation impacts, and the effects of contingent

development) are expected to affect county and local fiscal revenues as well as the demand for public infrastructure and services.

2

POTENTIAL IMPACT ON EMPLOYMENT, PERSONAL INCOME, AND OUTPUT

Applying a regional economic impact model to the fifteen-county region provides a high-level, quantitative understanding of the effects that the Illiana Corridor Project (“the project”) is expected to have on the overall regional economy. By providing an aggregate economic impact for the region affected by the project, the analysis is intended to fully satisfy the second statutory requirement (*potential impacts on employment*), and provide context for fully addressing the first and third requirements (*impacts on existing commercial and industrial development, and potential for future development near the project area*). It is understood that fully addressing the first and third requirement entails a more detailed analysis of specific development areas and impacts in the direct project area, which is thus covered in detail in Chapter 3 of this report.

The findings of the project’s impacts on employment, personal income, and business output are based on the results of the regional travel demand model used in the Illiana Corridor Project Tier One Final Environmental Impact statement (FEIS).² The analysis relies on the synthesis of these elements in EDR Group’s Transportation Economic Development Impact System (TREDIS), which uses transportation cost factors from USDOT to monetize transportation performance improvements, and an input-output framework from the Minnesota IMPLAN Group (MIG) to derive direct, indirect, and induced economic impacts.³ Full documentation of the TREDIS methodology is available from www.tredis.com.

This analysis was completed separately from any economic assessment previously completed for the Tier One FEIS or any documents in support of the forthcoming Tier Two EIS. Differences in methodologies and analysis tools result in differing estimates. This analysis includes variables such as changes to market access and land use, or “contingent development,” to the region. These variables were not part of prior analyses but are included here.

The impacts are experienced in terms of jobs, personal income (wages earned from jobs), and output (the value of goods made and sold by businesses). Overall, from 2015 to 2048, the project is expected to generate an average of 3,378 jobs per year and a cumulative total of \$6.85 billion in personal income and \$21.3 billion in economic output (in constant 2012 dollars) in the regional economy. These changes are pertinent to existing, near-term, and long-term potential of new development throughout the region.

² http://www.illianacorridor.org/information_center/tier1_feis.aspx

³ IMPLAN® (Impact analysis for PLANning) is an economic impact modeling system used to create complete, extremely detailed Social Accounting Matrices and Multiplier Models of local economies. See www.implan.com for more information.

Key Drivers of Regional Impact

The regional economic impacts of the project are driven by five key factors:

- Construction
- Market Access
- Transportation Efficiency/Operations
- Tolls
- Land Use

Construction

Construction Impact is the activity in the region that is expected to be generated directly by construction outlays for the project (including the costs of operation and maintenance).

These impacts include the jobs and income of people involved in constructing and maintaining the facility, and the output of firms employed in constructing and maintaining the facility, as well as the induced (employee spending in the regional economy) and indirect effects (supplier purchases of materials). These impacts tend to peak during the construction period and decline once the facility is fully built. These impacts are reflective of the total cost of the project under the currently assumed phasing patterns from 2015 through 2018. For analysis purposes, the facility is expected to be completed and operational beginning in 2018.

Total regional construction impacts are expected to be 4,322 jobs by 2018. The project construction is expected to increase cumulative household income by \$0.83 billion and cumulative business output by \$2.0 billion by 2018.

Market Access

Market access impacts occur when the trade area surrounding a project is made significantly larger, creating a more favorable business environment. For example, if by resolving congestion, the project brings significantly more workers within a 40-minute commuting radius of a business, then the business is likely to find more productive workers and enjoy a productivity gain. In a similar way, if significantly more buyers or suppliers are brought within a same-day (3-hour) delivery radius, the business may enjoy a more favorable position to shop for inputs or sell goods.

The analysis of the Illiana corridor has found that while the project will improve transportation efficiency/operations (as described in the following section), the areas served by the corridor will not have a workforce commuting shed or trade area significantly different than what currently exists. Therefore while market access is included in Tables 3 through 5 to demonstrate that the analysis was done, this type of impact is not expected.

Transportation Efficiency/Operations

Transportation Efficiency/Operations Impact is the increased productivity and reduced costs that businesses and households enjoy due to lower travel times or travel costs from less congested roads, as well as the lower costs and reliability risk associated with operating vehicles under congested conditions. In the case of the Illiana Corridor Project, the transportation efficiency/operations impact is derived from the change in the overall regional vehicle miles and vehicle hours of travel (and the share of traffic occurring under congested conditions), based on the travel demand modeling from the Tier One FEIS. The impact includes increased output of firms and households benefitting from transportation efficiency savings, the jobs and income created by these savings, and the induced and indirect effects that occur when transportation savings are spent in the regional economy.

The regional impacts of improved transportation efficiency and operations are 373 jobs, on average, from 2018 through 2048. For the entire period from 2018 through 2048, cumulative household income increases by \$607 million and cumulative business output increases by \$2.1 billion from 2018 through 2048.

Tolls

Toll Impact is the adverse impact of tolling on the regional economy. The toll impact is a function of the overall amount of toll revenue which is generated from the share of trips paying the toll that are expected to be based within the region. The direct incidence of the toll is assumed to be shared between the transportation industry (trucking) and households, in proportion to the relative shares of passenger cars and commercial trucks paying the toll (based on their share of VMT using the facility and their toll rates for cars and trucks, respectively).

The toll impact includes reduced output and spending by the region's households and businesses attributable to the cost of the toll. This reduction in consumption and output is then further reflected in a reduction in the number of jobs created and the associated loss of household income. The analysis assumes that without tolling, the project (and its associated positive impacts) will not occur. If the project were to be financed through some mechanism other than tolling, then in lieu of tolling impacts, the adverse impacts of whatever taxes, fees, or reductions in other programs used to fund the project would have been modeled.

Just as construction outlays have a positive impact on the regional economy by "putting money into" the economy, if the toll revenue from households or businesses in the region is used to fund the construction, the positive impacts of the project may offset the revenues, and associated output and employment "taken out" of the economy due to tolling. The adverse impact of tolling can be seen as the "price paid" for the positive impacts of the project. It is expected that the positive impacts of other types should offset the adverse impacts of tolling (resulting in a positive overall economic impact). Table 3 through Table 5 below specify the impact of tolling.

Land Use

Land Use Impact is the impact of strategic development in the area that occurs because of how *specific* land uses or development processes near the project are affected by the nature of the project. For the purposes of the economic impact analysis presented in this chapter, the *regional* land use impact includes only “net-new” jobs that would not have been present in the *regional* economy without the project. (The fiscal analysis in Chapter 4, however, does address migration of jobs from Illinois to Indiana to ascertain the burden on Indiana communities as required by the statute).

Unlike the other drivers of impact, the Land Use Impact can be understood as impact that is not caused directly by the performance of the transportation infrastructure, but rather by the degree to which the area in which the project is implemented is sensitive to a particular connection, resource, or amenity provided by the project. In the case of the Illiana Corridor Project, the direct land use development impact associated with the project (or “contingent development” because it is dependent on the project) is based on a site visit to Lake County, IN and Porter County, IN, as well as interviews and discussions with key businesses and economic development entities in the immediate corridor area.

Based on the site visit and the observations further reported in Chapter 3, land use changes in Indiana associated with the project can be expected to directly result in an estimated 1,942 regional jobs from 2018 through 2048. The 1,942 jobs estimate is based on the size of developable land that will be made accessible by the project, the industries expected to occupy that land, and the average jobs per square foot for development of this type in the industries anticipated to be attracted. These jobs are the “direct” jobs that are expected to be attracted to the Indiana portion of the study area over this period.

As a result of these 1,942 “direct” jobs, over the same time period an additional 1,497 jobs will result from the increase in population and the increased consumption of local goods and services associated with the establishments and people that these 1,942 “direct” jobs bring to the region. Hence, the project is expected to bring an annual average of 3,439 net-new jobs to the bi-state region during the period 2018 through 2048.

Table 3, below, shows the total number of average annual jobs (3,439) that will result from this initial attraction of 1,942 by the project itself. (The scope of this study only assesses the contingent impact in Indiana, although it is understood that further study may also find contingent development impacts in Illinois).

Timing of Impact

This analysis assesses two phases of the project: the Construction phase (2015-2018) and an analysis period of the Operations phase (2018-2048). Construction impacts accrue the most rapidly because they begin immediately when the project construction begins. The operating, market access, and contingent development impacts occur more gradually as the project is fully completed and becomes fully operational. Table 3, Table 4, and Table 5 show the

magnitude of the economic impact during the construction period, in five-year increments, cumulative impacts by 2048 and an annual average for all periods.

Table 3: Employment Impact by Category

Employment (average jobs per time period)	By Project Opening in 2018	2018-2023	2024-2029	In 2048	Annual Average (all periods)
Construction Spending	4,322	998	434	769	905
Enhanced Market Access	0	0	0	0	0
Transportation Efficiency/Operations	0	320	343	373	373
Impact of Tolls	0	(478)	(986)	(939)	(939)
Impact of Land Use	0	1,750	3,612	3,439	3,439
Total Economic Impact	4,322	2,591	3,403	3,642	3,778

Table 4: Personal Income (Wages) Impact by Category

Labor Income (In \$M's)	By Project Opening in 2018	2018-2023	2024-2029	Cumulative by 2048	Annual Average (all periods)
Construction Spending	\$829	\$393	\$178	\$2,025	\$60
Enhanced Market Access	\$0	\$0	\$0	\$0	\$0
Transportation Efficiency/Operations	\$0	\$101	\$108	\$607	\$20
Impact of Tolls	\$0	(\$137)	(\$282)	(\$1,389)	(\$45)
Impact of Land Use	\$0	\$552	\$1,139	\$5,603	\$181
Total Economic Impact	\$829	\$909	\$1,143	\$6,846	\$215

Table 5: Business Output Impact by Category

Output (In \$M's)	By Project Opening in 2018	2018-2023	2024-2029	Cumulative by 2048	Annual Average (all periods)
Construction Spending	\$2,000	\$891	\$358	\$4,515	\$133
Enhanced Market Access	\$0	\$0	\$0		\$0
Transportation Efficiency/Operations	\$0	\$356	\$382	\$2,144	\$69
Impact of Tolls	\$0	(\$376)	(\$776)	(\$3,818)	(\$123)
Impact of Land Use	\$0	\$1,822	\$3,759	\$18,495	\$597
Total Economic Impact	\$2,000	\$2,692	\$3,723	\$21,336	\$675

It should be noted in the tables above that the average annual impacts tend to understate the actual impacts accruing for many of the specific expenditure types. For example, most of the construction jobs are created from 2015 to 2018, with relatively few generated after 2018, making the average significantly lower than the average during the construction period.

The above described impacts reflect a quantification of the regional economic impact of the project on the fifteen-county region. The construction spending, transportation efficiency and toll impacts are directly associated with the transportation performance characteristics of the project that have been modeled and studied for engineering purposes as well.

However, the manner in which these regional impacts is expected to affect existing and future potential development specifically in the Indiana counties and how the project is expected to create the jobs associated with the land use impact requires further analysis, as provided in Chapter 3.

3

ECONOMIC IMPACTS ON INDIANA'S EXISTING AND FUTURE COMMERCIAL AND INDUSTRIAL DEVELOPMENT

A thorough strategic analysis of the specific business environments in Indiana areas directly affected by the Illiana Corridor Project provides detailed findings required by the first and third statutory requirements (*impacts on existing commercial and industrial development and potential for future development near the project area, including locations for interchanges that will maximize opportunities for development*). This development analysis entails a micro-level, qualitative and strategic assessment of how Indiana's existing development and future commercial and industrial development patterns are likely to respond to the changed business environment resulting from the project. Lake County and, to a lesser degree, Porter County, are likely to be impacted by the project. This chapter provides a narrative description of the potential impacts in these counties and several jurisdictions within these counties.

The analysis of local economic impacts relies on several sources. The research team conducted on-the-ground site reconnaissance to gain an understanding of the current economic climate, industrial/commercial base, and development patterns. This included identifying where businesses and population are located in relationship to the project, the characteristics of potential development sites, and the access changes that will occur as a result of the project. As part of the site reconnaissance, the research team conducted interviews with seventeen individuals representing local governments, economic development agencies, developers, and real estate professionals.

The seventeen individuals interviewed were selected to provide a range of perspectives of the potential impacts of the project on the Indiana economy. Through a web search and discussions with the client, the research team identified key groups that could provide a broad perspective on project impacts and who could identify additional people to interview. Telephone contacts were made with these groups to set up interviews and contacts were encouraged to invite additional people to interviews to enhance the information collection. Upon completion of the site visit and interviews, additional phone interviews were conducted to follow up on the information obtained on-site.

The research team reviewed recent employment and population trends from the Census to provide a basis for better understanding potential project impacts. The team also reviewed previous studies conducted about the project, including documents prepared as part of the project Environmental Impact Study.

Context of Effects on Indiana Communities

This analysis is limited to a descriptive assessment of how Indiana communities will experience the economic impacts (quantified in Chapter 2) of the 46.8 mile long Illiana Corridor Project between I-55 in Illinois and I-65 in Indiana. Although the impacts of the planned I-65 widening (adding one lane in each direction) between State Route 2 and US 30 are assumed to be implicitly related to the project; I-65 impacts independent of the Illiana corridor are not explicitly addressed in this analysis.

Finally, while several of the interviewees mentioned the proposed South Shore commuter rail extension from Hammond to Dyer and south to Lowell, the potential impacts of the commuter rail extension project were not part of this analysis. All of these projects, if undertaken, may have a synergistic economic affect when considered with the Illiana, but the legislative requirement for this study limits the analysis to the Illiana alone.

The potential impacts of the Illiana Corridor Project in Indiana must be understood in the context of the purpose of the project, the type of traffic it is expected to support, the design of the road, and land use policy in Indiana. The Illiana Corridor Project is being built in large part to divert through truck traffic from the I-65 and I-80 corridors. Much of this traffic originates outside Indiana and will terminate outside of the state as well. The highway will provide direct access to the largest inland port in the United States, located in Joliet/Elwood, Illinois, improving shipping times and reliability. To facilitate traffic flow between I-65 and the Illiana, and because of regulations that require minimum distances between interchanges, the interchange between these two highways will be a closed interchange design (i.e., no access to surface streets). There will be two interchanges in Indiana that do provide local access – one at US 41 in Lowell, and one at State Route 55. US 41 serves several communities and is characterized by rural residential development, with major commercial areas (retail and services) located in Cedar Lake and St. John. SR 55 is characterized by farmland and low-density residential development. Much of the undeveloped land along these corridors as well as along SR 2 just south of the Illiana is in the unincorporated part of Lake County. As development occurs along these corridors, current land use policy suggests that newly developed areas will be annexed by existing municipalities.

Lake County

The Illiana Corridor Project in Indiana is fully within Lake County. The County abuts Lake Michigan to the north, Illinois to the west, Porter County to the east, Newton County to the south, and Jasper County to the southeast. In 2010, the population of Lake County was 496,005.⁴

⁴ http://www.stats.indiana.edu/population/PopTotals/historic_counts_cities.asp

The northern portion of Lake County includes the densely developed manufacturing cities of Gary, Hammond and East Chicago. Gary/Chicago International Airport is located three miles north of Gary, and is the official “third” airport for the Chicago metro area. The airport primarily serves as a general aviation facility with very little commercial passenger service. The cities of Gary and Chicago want to expand the airport, but airspace considerations and limited available land may make this infeasible. The northern portion of the County has limited commercial sites available, with no sites that can accommodate businesses seeking to build large buildings. Economic development professionals and commercial brokers stated that they get many requests each year for parcels that could accommodate 100,000 sq² buildings, but have to turn firms away because such sites are not available in the I-94/I-80 corridor. Development opportunities in the northern part of the County are for in-fill, redevelopment, and Brownfield projects – not the types of projects that will be attracted by the Illiana.

The population and development patterns of the County become less dense to the south, and farmland dominates much of the area around the study corridor and points south. Municipalities within the county most likely to be affected by the Illiana include Cedar Lake, Crown Point, Merrillville, and Lowell, with some smaller communities also experiencing population growth.

Industrial development within the County is currently concentrated in the northern portion of the County. Much of the industrial base is concentrated in heavy industry, such as steel, and located along Lake Michigan. These businesses will benefit from reduced traffic along the I-94/I-80 corridor. The communities closer to the project corridor, such as Crown Point, Cedar Lake, Merrillville, and Lowell, are dominated by population-serving businesses such as retail and services.

There will be a net potential of new highway serving businesses within the County when the Illiana is built. The southwest quadrant of the I-65/SR 2 interchange has recently attracted a truck stop and two hotels that serve the truck traffic along the road. This area could expand to include more services for truckers when the Illiana opens.

There are three areas within the Illiana corridor that are prime targets for industrial/commercial park development. Two of these are located in the unincorporated portion of the County at the I-65/SR 2 interchange. The Park 65 project is a planned 112-acre industrial park that is using its proximity to the Illiana (at the first open interchange to the south) in its marketing materials. The developer of the site expects that the Illiana will be instrumental in helping the site attract large warehousing, distribution, logistics, and e-commerce firms that want reliable, quick access to the inland port in Illinois. The site can accommodate approximately 1.6 million square feet of development supporting between 1,000 and 1,500 jobs. This site is not currently served by utilities and no improvements have been made. It does not have direct access from Route 2. Instead, the site will be accessed from Colorado Street, which intersects with SR 2 at its southern terminus. The site is zoned for agricultural uses. The developer expects that the zoning can be changed and that ground could be broken within twelve to eighteen months. Recent widening of SR2 and improvements to the SR2/I-65 interchange benefit the site.

The southwest quadrant of the same interchange is the site of a 245-acre parcel that is poised for development into an industrial park. The owner and his development team are marketing the site as Hallmark Crossing. It has almost a mile of frontage on I-65, providing strong visibility for tenants, and also has direct access on SR2 and Mississippi Street. The site can accommodate over 4 million square feet of development, supporting 4,000-6,000 jobs. The development team has had some discussions with big box retail users in the past, but expects that the Illiana will make it a prime candidate for warehousing/distribution/logistics/e-commerce firms. The property is already zoned for industrial use, and the owner of the parcel also owns the utility company that provides services to the area, facilitating utilities being brought to the site. No site improvements have been made to date, but development could commence at any time. The recent improvements to the SR 2 interchange will also benefit this site.

Because these two parcels are the largest development sites available south of the Gary area along I-65, they are likely to develop over the next 30 years with or without the Illiana. However, the Illiana will accelerate the pace of development, with full build-out likely within the next ten to fifteen years if the expressway is built. Without the expressway, the parcels may take 30 years to reach full build-out.

The access that the Illiana will provide between these parcels and the inland port is particularly important because lower costs of doing business make Indiana sites attractive to firms that might otherwise locate in Illinois to be near the inland port. In addition, the State of Illinois is pursuing the development of an airport in Peotone on an undeveloped site that has the potential to accommodate more capacity that is currently available in Gary. The inland Port and the proposed airport enhance the marketability of these two parcels. Both were identified by the economic development and commercial brokerage communities as the two largest development parcels available in Lake County from SR 2 north. The developers are involved in talks with the town of Lowell about annexing these properties, thus tapping into town services.

The County will also see an influx of residential development and supporting retail and services because the Illiana will both decrease traffic levels on interstates serving downtown Chicago (thus reducing commute times) and will provide new access to jobs in the southern portion of the Chicago market. A socio-economic report prepared as part of the environmental review process for the Illiana estimated that Lake County would experience an influx of 5,228 people as a result of shifts in population within the region due to the Illiana. Unincorporated parts of the County along SR 55 and US 41 north and south of the corridor will likely see some gains in population and related commercial development.

Finally, there is a 112 acre parcel on the north side of SR 2 just west of Georgia Street that is in the same ownership as the Hallmark Crossing parcel. This parcel is zoned for residential development. The owner anticipates developing this parcel with some retail/commercial uses as well as residential uses. The site will likely develop over the next 30 years regardless of whether the Illiana is built, but the project would accelerate its development and could influence the mix of commercial uses, trending toward hotel and highway-serving uses rather

than population-serving uses, should the highway be built. As all of these areas develop, they likely will be annexed into surrounding municipalities, as discussed below.

Merrillville

Merrillville is located north of the Illiana on I-65. Merrillville had a 2010 population of 35,246 and is the center of regional retail in the corridor. It is also home to numerous hotels that serve travelers using I-65 and visitors to the region, including people with business in downtown Chicago. The town is fairly densely developed and is not a prime target for additional population influx as a result of the Illiana.

Merrillville is the site of the third industrial/commercial park in Lake County that is positioned to benefit from the Illiana. The already established Ameriplex at the Crossroads Park, located on SR 53 several miles north of the Illiana corridor, is approximately 20 percent built out. Infrastructure is already in place, but the park is not located directly at an I-65 interchange.

This 204-acre park has 76 acres targeted for precision manufacturing. The park differs from the two parks at the I-65/SR2 interchange in that it is designed for flex space to accommodate tenants who want less space than might be needed by warehousing and distribution users. In addition, other parts of the park are targeted for educational uses and medical/life science users. Thus, while some tenants may be attracted to Ameriplex at the Crossroads as a result of the Illiana, its target tenant base are not firms that will benefit from the connection to the inland port or improved access to national trucking routes. The impact of the Illiana on the development of this park will be less pronounced than at the other two facilities, but the Illiana should help accelerate development of some of the industrial land at the site.

Crown Point

Crown Point is located north of the Illiana corridor along SR 53, SR 55 and US 231 (West 109th Avenue) just south of Merrillville. The population of the city was 27,317 in 2010, 38% higher than it was in 2000, making it one of the fastest growing municipalities in the study area.

Crown Point has embraced development in recent years, as demonstrated by its fast pace of growth. The city is actively planning for the annexation of land along SR 55 as the roadway develops with residential development in response to the improved access to Chicago provided by the Illiana.

The city has an interchange with I-65 at SR 231. This is the first open interchange with I-65 north of the Illiana, and there is some potential for residential and highway serving commercial development at this interchange on land that is currently farmland. There has been some discussion about the potential for additional industrial development at this interchange, but no firm plans are in place.

Cedar Lake

Cedar Lake, with a 2010 population of 11,560, is located north of the Illiana on US 41. The city has a busy downtown commercial district along US 41. There has been substantial residential development in the vicinity of the lake in recent years. Cedar Lake is cautious about growth and does not have the same annexation plans as Crown Point. However, the town will likely experience some residential development (some through annexation) as a result of the Illiana, and potentially some commercial development that serves this population along US 41.

Lowell

The town of Lowell is located along SR 2 just south of the Illiana. US 41 runs along the western edge of the town. In 2010, the population of Lowell was 9,276.

Commercial development in the town is concentrated along SR 2. There is some industrial development south of SR 2 along US 41. The Norfolk Southern Railroad runs through this area.

Lowell has been cautious to embrace development but will be impacted by the Illiana in terms of both attraction of new population, and pressure to annex land along Route 2 that is primed for industrial development (see the Lake County discussion, above.) It is likely that the town will annex as far east as the east side of I-65 within the next decade, in large part because of development attracted by the Illiana. The Route 41 corridor north and south of town will also likely develop with some commercial projects that may expand the town's boundaries in that direction.

Dyer, Winfield Township, St. John

Dyer, Winfield Township and St. John are all poised to gain population as people who work in downtown Chicago and its immediate suburbs begin to move within the region due to reduced congestion on roads leading into the urban core. Population will be attracted by lower housing costs than closer in suburbs and the reduced travel time to downtown. Winfield Township will likely see continued growth in the area around Lake-of-the-Four-Seasons (located in both Lake and Porter Counties). This area has already attracted substantial growth in recent years, transforming from a seasonal home location to an area characterized by high-end four season homes. Population-serving retail will follow the population migration to these areas.

Porter County

Porter County borders Lake County to the east. Its 2010 population reached 146,798. The northern portion of the County is served by I-94. I-65 provides north-south access just west of the Porter County border.

Northern Porter County is home to the Port of Indiana-Burns Harbor along Lake Michigan and much of the County's industrial activity. The County's population is concentrated in the northern communities of Porter, Chesterton, South Haven, and Portage, and Valparaiso to the south..

The impacts of the Illiana project will most likely occur in Valparaiso and points south. According to the socio-economic report prepared for the environmental analysis, approximately 2,340 people will migrate to Porter County from elsewhere in the metropolitan area as a result of the Illiana project. Population gains will likely be concentrated within Porter County, and in the county surrounding Valparaiso, Hebron and the Lake-of-the-Four-Seasons. Population-supporting retail will follow.

Valparaiso

Valparaiso is located at the junction of US 30, SR 2 and SR 49 approximately 9 miles east of I-65 and the terminus of the Illiana. In 2010 the population of the City was 31,730, an increase of 15.7 percent since 2000. It is the county seat of Porter County.

Since the City is not directly served by the interstate and is several miles from the nearest interchange, it is not likely to compete for the warehouse and industrial development that the Illiana is likely to induce at sites closer to the Project. The City is likely to experience some accelerated increases in population as people who work in Chicago find that commuting on I-65 and I-80 is less congested and safer due to truck traffic diverted to the Illiana, and housing prices are more reasonable than suburbs closer in to the center city. The City is also poised to realize growth in retail and population-serving services as a result of general population expansion in Porter County in Valparaiso and points south.

4

FISCAL IMPACTS ON REVENUES TO LOCAL UNITS OF GOVERNMENT AND DEMANDS ON GOVERNMENT SERVICES

This section evaluates the net impacts to local government revenues and expenditures resulting from the subject project. This analysis covers fiscal impacts to county and sub-county budget units including cities, towns, townships, school districts and special purpose districts.

This project is expected to have the following impact on fiscal revenues and expenditures:

- One time fiscal impacts (loss) due to right-of-way acquisition; and
- Ongoing fiscal impacts due to new population and jobs created/attracted by project operation, maintenance, economic activity occurring as a result of improved market access, and contingent development (changes to population and employment were detailed in Section 3).

Ongoing fiscal impacts are estimated for a single representative year (“analysis year”), reported in today’s dollars, based on current tax rates and policies. The analysis year represents a point in time after project completion once the project’s operations have stabilized and transportation and contingent development impacts are fully realized. This analysis estimates changes to revenues as well as expenditures, and the resulting annual net fiscal impact.

Table 6 presents a summary of these fiscal impacts. As shown, the \$100 million worth of property acquired for project Right-of-Way results in a loss of approximately \$400,700 in local property tax revenue.

The project is expected to draw additional population of 26,740. With average per capita revenues of \$1,700 and average per capita expenditures of \$1,425, the net annual fiscal impact of this new population is approximately \$7.4 million. The project is also expected to attract/create approximately 10,413 new jobs in Indiana. With average per job fiscal revenues of \$3,800 and average per job expenditures of \$600, the net fiscal impact due to new jobs is estimated at approximately \$33.3 million. The total annual net fiscal impact of new population and jobs due created/attracted by project operation, maintenance, market access changes, and contingent development is approximately \$40.7 million.

The complete fiscal impact methodology, including data sources and assumptions, is described in the section following the table below.

Table 6. Summary of Net Fiscal Impact – Indiana

SUMMARY OF PROJECT FISCAL IMPACTS	
1. Fiscal Impact due to Right-of-Way Acquisition	
Assessed Value of Right of Way Property (1)	\$15,000,000
Average Property Tax Rate (2)	0.4677%
Property Tax Levy (foregone)	-\$70,150
2. Annual Fiscal Impact of project Operation and Contingent Development	
<i>Impacts from New Population</i>	
Net New Population	26,740
Average Tax Revenue Per Capita (2013\$)	\$1,700
Average Tax Expenditures Per Capita (2013\$)	-\$1,425
Total Tax Revenue from New Population (2013\$)	\$45,458,000
Total Tax Expenditures from New Population (2013\$)	-\$38,073,300
Net Fiscal Impact from New Population (2013\$)	\$7,384,700
<i>Impacts from New Jobs</i>	
Net New Jobs	10,413
Average Tax Revenue Per Job (2013\$)	\$3,800
Average Tax Expenditures Per Job (2013\$)	-\$600
Total Tax Revenue from New Jobs (2013\$)	\$39,569,400
Total Tax Expenditures from New Jobs (2013\$)	-\$6,247,800
Net Fiscal Impact from New Jobs (2013\$)	\$33,321,600
Total Annual Fiscal Impact from New Population and Jobs	\$40,706,300

Sources: Indiana Department of Local Government Finance, Indiana Gateway; ESRI Business Analyst; and US Census Bureau with EDR Group Calculations.

Methodology

Fiscal Impacts due to Property Acquisition for Right-of-Way

Property acquired for project Right-of-Way will be removed from property tax rolls. This is a one-time loss, but once the property has been acquired it will no longer contribute property tax to local governments. Property to be acquired is entirely within Lake County, traversing a number of sub-county jurisdictions (with different levy rates) and representing a number of different property types. The magnitude of property tax removed from local tax rolls was estimated by applying a weighted average property tax rate to the estimate of the market value of the property.

The weighted average property tax rate was calculated using the ratio of assessed value in Lake County and selected representative sub-county jurisdictions to their corresponding tax levy (based on 2013 Certified Net Assessed Value data obtained from the Indiana Gateway for Government Units).

The market value, assumed to approximate assessed value (upon which property tax is levied), was drawn from the construction cost estimates used in the Tier One FEIS.

Fiscal Impacts of Population Change and Contingent Development

Changes to population and jobs are discussed in Section 3. This analysis employs a per capita multiplier method for both revenues and expenditures resulting from the net change in population and employment resulting from the subject project. Average per capita and per job revenue and expenditure factors were developed using budget data for Lake County, as well as a number of “representative” sub-county budget units, obtained from the Indiana Department of Local Government Finance (DLGF) and through the Indiana Gateway, the statewide clearinghouse for local government finance data. The data covers the 2013 adopted budgets, the most recent year for which all necessary data is available. Crown Point (civil city), Cedar Lake (civil town), and Lowell (civil town), along with their corresponding school districts (Crown Point Community School Corporation, Hanover Community School Corporation, and Tri-Creek School Corporation), and library budget units (Crown Point Community Public Library, Lowell Public Library) were selected as “representative budget units.” As discussed in the section on Contingent Development (Section 3), the subject project is expected to attract population and jobs largely to areas of Lake County that are currently unincorporated, but that will ultimately be annexed to existing jurisdictions, primarily Crown Point, Cedar Lake, and Lowell. As a result, the average per capita and per job fiscal revenue/expenditure in these communities can be expected to be representative of the revenues/expenditures associated with population, and jobs created/attracted by the subject project.

To calculate the weighted average per capita and per job multipliers (factors), revenue and expenditure streams were scrutinized to determine the share attributable to residents (population) and the share attributable to business activity (jobs). Residential revenues and

expenditures were divided by total population in the selected jurisdictions, and business revenues and expenditures were divided by total employment within them.

Revenue and expenditure streams not affected by the subject project were excluded from this analysis. Budget lines for services provided on a fee for service/cost recovery basis were omitted as by definition, they have a net neutral budget impact. To avoid double counting, transfers between local governmental units (such as aid from the county to a locality) were omitted whenever they could be identified. Excluded revenue streams include fines and forfeitures, federal/state grants, and interest on investments.

Specific assumptions for each revenue and expenditure stream are detailed below.

Revenue Impacts

Property Tax Revenues. New jobs and population will contribute to an increase in property tax revenues as undeveloped land is developed to accommodate new residential and business uses.⁵ Residential and commercial/industrial property tax data was obtained from property tax summary documents for each county.⁶

Impacts to Other Revenues. Other local revenue sources include vehicle license fees, and cigarette and alcoholic beverage excise taxes. To estimate other tax revenues, detailed revenue data for all study area county and sub-county budget units, was obtained from Indiana Gateway (<https://gateway.ifionline.org/default.aspx>). The data was scrutinized to identify all revenue sources that would be affected by the subject project. Then, each relevant revenue source was proportionally allocated to either business uses or population uses, based on assumptions regarding the distribution of revenue generation. For example, 100% of commercial vehicle license taxes were allocated to business uses, while regular vehicle license taxes were allocated to residential uses and business uses, based on known proportions of licenses.

Note that Lake County enacted a Local Option Income Tax (LOIT) in 2013. Because the 2013 budget was created before the revenue stream, it is not reflected in 2013 data and was not modeled. Typically, LOIT is used to offset a portion of the property tax levy. Thus, once the LOIT is fully implemented, one can expect some decline in property tax revenues, but an increase in overall tax revenue. This relationship is not captured here, as the express purpose of this analysis is to isolate fiscal impacts of the Illiana Corridor, not to evaluate the impacts of changing fiscal policies that are unrelated to the Corridor.

⁵ The subject project may also cause changes to the value of existing residential and business properties, however it was not possible to quantify this potential impact due to data limitations.

⁶ (https://gateway.ifionline.org/report_builder/Default2.aspx?rptType=PropertyTax).

Expenditure Impacts

Expenditure data for Lake County and the representative sub-county budget units were obtained from Indiana Gateway and scrutinized to identify those that would be affected by the subject project through population or employment generation. Affected expenditures fall into the following basic categories: general government, public safety, public works, health and welfare, recreation and culture, and education. Expenditures in each category were then allocated based on the assumed proportion of generation by population or by business activity, as follows. The general government and public safety categories provide services to both population and businesses. Therefore, those expenditures were allocated based on proportion of residential and non-residential property assessed valuation. The public works, health and welfare, and education categories are population-serving, and these expenditures were allocated accordingly. Note that the education category includes only non-general fund expenditures because school district general fund budgets are covered by a grant from the state.

5

CONCLUSION

Overall, the Illiana Corridor Project is expected to have a positive impact on the overall study region, allowing the regional economy to generate significantly more jobs, personal income, and business output than could occur without the project. Furthermore, the positive impacts of the project's economic impact from construction jobs, transportation efficiency, and land use impacts far outweigh any adverse regional economic effects of tolling. The overall land use impacts on development near the project will be positive and are expected to lead to a gain of over 1,900 direct new jobs in Indiana over the life of the project as well as the induced and indirect multiplier effects of this new employment on Indiana's economy (Land use impacts in Illinois are not addressed as part of this study).

Because of the amount of additional economic growth that is enabled in Indiana as a result of the project, significant increases in population and employment are anticipated with the associated increases in government revenue, and corresponding demand for government infrastructure and services.

APPENDIX

Sources:

Contributing Entities

- Bill Hanna, Northwest Indiana Regional Development Authority
- Sherri Ziller, Northwest Indiana Regional Development Authority
- Ed Soliday, State Rep District 4
- Chris Meyers, Crown Point Planning Department
- Roosevelt Allen, Lake County Commissioner
- Don Parker, Lowell Councilman
- Richard Ludlow, Schneider Councilman
- Don Koliboski, Northwest Indiana Forum
- Kay Nelson, Northwest Indiana Forum
- Dennis Larson, Diversified Commercial Real Estate
- Mike Larson, Diversified Commercial Real Estate Mike Larson
- David Lasser, Broker, Ameriplex at the Crossroads
- Kelly Disser, NA Hiffman Brokers
- Jim Langen, Langen Realty, Inc.
- Dennis Hiffman, NA Hiffman Brokers

Documents

Tier 1 Final Environmental Impact Statement, Chapter 3 – Environmental Resources, Impacts and Mitigation

Tier 2 Draft Environmental Impact Statement, Chapter 3 – Environmental Resources, Impacts and Mitigation

The al Chalabi Group, Ltd., Illiana Expressway: Socio-Economic Impacts of Alternative Alignments and A Description of the Methodology Employed, prepared for Illinois Department of Transportation, June 12, 2012

Marketing materials for Park 65, Ameriplex at the Crossroads, and Hallmark Crossing

Indiana Stats http://www.stats.indiana.edu/population/PopTotals/historic_counts_cities.asp

Indiana Finance Authority, Request for Qualifications to Develop, Design, Build, Finance, Operate and Maintain the Indiana Portion of the Illiana Expressway & I-65 Added Capacity project Through a Public-Private Partnership Agreement, Issued November 12, 2013.

Data Sources

- ESRI Business Analysts On-Line
- ITE Trip Generation Manual
- Urban Land Institute
- US Energy Information Administration
- TREDIS
- US Census Bureau, 2010 Decennial Census
- US Census Bureau, County Business Patterns, 2009