Northwest Indiana Regional Development Authority

Comprehensive Economic Development Plan

January 9, 2007

PolicyAnalytics, LLC

Foreword

In fall 2006, the Northwest Indiana Regional Development Authority [RDA] commenced its planning process for a comprehensive strategic development plan for Lake and Porter counties. Its enabling legislation requires RDA to submit such a plan to the budget committee and office of management and budget by January 1, 2008. RDA issued an RFP for consulting services and selected Policy Analytics, LLC. to lead the strategic planning effort. The scope of the work focused on the mandated project areas: the Gary/Chicago International Airport, the Northern Indiana Commuter Transportation District, the Regional Bus Authority and Shoreline Development [Marquette Greenway Plan].

The creation of the Northwest Indiana Regional Development Authority and prior economic development investments within the project areas testify to the timeframe and perseverance of elected officials, business executives, labor leaders and other stakeholders engaged in the process. We would like to acknowledge U.S. Congressman Peter Visclosky, Governor Mitchell Daniels, State Senator Earline Rogers, State Representative Chet Dobis and the entire northwest Indiana legislative delegation for their leadership and foresight in creating and then passing the legislation which establishes the RDA. The RDA as a legislative concept was first drafted by State Representative Chet Dobis and he gathered support from many quarters to put the idea on the agenda of decision-makers across the state. Governor Mitch Daniels from the Indiana Statehouse and Congressman Pete Visclosky from Washington provided statesman-like leadership during the period of the 2005 session of the Indiana General Assembly in pushing for a vehicle – the RDA – which could become the catalyst for change in the region. State Senator Earline Rogers and State Representative Chet Dobis provided bi-partisan leadership during the crucial periods of legislative drafting and deal-making ensuring that the RDA became a reality. We believe the vision of these leaders for the development of northwest Indiana will be implemented through the effective long-term effort of the RDA that is previewed in this report.

We would like to thank the RDA Board Members Chairman John Clark, Harley Snyder, Dr. Howard Cohen, Carmen Fernandez, Lou Martinez, Bill Joiner and Gus Olympidis; Tim Sanders, Executive Director, Sherri Shabaz, Executive Assistant; Mark Lopez of Congressman Visclosky's office, City of Whiting Mayor Joseph Stahura; City of Hammond Mayor Thomas McDermott Jr.; City of East Chicago Mayor George Pabey, Housing Authority Director John Artis, City Planner Richard Morrisroe; City of Gary Mayor Rudy Clay, Deputy Mayor Richard Comer, City Planner Christopher Meyers and Department of Environmental Affairs Director Dorreen Carey; Cities of East Chicago and Gary Consultant Will Woody; City of Portage Mayor Douglas Olson and City Planner A.J. Monroe; Gary/Chicago Airport Executive Director Chris Curry and Consultant Paul Karas; Northern Indiana Commuter Transportation District General Manager Gerald Hanas and Director of Marketing & Planning, John Parsons; Regional Bus Authority Chairman Dennis Rittenmeyer, RBA Project Director Ken Dallmeyer and RBA TranSystems Consultant Lynn Otte; Northwest Indiana Forum Environmental Affairs Director Kay Nelson, Northwestern Indiana Regional Planning Commission Executive Director John Swanson, Economic Development Committee members including Chairman Leigh Morris and Graphic Director John Smith; and, staff at U.S. Environmental Protection Agency, U.S. Coast Guard, Indiana Department of Environmental Management and Indiana Finance Authority.

"The sky's the limit for Northwest Indiana"
Governor Mitch Daniels

Policy Analytics attempts to bring the highest quality insight and analysis to public sector issues. We believe this comprehensive economic development planning project fulfilled the RDA's fiduciary responsibility. We are grateful for the opportunity to serve the Authority in its endeavor to be catalyst for economic transformation.

Executive Summary

There is a spirit of excitement, optimism and renewed hope that permeates the personal interactions of the citizens of northwest Indiana, not evident for many years. One reason for that positive spirit is the creation of the Northwest Indiana Regional Development Authority – accomplished in 2005 and now beginning to make its mark. The RDA's enabling statute requires a comprehensive economic development strategy with clear metrics and financial analysis of the four key development assets named in the legislation: the Gary/ Chicago International Airport, the Northern Indiana Commuter Transportation District [NICTD], shoreline development [Marquette Greenway Plan], and a regional bus authority. Policy Analytics, LLC was chosen to complete that planning function and issue a report to the RDA providing guidance for its investments in the coming years.

The planning process involved:

- Review of previous studies of the regional economy
- Extensive interviews with public and private sector leaders and stakeholders
- Review of the planning and development programs for each of the targeted investments
- Projections of the growth paths for each of the targeted investments, gathering detailed timeline and budget information
- Analysis of the Return on Investment resulting from each of the targeted investments

The growth paths for each of the targeted investments were consciously chosen to reflect a bold approach to development of the region. The projects are listed with the growth scenario described:

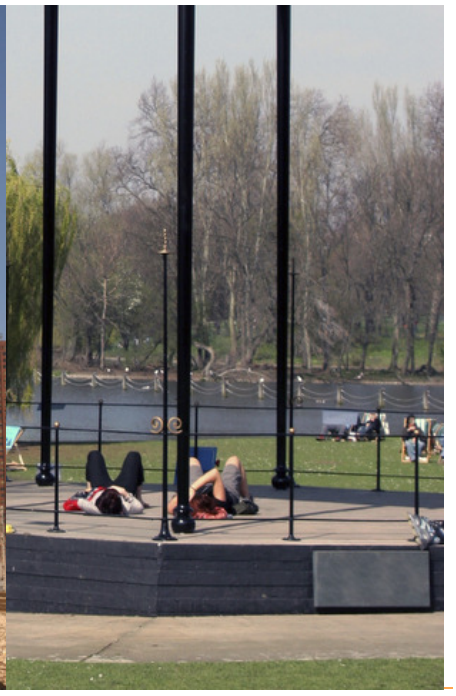
1. The Gary/Chicago International Airport: The development for this targeted investment was modeled after the growth of the Manchester-Boston Airport, one of the reliever airports to Boston's Logan International. By the end of the development period, approximately twenty years, the Gary/Chicago airport is expected to be as large as the Indianapolis Airport is today. This is in keeping with it actually becoming the Third Chicago Airport, which is clearly the goal for many elected officials and stakeholders in Indiana.

2. NICTD: This commuter rail investment is projected to complete the West Lake Corridor extensions and to grow its services to compete favorably with its sister line – METRA which serves Chicagoland suburbs.

3. The Regional Bus Authority: The regional bus investment forms the basis for the projected region-wide, single manager system providing transit services based on clear passenger demand provided by TranSystems for the Regional Bus Authority.

4. Shoreline Development: The Marquette Greenway Plan is projected to move forward aggressively with cities along Lake Michigan begin moving from planning to development of those parcels of land for public access in a incremental fashion, starting with those sites that are lowest in cost and easiest to remediate.





These four targeted investments are then compared on the basis of metrics developed to reflect an ROI approach to quantitatively measure the impact of the development projects on the region's economy. Using a well-documented dynamic policy analysis model [REMI], the investment driven development of each of the four statutorily identified projects was modeled and its impact on the economy of the region was measured. The Present Value of the cost of the project was then compared to the number of jobs produced, the Present Value of the personal income generated, and the Present Value of the total economic activity [gross regional product] resulting from the project. The comparisons are not always straightforward. Because the public cost of the project to the regional economy does not include federal or private sector funding, projects which receive a high percentage of federal match dollars will show much higher rates of return.

Table 1

ROI Summary

	Gary/Chicago Airport	NICTD	Marquette Greenway Plan	RBA
Benefit Cost Ratio	$117.33	$64.62	$421.60	$13.88
Output Ratio	$420.09	$56.44	$1,292.41	$22.42
Cost per Job	$2,276.00	$21,530.00	$772.00	$46,630.00

Source: Policy Analytics, 2007

Both the Marquette Greenway Plan and the Gary/Chicago International Airport showed substantially better Benefit/Cost Ratios and Output Ratios than did the transit systems. This is in keeping with other nationally recognized analyses – transit systems require net public operating subsidies as well as public capital investments.

The results of comparing these projects against a series of quantitative measures is not to eliminate any of the statutorily listed projects. Developing a regional economy and making a broad positive impact on the quality of life of a region, requires multi-dimensional investment and a thoughtful and timely approach. The projects and their impacts that are presented in this report paint a picture of what northwest Indiana could be. It is now for the citizens of the region to determine whether this vision is right for them and if so, how to achieve it.

Methodology

Policy Analytics, LLC in consultation with RDA Board Members and its Executive Director devised a two–phase strategic planning process. Phase 1 will define the development vision, offer aspirational profiles and plausible return on investments. Based upon a public comment period, Phase 2 will present available financing mechanisms to achieve the regional vision for a world-class economy.

Policy Analytics incorporated its recent work with the Northwestern Indiana Regional Planning Commission [NIRPC], the Metropolitan Planning Organization and Council of Governments for Lake, Porter and La Porte counties. NIRPC underwent a strategic economic development planning process in anticipation of a formal Comprehensive Economic Development Strategy [CEDS]. Policy Analytics conducted stakeholder interviews and meetings and reviewed more than 50 regional and local planning reports produced since 2000. Six themes or "strategic directions" emerged: economic development, transportation, environment, workforce development, leadership and quality of life including social equity. Additionally, a regional economic profile illustrated the NIRPC region's interdependence on the Chicago metropolitan area, specifically the city center.

Throughout the process, Policy Analytics solicited input from private, public and non-profit sector stakeholders who validated the six strategic directions including the four RDA targeted investments. Their comments and actions demonstrated the willingness to think and act regionally. This type of regional collaboration is supported by a two-phased economic development process, planning and preparation, followed by deal making, an economic development framework whereby each sectoral actor could add value during the two-phased economic development process of planning and preparation followed by deal making. The RDA comprehensive development plan suggests that a financial analysis overlay represents a third phase in this process.

Policy Analytics leveraged the insight from the NIRPC project and applied a deeper level of analysis during the RDA strategic planning process. Targeted investments refer to projects mandated in the enabling statute: the Gary/Chicago International Airport, Northern Indiana Commuter Transportation District, the Regional Bus Authority and the Shoreline Development [Marquette Greenway Plan]. Executive management and key stakeholders of the four-targeted projects described the overall vision, strategies and tactics underway. They provided access to privileged and publicly available information. The Policy Analytics team then extracted key data for analysis. The aggregated data formulated the project's baseline assumptions. In some instances, industry experts and best practices supplemented the project area visions or validated the research team's assumptions.

To meet the project sponsor and stakeholder expectations, Policy Analytics led by President Bill Sheldrake, assembled a professional seven member team consisting of Policy Analytics' staff consultants; Hunden Strategic Partners, a Beverly Shores-based real estate and economic development firm; and Civil and Environmental Consultants, a Pittsburg, PA-based land use, environmental planning and engineering company.

Regional Development Authority

The Northwest Indiana Regional Development Authority is a recently created body corporate and politic serving Lake and Porter counties. The purpose of this regional economic development authority is to strategically direct funding toward four catalytic projects: the Gary/ Chicago International Airport, Northern Indiana Commuter Transportation District, Regional Bus Authority and shoreline development [the Marquette Greenway], as well as other qualified projects.

The governing body consists of a seven-member board composed of leadership appointed by the Mayors of Gary, East Chicago and Hammond; by County Executives from Lake and Porter counties; and by the Governor of Indiana. Each city and county contributes $3.5 million for a total of $17.5 million annually. As a result of the "Major Moves" legislation from the 2006 Indiana General Assembly, the RDA will receive $20 million from the state in State Fiscal Year [SFY] 2007. For the next 8 years, the state will distribute $10 million per year, providing a total of $27.5 in annual revenue to be used for both operations and investment in RDA approved projects through SFY 2015.

The board members raise the bar in regional collaboration and a non-partisan commitment to transforming the economic future of northwest Indiana. First and foremost the RDA seeks to be bold, a catalyst, through which equally ambitious and sustainably-balanced projects come to fruition for the benefit of all individuals. Additionally, RDA will instill public confidence through transparency, efficiency and accountability in its the work of guiding resources towards major economic development projects.

Through the RDA, northwest Indiana has been given a significant opportunity to gain control of its economic destiny. The legislation provides both the authority and financial resources to invest in its key assets. One of the ways the legislation seeks to direct that capitalization is to require a process of "due diligence" or planning prior to the making of investment or asset allocation decisions.
IC 36-7.5-3-4(a) states:

> Sec. 4. (a) The development authority shall prepare a comprehensive strategic development plan that includes detailed information concerning the following:
>
> (1) The proposed projects to be undertaken or financed by the development authority.
>
> (2) The following information for each project included under subdivision (1):
>
> (A) Timeline and budget.
>
> (B) The return on investment.
>
> (C) The projected or expected need for an ongoing subsidy.
>
> (D) Any projected or expected federal matching funds.
>
> (b) The development authority shall before January 1, 2008, submit the comprehensive strategic development plan for review by the budget committee and approval by the director of the office of management and budget.
>
> *As added by P.L.214-2005, SEC.73.*

Northwest Indiana RDA
Regional Development Authority

Vision

Be a catalyst for the transformation of the Northwest Indiana economy to robust world class status

Values

Bold Collaborative Transparent Non-partisan Efficient Accountability

Board Members

John Clark
Chairman
Senior Advisor to Gov. Daniels
Dir. Office of Energy and Defense Development

Dr. Howard Cohen
Treasurer
Chancellor
Purdue University Calumet

Harley Snyder
President
HSC, Inc.

Gus Olympidis
President and CEO
Family Express Corporation

Bill Joiner
Retired Banker

Lou Martinez
President
United Way

Carmen Fernandez
Counsel
East Chicago Corporation

Executive Director

Tim Sanders

Development Vision

The statute stipulates that the RDA may undertake or finance four named projects and may also engage in financing other economic development projects in northwest Indiana. The four named projects for purposes of this report are referred to as Targeted Investments. The statute requires a budget and timeline for each project's development, the return on investment, the projected need for an ongoing subsidy and projected federal matching funding. This report provides information relevant to those items for each of the projects and as explained below, utilizes a dynamic policy analysis model to yield information regarding return on investment.

This report provides the comprehensive economic development strategy required in the statute. It is based on an analysis of the region's economic and demographic variables and an eight month long review of economic and transportation policy studies completed for the Northwesterm Indiana Regional Planning Commission [NIRPC]. This earlier work was completed in November of 2006 and also included stakeholder interviews throughout the region. These interviews and focus groups included both public sector and private sector leaders who brought a broad perspective to the planning outcomes.

The report also contains an in-depth description of each of the targeted investment's "preferred" development path, gleaned from the planning work already done by the management of each of the projects and supplemented by analysis and "due diligence" conducted by the Policy Analytics research team. The costs of the project were not simply taken from management but were analyzed and have in some cases been adjusted to reflect newer information not originally available. The projections for current dollar costs [investment costs that include inflation] were made by Policy Analytics and are based on assumptions of general inflation over longer time horizons and for specialized components of aggregate inflation indices.

Within the discussion of each targeted investment, the required need for subsidy and the availability of federal matching funds will be discussed. These parameters like many of the other aspects of the analysis are estimates that will, of course, require adjustments as new information comes to the fore. The concept of the "net regional cost of the project" incorporates the analysis of these items [federal match and subsidy] and is then used in the REMI analysis and metrics defined below.

The RDA purchased REMI's "Policy Insight" model for the basic economic analysis contained in this report and also obtained "Transight", a related transportation model for use with the transportation assets which are the core of the specified targeted investments. Each investment was analyzed in a detailed manner as to its probable and planned development path, the timeline associated with that development, the costs associated with achieving that development path, and the possible availability of federal funding for use within the project. The funding and development time horizon chosen was from 2007 through 2040. Because these assets are large, complex projects they require a significant period of time to develop and grow. The Gary/Chicago International Airport's Master Plan development was slated to take place over a roughly 20 year period. Many commuter rail development projects are years in planning and then a decade or slightly less to construct. After the project is developed, there must be some amount of time for its benefits to work through the economy and be measurable to their fullest extent. Thus the timeline to 2040 for the economic modeling provides this window for adequate measurement.

Return on investment [ROI] can be measured in various ways, and is a substantially different measure in public sector projects than in private sector analysis. Principally, the difference is that for many public sector projects, especially in transportation, the growth of the asset's services being provided increases the required subsidy or public sector funding infusion. For purposes of this report, the ROI calculations manifest themselves in 3 separate measurements, a benefit/cost ratio, a cost per job and an output ratio. Each of these measures is defined below.

1. Benefit/Cost Ratio: The numerator equals the sum of the discounted benefits of the project over the entire time horizon [till 2040], where benefits are measured by the increase in total personal income generated by the project investment. The denominator equals the sum of the discounted costs of the project over the entire time horizon.

2. Output Ratio: Gross Regional Product [GRP] is the measure of total output for a defined geography. This is a broader measure of economic activity than personal income and includes business contributions to economic activity as well. The numerator is the sum of the discounted GRP over the project time horizon and the denominator is the sum of the discounted costs of the project over the entire time horizon.

3. Cost per Job: Incentive based economic development efforts and projects are often compared on the basis of the costs expended by the public sector per each job realized in a project or series of projects. This measure is a fraction, the numerator is the sum of the discounted costs over the time horizon and the denominator is the total number of jobs resulting from the project by the end of the measurement time period.

The quantitative measures – gross regional product, personal income, or total employment – used in these ratios are outputs from employing the REMI model for the analysis of the project. The use of the REMI model allowed for a consistent measurement – as consistent as possible across different kinds of projects – to be employed in the ratios.

The ROI calculations and ratios presented in this report are not intended to eliminate any one of these targeted investments from being considered for funding. The Indiana General Assembly in its creation of the RDA provided that each of the four projects be supported in their role as significant contributors to economic growth in the region. In fact, the analysis in this report supports the view that it is only in a multi-faceted or multi-dimensional approach to regional development that the most rapid, the broadest, and the most sustainable growth path can be achieved.

Strategic Planning Framework

In early 2006, NIRPC undertook a two-fold strategic planning and research process to establish a regional strategic plan for economic development, and to determine what role NIRPC should play in the process of economic development for the region. Input was obtained from both public and private sector regional stakeholders, and key information was distilled from more than 50 regional and local planning documents.

Stakeholders articulated a need for collaborative planning across the region that includes public sector, private sector, and non-profit involvement. Economic development is a process that occurs within a two-phase framework. The first phase is planning and preparation, focusing on policy and infrastructure development that is conducive to economic growth. This phase is led by the public sector, which lays a solid foundation for investment through comprehensive land use and transportation planning, and awareness of environmental and social impacts. The second phase is private sector driven and focused on implementation. Through creation, attraction, retention, expansion and redevelopment efforts, private sector leaders attract new investment either from resident enterprises or from those just entering the region.

To conceptualize a regional strategic direction in economic planning, economic goals and objectives were integrated from local research and planning documents into six economic development themes. These themes are areas where public sector leaders should intentionally focus their planning efforts to create an economic environment conducive to growth. Together, these themes make up the components of a holistic regional development vision and are presented below in brief.

Pro-Growth Business Environment—Comprehensive, region-wide economic planning incorporating a coordinated land use plan. Develop high quality infrastructure, and encourage collaboration between the public sector and private sector through public-private partnerships.

Transportation—Integrate transportation planning with regional land use planning. Develop the Gary/Chicago International Airport, and facilitate faster freight movement throughout the region. Provide greater inter-region and intra-region access through an optimized regional transportation system. Anticipate the continued growth in residential development in southern Lake and Porter counties, including planning for the Illiana Expressway and other assets that will improve the flow of citizens and workers within the region and to destinations outside it.

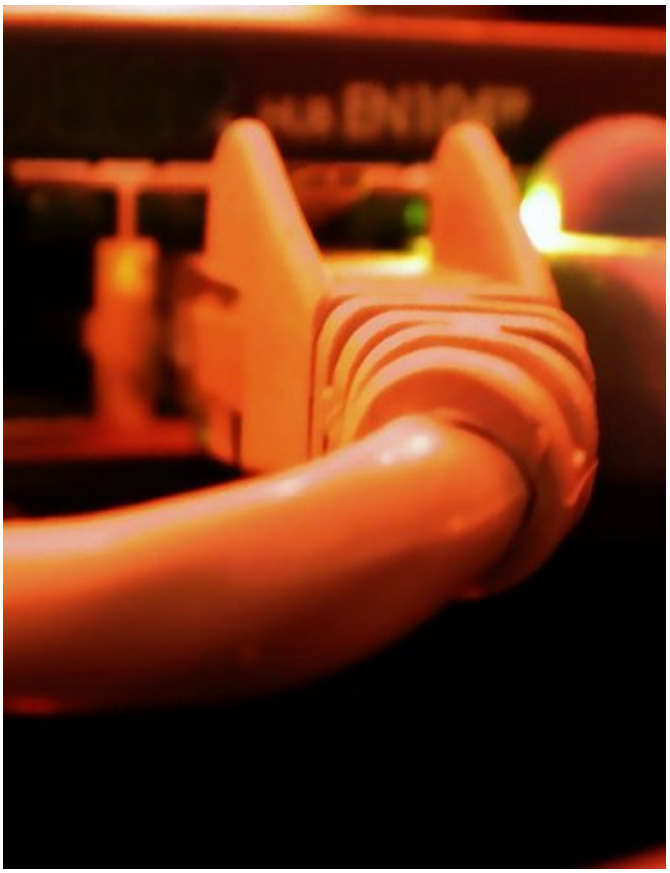
Environment—Include environmental implications into regional economic planning. Support sustainable development through brownfield redevelopment, conservation, and by reclaiming the Lake Michigan shoreline for public use. Ensure sustainable development by integrating the five aspects of environmental planning into the processes of economic development and transportation planning. Support the implementation of the Marquette Greenway, pedestrian friendly systems, blueways and biodiversity projects that strengthen the health and well-being of life within the NIRPC region.

Workforce Development—Recognize the local workforce as an economic development asset. Develop a highly-skilled, qualified and competitive workforce, with the education and training needed for today's jobs. Partner with regional workforce leaders and academic institutions to co-convene best practice forums on the vital linkages between world class economic development and globally competitive workforce and education systems.

Leadership—Establish and continue to communicate a cohesive regional vision for economic development and build intra-regional collaboration into the fabric of the public and private sector processes. Anticipate market opportunities to develop and sustain a globally competitive region.

Quality of Life—Promote quality of life values through a comprehensive land use plan. Engage in broader dialogue with stakeholders to open cultural pathways between communities and across the region. Promote opportunities for disadvantaged residents, and seek to reduce economic disparities by incorporating socially just solutions to regional problems. Plan strategically for strong economic growth, a diversifying employment base, efficient and accessible intra-regional transportation, and a healthy environment for generations to come.

These strategies for region-wide economic development are long-term directional guidelines for moving the northwest Indiana region toward a world-class, globally competitive economy – the goal of the RDA. The four regional targeted investments analyzed in this report are foundational for achieving this economic development vision. Investing in these assets will bring quantifiable economic and social returns. Development of the Gary/Chicago International Airport to its full potential will attract investment and improve an important component of the region's transportation network. Creating a regional bus network, and expanding commuter rail to more communities will lead to an optimized transportation network, increase employment opportunities for area residents, and be important considerations in sustainable land use planning. Redeveloping the Lake Michigan shoreline for public use will attract private development and have positive



environmental and quality of life impacts for the region.
This development process is intended to result in a state that for northwest Indiana is definably different from its historical situation and its current status. While there are many economic assets and beautiful places in the region, northwest Indiana has not been regarded as the most desirable place to live, work and raise a family. It has often been compared unfavorably to the Chicago metropolitan area, [of which it is statistically and economically a part], and to Indianapolis and central Indiana – the political axis to which the region must relate. The "end-state" envisioned in this report and for which the RDA is planning its investments is nothing less than a region which will be on an equal footing with or for some aspects compare favorably with these other two geographies.

This report therefore is not comprised of timid proposals for investing in the key statutorily defined targeted investments. In fact, there is a theme throughout this discussion – that it is only through the bold and aggressive work of the RDA, and its colleague entities engaged in the regional economic development process that the true aspirations of the citizens of northwest Indiana can be realized.

Economic Data Profile

The effects of globalization and the restructuring of the U.S. steel industry have had profound effects on the RDA region of Lake and Porter counties. It has fallen from its heights in primary metals, and coming out of the 2001 recession, has begun to diversify into health-care, service-related and trade sectors.

Location Quotient

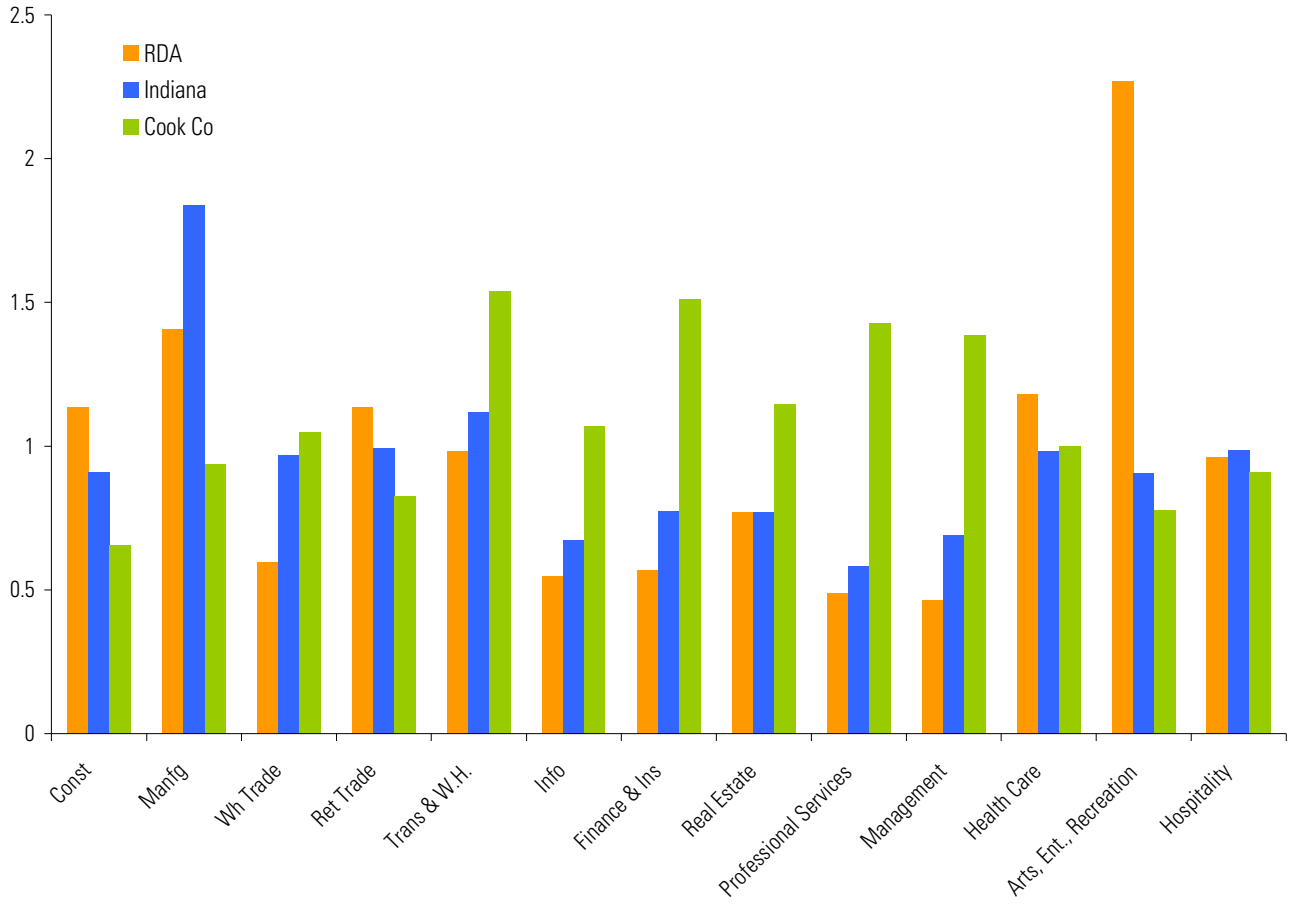
The location quotient [LQ] indicates whether an industry is more or less concentrated in a particular region than in the U.S. as a whole. The manufacturing sector is highly concentrated throughout the RDA region and is the largest industry in terms of total employment.

Manufacturing remains strong and concentrated in northwest Indiana. It is dependent upon good connections to highway, rail and water. A part of the Arts/Entertainment/Recreation sector, the gaming industry provides for a significant number of jobs in northwest Indiana. In its advantageous location, this industry will continue to benefit from further shoreline redevelopment.

The connectivity provided through the South Shore commuter line strengthens the professional services and health care industries as and allows for reverse commuters from Chicago.

Chart 1: Location Quotient of Selected Industries, 2005

Source: BLS



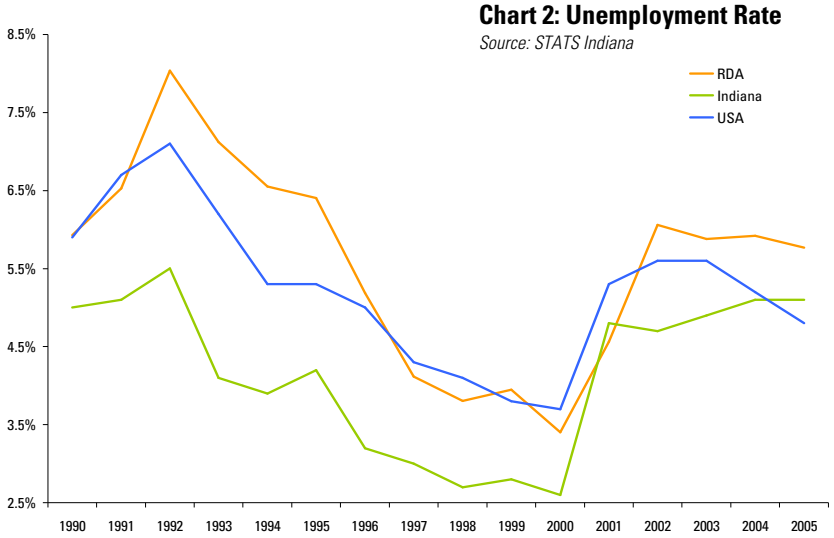
Unemployment

Because of the cyclical nature of the industrial base of the RDA region, the average long-term unemployment rate has been higher in the region than in the state or U.S.

As efforts to diversify the economy continue, the regional unemployment rate will converge toward the state of average.

Chart 2: Unemployment Rate

Source: STATS Indiana



Employment by Occupation

Shoreline redevelopment and transportation stem are strategic directions that are likely to provide diversification of the labor force. The cyclical nature of the manufacturing jobs make it even more critical that public transportation be available intra-regionally and inter-regionally.

Many of the workers with the skills sets required for professional occupations commute to Chicago and in doing so, utilize public transit. The continued investment in commuter rail and bus transit services is required in order to maintain the flow of funds brought back to this region.

"As a region,
we have depended upon
the manufacturing areas
to provide our jobs.
Those jobs are diminishing.
The RDA is the tool for us
to use to provide new jobs."

Gayle Van Sessen,
Executive Director
Crown Point Chamber of Commerce
The Times, June 2005

Table 2: Total Employment by Occupation, 2005

	Employees	% of Total
Management, professional, and related	**80,167**	**27.34%**
Management	20,597	7.02%
Business and financial operations	9,747	3.32%
Computer and mathematical	3,374	1.15%
Architecture and engineering	5,531	1.89%
Life, physical, and social science	1,500	0.51%
Community and social services	4,930	1.68%
Legal	3,235	1.10%
Education, training, and library	14,554	4.96%
Arts, design, entertainment, sports, and media	3,669	1.25%
Healthcare practitioner and technical	13,030	4.44%
Service occupations	**54,617**	**18.63%**
Healthcare support	6,705	2.29%
Protective service	6,878	2.35%
Food preparation and serving related	17,597	6.00%
Building and grounds cleaning and maintenance	12,585	4.29%
Personal care and service	10,852	3.70%
Sales and office occupations	**75,646**	**25.80%**
Sales and related	32,552	11.10%
Office and administrative support	43,094	14.70%
Farming, fishing, and forestry	**205**	**0.07%**
Construction, extraction, and maintenance	**32,516**	**11.09%**
Construction and extraction	19,870	6.78%
Installation, maintenance, and repair	12,646	4.31%
Production, transportation, and material	**50,089**	**17.08%**
Production	24,777	8.45%
Transportation and material moving	25,312	8.63%

Source: U.S. Census Bureau, 2005 American Community Survey

Earnings by Industry

While the earnings of workers in northwest Indiana have paid a living wage and provided for families. The pay scales in Cook County are significantly higher thereby attracting workers from the RDA region.

Historically the high wage manufacturing jobs located in northwest Indiana have been highly desirable as career choice. However, as globalization has changed the economy service sector jobs have surpassed manufacturing jobs in terms of annual wage.

"Our institutions of higher learning will only be as strong as northwest Indiana is." That is a powerful statement!

Dr. Alan Harre, President, Valparaiso University quoted by Mayor Leigh Morris City of La Porte & NIRPC's Chairman of the Economic Development Committee

Table 3

Average Annual Pay by Industry in $, (2005)

	RDA	Indiana	Cook Co	USA
All Industries	$35,790	$35,431	$49,691	$40,676
Agriculture	$15,413	$26,026	$23,081	$23,242
Mining	$58,466	$51,606	$68,147	$72,227
Utilities	$66,148	$64,474	$87,204	$68,099
Construction	$46,240	$40,807	$59,291	$42,006
Manufacturing	$63,557	$48,232	$50,206	$49,336
Wholesale Trade	$45,653	$47,433	$61,431	$55,265
Retail Trade	$21,914	$21,792	$25,526	$24,924
Transp./Warehousing	$38,553	$36,965	$46,151	$41,659
Information	$39,699	$39,933	$67,461	$61,237
Finance and Insurance	$38,543	$49,509	$93,718	$73,334
Real Estate	$24,426	$30,066	$54,442	$39,320
Prof. Services	$40,400	$47,511	$82,199	$65,274
Mgmt. of Companies	$73,895	$72,241	$115,472	$85,262
Admin. Services	$24,413	$23,277	$29,388	$28,203
Educ. Services	$30,383	$33,632	$45,147	$36,849
Health Care	$36,902	$35,982	$41,156	$38,254
Arts/Enter./Rec.	$20,565	$26,501	$32,429	$27,724
Accommodation/Food	$10,859	$11,771	$18,028	$15,210
Other Services	$21,110	$23,148	$34,145	$25,995
Public Administration	$32,803	$35,254	$56,468	$47,097

Source: Bureau of Labor Statistics

Educational Attainment

The RDA region has a greater percentage of high school graduates than the national average, but it trails both Indiana and the nation with residents obtaining a bachelor's degree. Twenty-two percent of RDA residents have started college but have not graduated.

The relatively low percentage of residents with a bachelor's degree reflects the historical job mix in the region. As Professional Service employment increases, it is likely to see an increase in educational attainment.

Table 4

Educational Attainment (2005)

	RDA	Indiana	USA
Less than 9th grade	4.1%	4.4%	6.2%
9th to 12th grade, no diploma	9.9%	10.3%	9.5%
High school graduate (incl equiv)	37.0%	37.1%	29.6%
Some college, no degree	22.0%	20.0%	20.1%
Associate's degree	7.5%	7.0%	7.4%
Bachelor's degree	12.5%	13.5%	17.2%
Graduate or professional degree	6.9%	7.7%	10.0%
High school graduate or higher	85.9%	85.3%	84.2%
Bachelor's degree or higher	19.4%	21.3%	27.2%

Source: U.S. Bureau of Census

Quality of Life Factors

In the "Application for Financial Support", the RDA requests that applicants analyze the project in terms of improving quality of life, especially the environment and social equity. This framework between economic vitality, environmental well-being and social equity "for the benefit of current and future generations" defines sustainability.

In 2004, the Northwest Indiana Quality of Life Council published a regional report card called "The Indicators Report" which measures conditions in 11 policy domains. The grades and trends illustrate a desperate need for a comprehensive economic development strategy as the mechanism to elevate quality of life, and leadership is responding.

As a catalyst, the RDA facilitated this report, a comprehensive economic development strategy [CEDS], which is built upon the strategic economic development planning process recently undertaken by NIRPC. This RDA plan is an impetus for regional progress in the twenty-first century. The synergy unleashed by fully developed and incrementally implemented targeted investments will elevate quality of life. Table 5 illustrates the hypothetical upward movement in grades and trends experienced by northwest Indiana upon investment in these four targeted investments. Stewardship of limited resources is a guiding principle to sustainable development.

With respect to diversity, the community can anticipate demographic changes—increases in population and greater diversity of people. A thriving economy will lower employment rates, increase the quality of labor pool, benefit the five targeted industry clusters and small businesses. Economic opportunity will increase per capita personal income, ameliorate poverty and lower demand for social services. Balanced development may improve environmental conditions, lessen impacts to human health and promote mixed-used density for preservation of biodiversity and farmland.

World class economies will continue demanding academic excellence beginning in Kindergarten through post-secondary. Rising household incomes should lower the costs of health care by shifting services to preventative care. Strong housing markets, anchored by transit-oriented development and trail systems, will nurture a sense of place and regionalism. Rail, bus and pedestrian transportation modes will greatly increase access to higher paying jobs, education and training institutions, lower cost health care services, recreational activities and retail centers. Bustling 24/7 welcoming cityscapes encourage public use in critical masse. People feel safe and move about freely. In addition, the community offers more public spaces for self expression, artistically and recreationally. Lastly, efficient and effective public services will facilitate the ascent of this economy to world-class status.

Table 5: Hypothetical Movements in Quality of Life Indicators

Indicator Category	Pre-Grade	Airport	Commuter Rail	Regional Bus	Marquette	Post-Grade	Anticipated Impacts	
A Diverse Community [demographic]	D		+	+	+	C	↑ Population	↑ Diversity
A Thriving Community [economy]	D	+	+	+	+	B	↓ Unemployment	↑ Labor Market Quality
							↑ Five Targeted Industries	↑ Small Businesses
A Community of Opportunity [income/poverty]	D	+	+	+		C-	↑ Per Capita Personal Income	↓ Poverty/Demand for Services
A Community in Balance with its Environment [environment]	C+		+	+	+	B-	↑ Remediation/Restoration	↓ Effects of Sprawl
							↑ Brownfield Redevelopment	U Pollution
A Learning Community [education]	C-					C-	↑ Pressure on Local Performance	↑ Pressure for Advanced Skills
A Healthy Community [human health/health care]	I			+	+	D+	↓ Costs of Emergency Services	↑ Preventative Health Care
A Community of Open & Viable Neighborhoods [housing]	C		+		+	B-	↑ Mixed-use/Transit-Oriented	U Segregation
An Accessible Community [transportation]	D	+	+	+		B	↑ Passenger Rail, Bus & Air	↑ Pedestrian/Cycling Trail System
A Safe Community [public safety]	B-				+	B	↓ Crime	↑ Welcoming, Secure Public Spaces
A Community that Appreciates the Arts & Celebrates Life [arts/recreatior	B		+		+	A-	↑ Artistic Expression	↑ Recreational Enjoyment
A Community of Engaged & Caring Citizens [civics/government]	B-	+	+	+	+	B+	↑ Efficient, Effective Services	↑ Tax Base
							↑ Public Access	↑ Public Use
								↑ Philanthropy

Source: Quality Of Life Indicators Report 2004 and Policy Analytics, 2007

Environmental Risk Factors

Environmental quality is a core factor affecting comprehensive economic development strategy. A healthy environment upholds regional economic vitality since it is the platform from which all activities take place. Clean air, water, land and strong biodiversity create a safe, healthy and attractive place to live, work and play. Byproducts of industrial processes and human consumption generate vast amounts of hazardous and non-hazardous waste. The mishandling and accumulation of materials can result in the contamination of natural resources. Due diligence on such matters must be investigated and weighed early in the development planning process as a system of federal, state and local laws apply.

As part of its economic development strategy, NIRPC focuses on environmental planning related to air, land, water, solid and hazardous waste and biodiversity. Through its statutory authority, NIRPC's strengths lie in its ability to coordinate and technically assist stakeholders in these five areas. However, the paramount regional planning tool necessary to guide economic growth in harmony with natural capital is a comprehensive regional land use plan. Such a plan does not exist.

Environmental Policy & Management
The National Environmental Protection Act of 1970 [NEPA] requires Federal agencies contemplating proposed actions to consider environmental factors as part of the decision-making and planning processes. The NEPA involves three levels of analysis. The first involves proposed actions that qualify as Categorically Excluded Determination [CED] because they pose no environmental impact. The second involves conducting an environmental assessment [EA] to determine whether it is a Finding of No Significant Impact [FONSI]. When significant affects may exist, the third requires an Environmental Impact Statement [EIS] leading to a Record of Decision [ROD] used in project decision-making during the planning phase. While NEPA applies to all Federal agencies, U.S. EPA is charged with NEPA EIS filings and reviews. The FAA adhered when it conducted an environmental impact statement for the proposed expansion of the Gary/Chicago Airport.

Environmental management at the project level can be highly complex given the concurrent and overlapping jurisdictions. This overview highlights just a few key environmental law and programs applicable to economic development in northwest Indiana.

Brownfield site
"real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant."

"A workable program aimed at solving one of the highest environmental problems confronting the Nation, the disposal of hazardous wastes."
Gerald R Ford
October 22, 1976 at the signing of RCRA

The Resource Conservation and Recovery Act [RCRA] of 1976, Amended 1992 and 1996
The RCRA is a public law governing disposal of solid and hazardous waste at active and future waste producing, handling or disposal facilities. Under EPA jurisdiction, this Act prohibits open dumping of waste and encourages waste reduction and proper disposal under three programs: solid waste, hazardous waste and underground storage tanks. The solid waste program addresses nonhazardous industrial and municipal waste issues. The hazardous waste program manages a system for controlling hazardous waste from cradle to grave. The underground storage tank program regulates hazardous substances and petroleum products. EPA has delegated the implementation of programs to the state level, in this case, through IDEM.

Hazardous waste is a waste with properties that make it dangerous or potentially harmful to human health and the environment. Under RCRA, it means waste that appears on one of the four hazardous waste lists or exhibits at least one of four characteristics—-gnitability, corrosivity, reactivity or toxicity. Possible forms include liquids, solids, contained gases or sludges that may be byproducts of manufacturing processes or simply commercial products.

Comprehensive Environmental Response, Compensation and Liability Act of 1980, Amended 1986
The CERCLA is the public law governing the cleanup of abandoned or uncontrolled hazardous waste sites under the Superfund Program. It established requirements and prohibitions pertaining to such sites including liability of responsible parties and response actions. Short-term removals involve actions to address releases or threatened releases requiring prompt response. Long-term remedial response actions occur at sites designated on the Na-

tional Priorities List that is serious but not immediately life threatening dangers to human health and the environment.

All Appropriate Inquiries [AAI], CERCLA Brownfields Amendments, 2002
Effective November 2006, all appropriate inquiries defines the standards and practices for "the process of evaluating a property's environmental conditions and assessing potential liability for any contamination." AAI applies to any party who may potentially claim protection under CERCLA liability and to those seeking EPA Brownfield Grant monies. An AAI must be completed or updated within one year of property acquisition.

Wetlands

"areas that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. Wetlands generally include swamps, marshes, bogs, and similar areas."

403 Wetlands Permit
Section 404 of the Clean Water Act establishes a program to regulate the discharge of dredged or fill material into the waters of the United States, including wetlands. Regulated activities in these waters include fill for development, water resource projects and infrastructure development. Section 404 requires a permit before dredged or fill material may be discharged into the waters of the U.S., unless exempt. It assesses aquatic environment, potential impacts, ways to minimize such impacts and compensatory measures if necessary.

The U.S. ACE, U.S. EPA and U.S. FWS maintain a role and responsibility in this area. The ACE administers the day-to-day program including the wetlands delineation and permitting processes. The EPA's role includes determining the scope of geographic jurisdiction, applicable exemptions and reviews individual permit applications. The FWS evaluates impacts to fish and wildlife on all new Federal projects and Federally-permitted projects.

401 Wetlands Permit
In conjunction with a 403 permit application, a party must file a 401 Water Quality Certification permit or waiver with the Indiana Department of Environmental Management's Office of Water Quality and Office of Land Quality for wetlands that lie outside of the ACE jurisdiction.

Environmental management exists to address contamination that is known to adversely affect human health and the environment. It requires interaction between the responsible party, the appropriate regulatory agency(s) and potentially, a new purchaser. Typical remediation projects may take at least seven years to complete, which can add a significant delay to aggressive economic development project schedules.

Contaminated properties carry a level of risk associated with impact and clean-up costs. Liability follows the chain of ownership, so new property owners must weigh their risk tolerance. Legal instruments, such as leasing agreements and deed covenants, define user and ownership rights thereby managing some of the risks. Risk adverse property owners may seek an issuance of No Further Action[NFA] or Covenant Not To Sue [CNTS]. Both documents protect the seller and buyer from specifically named contaminants; if a contaminant emerges on site but is not listed on the NFA or CNTS, both parties may still be liable. In addition, the EPA may seek compliance assurances during this transaction from both parties.

Critical Path Factor

Environmental factors are critical paths that may affect either project timing or costs. Due diligence and proper guidance during initial planning, acquisition and construction phases can lower these risks associated with unexpected contamination. Failure to adequately do so may expose the parties to unanticipated liabilities of clean-up costs.

Major industries generate billions of dollars and still underpin the regional economy. Ensuring the longevity of these industries is crucial to future economic prosperity. Historical manufacturing footprints have tied up thousands of acres along the shoreline for this lucrative use. Technological advancements, global industry pressures and changing land valuations offer an opportunity for leaner facilities to divest of certain parcels. Elected officials can also influence industries' land use decision-making by proposing public infrastructure aligned to the vision of the Marquette Greenway. Congressman Visclosky has made it clear that viable industry is a mainstay along the shoreline and that potential reuses, advantageous to public access, will not be made at their expense. An incremental approach for sound shoreline development is the recommended course of action.

Environmental factors may impede a firm's ability to fully respond to such planning request. First, environmental management is a cost center for business. Every dollar directed toward mitigation does not create shareholder value. Secondly, several lakefront operations are designated RCRA facilities undergoing corrective action. Hazardous waste contamination of soil and water create a complex set of liability, remediation and redevelopment issues. As generators of air pollutants, industries maintain pollution control devices that must be calibrated based upon air models of on-side and surrounding land uses. Activities which bring people closer to the RCRA sites for longer periods of time drive up exposure measurements in industry air models. Finally, the Sarbanes Oxley Act requires disclosure of contingent liabilities once quantified. This report utilized environmental remediation costs developed through reliable public documents, experienced engineering consulting firms and other publicly available information.

Gary Chicago International Airport
GYY

The Airport Development Vision

The Gary/Chicago International Airport is central to northwest Indiana's regional development vision, but has not reached its development potential. Its existing facilities do not allow the airport to meet the Chicago region's demand for air travel. However, a fully developed, thriving commercial airport creates economic growth and serves as a gateway, connecting the region to the nation and the world.

The Chicago market is one of the largest commercial aviation markets in the world. The region is served by two major airports, O'Hare International and Chicago Midway. O'Hare is an international gateway airport, and serves as a hub for United Airlines and American Airlines, two of the largest airlines in the country. Low cost carriers, such as Southwest and AirTran have a strong presence at Midway. Together, the Chicago airports have seen 4% enplanement growth annually over the last five years. O'Hare consistently ranks as one of the top two busiest airports in the world. This volume of air traffic causes congestion and resulting travel delay. From January to November 2006, on-time arrival performance at O'Hare was among the worst in the nation, ranking 29th out of 31 major U.S. airports. Nearly 3 out of 10 flights departed late from O'Hare. The demand exists for a third option in the Chicago market—an airport that is accessible, on time and convenient, the Gary/Chicago International Airport.

The Gary/Chicago Airport is positioning itself to relieve congestion in the Chicago market by implementing a capital improvement plan to enhance its airfield, aircraft facilities and passenger terminal to handle rapidly growing projected passenger demand. The investment of commercial airlines will make Gary/Chicago a convenient, cost effective, and time saving alternative to O'Hare and Midway.

Expanding the Gary/Chicago Airport will generate a multitude of economic benefits, affecting both Chicago and northwest Indiana. Census numbers show that more than 3.3 million people live within 30 miles of the Gary/Chicago Airport, and this report's forecast projects the Airport to enplane over 4.8 million passengers by 2020. Many will travel from Chicago, avoiding the congestion of O'Hare and Midway. Others will come from the northwest Indiana region, gladly trading the two-hour drive to the Chicago airports for a quick trip to Gary. Travelers will arrive to the Airport from easily accessible freeways or via the nearby South Shore commuter rail station. Near-to-terminal parking facilities will ensure a short walk from the car to the plane. Upon completion of the expansion plan, passengers will be welcomed by bright, modern terminal facilities. Short lines at ticket counters and security checkpoints will allow plenty of time to browse shops, have a meal, or work in the comfortable, spacious terminal.

History of the Gary Airport

1939	City of Gary created the Board of Aviation Commissioners
1943	Land donated to Federal Government as site for synthetic rubber plant
1947	Land returned to the airport for development
1949	Received first Federal funding for airport construction
1950's	Limited commercial passenger service
1960's	Chicago area airports become busiest airports in the world
1995	Establishment of Gary/Chicago Regional Airport Authority
2006	$20 million approved for airport runway extension

Source: Gary/Chicago Airport Master Plan Update, 2001

Airfield and aircraft facility improvements will allow most commercial planes to operate from Gary, providing service to popular destinations across the country and around the globe. The increased passenger traffic will support new jobs at the Airport, along with vendors and concessionaires. However, the Airport's economic benefit will not be limited to airport grounds. Its expansion will not only attract passengers and airlines, but also commerce and industry.

A 2002 study by the Airports Council International found that there are 6.7 million airport related jobs in the United States, garnering $190.2 billion in earnings. Travelers going to and from the Airport will need places to eat and sleep, bolstering the hospitality industry. Firms in the aviation and avionics industries may choose to settle near an uncluttered airport with growth opportunities. Companies that rely on being in close proximity to airfreight will relocate to northwest Indiana. Airports across the country have seen airport investment reap economic dividends. For example, enplanements at the Manchester-Boston Airport in New Hampshire have grown from 270,000 to two million in 15 years, causing the airport to be one of New Hampshire's most important economic engines.

Expanded service at the Gary/Chicago Airport will lower the transaction cost of flying into and out of the Chicago market. For passengers, Midway and O'Hare are convenient airports offering worldwide nonstop destinations and competitive fares. However, the possibility of being stuck in congested traffic, standing in long lines, having a flight delayed or cancelled, and the cost of parking and airport transfers all raise the economic costs of using these airports. By offering free or affordable parking, on time service and quiet terminals, the Gary/Chicago Airport can reduce the real cost of flying. With comparable destinations and fares and more efficient operations, it will cost less—in real terms—than O'Hare or Midway. Because of Gary's close proximity to Chicago, these benefits will affect business passengers from both northwest Indiana and Chicagoland. Operating from Gary/Chicago will also reduce transaction costs for airlines. Lower landing fees and terminal lease rates, room to expand and a non-congested operating environment will make operating out of Gary cost less than the alternatives. In some cases, airlines already have a difficult time expanding at O'Hare and Midway because of the competitive environment—lack of available gates and takeoff/landing slots. Investing in the Airport's infrastructure will increase its capability to serve passengers, lower the transaction cost of air travel and bring economic returns to northwest Indiana.

The growth of airports is analogous to the growth of hospitals. Hospitals seek to provide modern facilities and a positive working environment to attract the best doctors—those doctors then attract patients. In the same way, airports provide the facilities to attract airlines, which in turn attract passengers. Airlines need an airport with high capacity runways, quality aircraft facilities, and sufficient terminal capacity.

The phases of the Gary/Chicago Airport expansion are directed at improving the airport infrastructure to support continuous commercial aircraft operations. Once these improvements are complete, the Airport will be able to attract commercial carriers interested in providing an alternative reliever to O'Hare and Midway. These airlines will drive passenger growth at the Gary/Chicago. The third investment phase will provide a modern, high-capacity terminal building and increased parking capacity to accommodate passenger growth.

The Airport Development Process

Institutional & Organizational Structure

Due to the regional partnership forged between the City of Chicago and the City of Gary under Mayors Richard M. Daley and Scott King, two institutions are responsible for overseeing the airport, the Gary Chicago Regional Airport Authority and the Gary/Chicago International Airport Authority.

The city of Gary owns and operates the Airport through the Gary Chicago International Airport Authority, a seven member governing board. In 1995, a compact between the cities of Chicago and Gary established the Gary Chicago Regional Airport Authority (GCRAA). This compact allows the GCRAA to collect passenger facilities charges (PFC) from Midway and O'Hare Airports, and use them for projects at the Gary/Chicago International Airport (GYY). The Authority maintains a 12-member Board of Directors. Chicago and Gary each appoint five members, and the states of Indiana and Illinois appoint one member each. This Board is responsible for monitoring and ensuring adherence to policy and fiduciary responsibility over federal, state and local funds and resources involved with operations, capital improvements and development of the Airport.

Alternative Chicago Area Airports

Miegs Field in downtown Chicago was a busy general aviation airport until it was closed by Mayor Daley for security reasons in 2003. The Gary/Chicago Airport is the next closest in proximity to the Chicago metro area and offers commercial and general aviation service.

Milwaukee's General Mitchell International Airport and the Chicago Rockford Airport are further away from downtown Chicago, serving northwest Illinois and Chicagoland suburbs. Plans are also being discussed to construct a new international airport south of Chicago.

Table 6

Distance to Downtown Chicago (miles)

Chicago Midway	9
Chicago O'Hare Intl	19
Gary/Chicago	25
Peotone (potential site)	44
Chicago Rockford Intl	86
General Mitchell Intl (Milwuakee)	87

Core Services

In October 2006, officials at Gary/Chicago welcomed Ft. Lauderdale, FL-based SkyValue USA as its low cost commercial carrier and announced that SkyValue would begin non-stop service to five destinations: Fort Lauderdale FL , Las Vegas NV, Orlando FL, Phoenix AZ and St. Petersburg FL in December. A total of 22 weekly round-trip flights are expected aboard Boeing 737-800 aircraft with maximum capacity of 174 passengers. SkyValue, an affiliate of Xtra Airways, hired 39 new flight attendants from northwest Indiana and Chicago to service the anticipated schedule. Near terminal parking is free.

Private services include the Gary Jet Center, charter passenger flight, general aviation, air cargo operators and on-demand airfreight shipments. Aviation Professionals Inc. offers flight training, FAA testing and a shop for pilots.

"U.S. airports are responsible for nearly $507 billion in economic activity nationwide."
Airports Council International

Current Facilities

The Airport lies off of I-90, I-80/94 at Cline Avenue and U.S. Highway 12/Industrial Avenues. The current footprint consists of 716 acres centered by the airfield configuration of two active runways. Runway 12-30, the primary runway, measures 7,000 feet long and 150 feet wide. The crosswind runway 2-20 measures 3,603 feet long and 100 feet wide. The terminal building is handicap accessible with three gates including a concession area, automated luggage retrieval and ticket counters. Airport facilities include a passenger terminal building, the Gary Jet Center, the Fixed Base Operator (FBO) and several hangars for both corporate and general aviation use, an Aircraft Rescue and Fire Fighting (ARFF) unit, fuel storage and an airport maintenance facility.

Peer Comparisons

The Manchester-Boston Regional Airport in Manchester NH is an example of how capital investment and airline commitment can lead to airport growth. In 1990, the Manchester Airport was a small regional airport with approximately 270,000 passenger enplanements. By 2005, the Airport had grown to over 2 million passenger enplanements, becoming an important reliever airport to Boston Logan and offered national destinations.

Manchester-Boston saw the bulk of its growth in the late 1990's. In 1997, the Airport had 412,000 enplanements and housed several regional carriers. The next year, a terminal addition opened and new airlines began operating from the Airport, including Southwest and Northwest. Between 1997 and 1998, enplanements nearly doubled. A 1998 study found that the Manchester-Boston Airport supported over 1300 aviation related jobs, which produced a total estimated impact of $53.3 million. The Airport expanded its runway, added a second terminal and parking facilities,. In 2005, the Airport served a record 4.4 million passengers. Presently, nine national airlines operate from the Airport to 18 non-stop destinations.

Having the support of a major airline helped the airport in Long Beach, CA go from a coastal regional airport to a transcontinental transport hub. In 2002, JetBlue chose Long Beach, with just under 300,000 enplanements that year as a focus city. In a short time, aircraft operations skyrocketed, and enplanements reached nearly 1.5 million. In 1995, the Akron-Canton International Airport had just over 200,000 enplanements. Soon after, the upstart low-cost carrier AirTran Airways began service from Akron. Other carriers followed, including Frontier, another strong low-cost performer. In 2004, nearly 1.45 million passengers traveled through the Airport. The commitment from AirTran and other airlines helped the Akron-Canton Airport to have a $284 million impact on the local economy. Akron's investment in its airport is continuing, and the Airport recently completed a $60 million facility improvement project.

The Gateway Williams Airport near Mesa, one of SkyValue's Gary destinations, began its aviation life as an Air Force base, closed in 1993. Seeking to relieve traffic from the major Phoenix Airport, it reopened as an airport a year later. For several years authorities developed facilities at the airport, and it began its first passenger service in 2002. Now the Airport boasts over 1,000 on-airport jobs as well as over 30 aviation-based companies. It is a local aviation education center and has an estimated $114 million economic impact annually. By the end of 2008, its terminal will begin to reach its capacity. Plans are to expand to serve 2 million passengers by 2020, with an expected economic impact of $960 million.

Chart 3

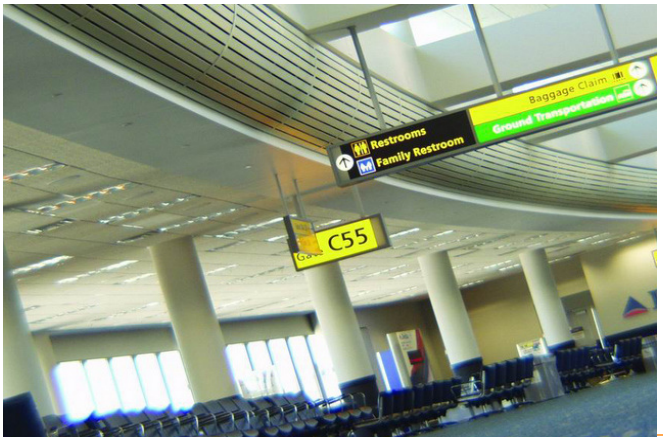
GYY Investment Timeline

	2006	2008	2010	2012	2014	2016	2018	2020	2022	2024	2026	Cost ($1,000)
Phase I												118,024
Phase II												10,849
Phase III												511,626
Total Cost												**640,499**

The Opportunity

Seeing Gary/Chicago transform into the reliever and third major Chicago airport is a critical step toward realizing northwest Indiana's economic potential. Northwest Indiana's leaders and researchers understand this imperative. Specifically, stakeholder interviews included Gary/Chicago airport's development as a component of the region's strategic vision for transportation. Fully developed, it will serve as the cornerstone of Northwest Indiana's transportation infrastructure, enabling business to interact more efficiently in a global economy.

Chicago's need for a third airport has been demonstrated in this report, and congestion is only predicted to increase. Air travel is the mode of transportation for modern business, and without efficient access, firms become disconnected from clients and suppliers. Even massive airports like O'Hare face air traffic capacity limitations. Access to air travel is so valuable that the economic and political forces that drive Chicago's economy will not allow limited capacity to hinder economic progress over the long term. Chicago's demand for additional capacity will be satisfied by a third major commercial airport. It is up to the leaders in northwest Indiana to ensure that Gary/Chicago assumes that role. To take advantage of this market opportunity, Gary/Chicago must invest both wisely and aggressively. The airport improvements will take place in three phases over a 20-year timeframe so that improvement costs are spread out over time, and construction coincides with demand. All costs have been adjusted for inflation.



Phase I—Laying the Foundation

The first phase of the investment plan will prepare the airport for full-time commercial service. Extending the main runway is the first priority of Phase I. While the Airport can currently handle commercial traffic, extending the runway will bring it into compliance with FAA safety standards and allow larger jets to use it. The extended runway will be 8,900 feet in length, longer than the runways at Midway and New York's LaGuardia. Phase I must occur to grow into a major national airport. When this phase is completed, GYY will be a more attractive service option for airlines. Phase I construction is expected to begin in 2007 and end in 2010 at a cost of approximately $118 million.

Table 7

Phase I Projects	
	Cost ($)
Railroad Relocation	39,498,013
Powerline Relocation	19,229,212
Runway and Taxiway Extension	23,784,654
Land Acquisitoin & Other Related Cost	16,475,478
Administration & Program Management	2,768,086
Expand Existing Terminal Apron	735,979
Improve Access to Existing Termial	10,663,784
Expand Passenger Terminal	4,869,144
Phase I Total	**118,024,350**

Airfield Improvements

Extending the runway requires the relocation of the EJ & E Railroad tracks, located only 200 feet from the approach end of Runway 12. The main runway will be extended to meet FAA safety standards and accommodate larger aircraft. Phase I also involves expanding the terminal apron and extending the main taxiway.

Terminal Improvements

To improve the Gary/Chicago's ability to handle commercial passenger traffic, it will expand the current terminal building by 21,500 square feet, providing more than twice the current terminal space. This expansion includes space for ticketing, baggage operations, concessions, passenger gates and waiting areas. Road access to the Airport will be improved to accommodate larger crowds.

Phase II—Improving Aircraft Facilities

The second phase of investment will focus on the airfield and aircraft facilities. These improvements will ensure efficient operation as commercial air traffic increases. They will add capacity, make the airport safer and improve the efficiency of aircraft operations. Phase II construction projects include deicing pads, taxiways, and hangars. The timeline for Phase II is 2010-2015, and with an expected cost of $10.8 million.

Table 8

Phase II Projects	
	Cost ($)
Construct Two Deicing Pads	4,768,771
Construct High-Speed Taxiways	1,758,806
Expand Trade Zone Apron	417,346
Construct Maintenance Hangar	470,363
Construct T-Hangars	720,437
Construct Corporate Hangars	2,713,738
Phase II Total	**10,849,461**

Phase III—Achieving the Vision

By 2016, most airfield improvements will be complete and passenger traffic will be nearing the capacity of the current terminal. Phase III includes constructing a new passenger terminal and parking facilities to accommodate increasing demand. This will allow multiple airlines to operate from the Airport, offering direct flights to destinations across the nation. The timeline for Phase III is 2016-2026. The final phase carries significantly more cost than the first two phases, an estimated $511 million.

Table 9

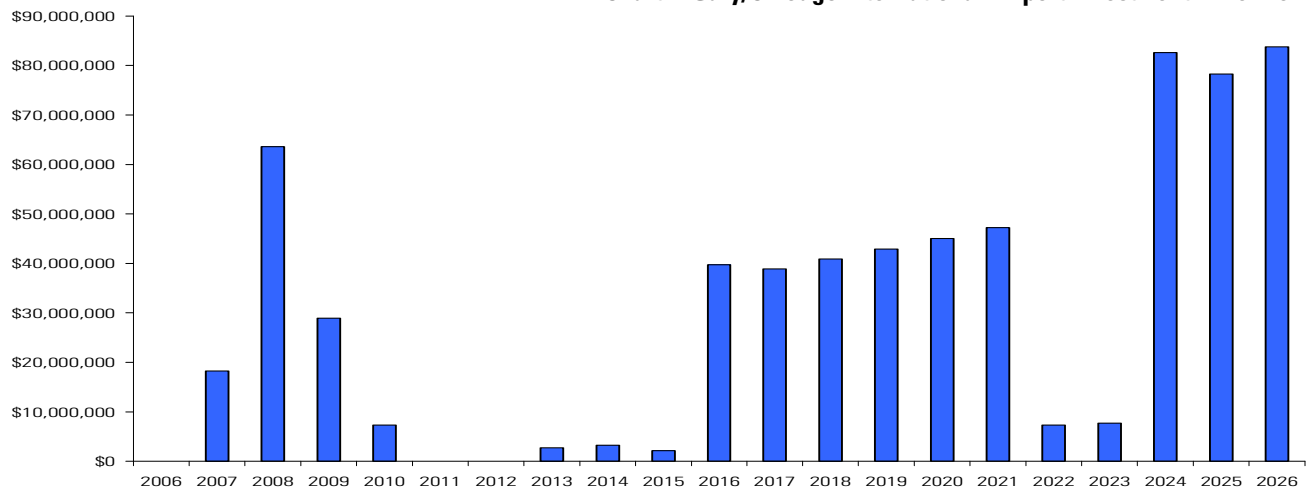
Phase III Projects	
	Cost ($)
Construct New Terminal Area	251,944,513
Construct Dual Terminal Taxiway	23,059,087
Construct Cargo Area	67,146,801
Construct Access and Parking	167,920,449
Construct High-Speed Taxiway to Cargo	1,555,177
Phase III Total	**511,626,027**

<u>New Terminal and parking</u>

Phase III is highlighted by the construction of a 400,000 square foot passenger terminal, completing the transition from a small regional airport to a national airport. A terminal-concourse design will provide flexibility for the terminal to grow as passenger demand increases. The new terminal will give the Airport capacity to house multiple regional, network, and low cost airlines. Restaurateurs, retailers and professional service providers operating from the terminal will provide a full range of passenger services.

In the long term, demand will exceed current parking capacity. To accommodate the growth in passenger traffic, the Master Plan includes a 4-story parking structure with a capacity of 2,700 vehicles, along with additional long-term parking and traffic access improvements. Upon completion of Phase III, more than $600 million will have been invested in the Gary/Airport. The airport will have safe, modern high capacity facilities to support extensive commercial service, as it operates as Chicago's third major airport.

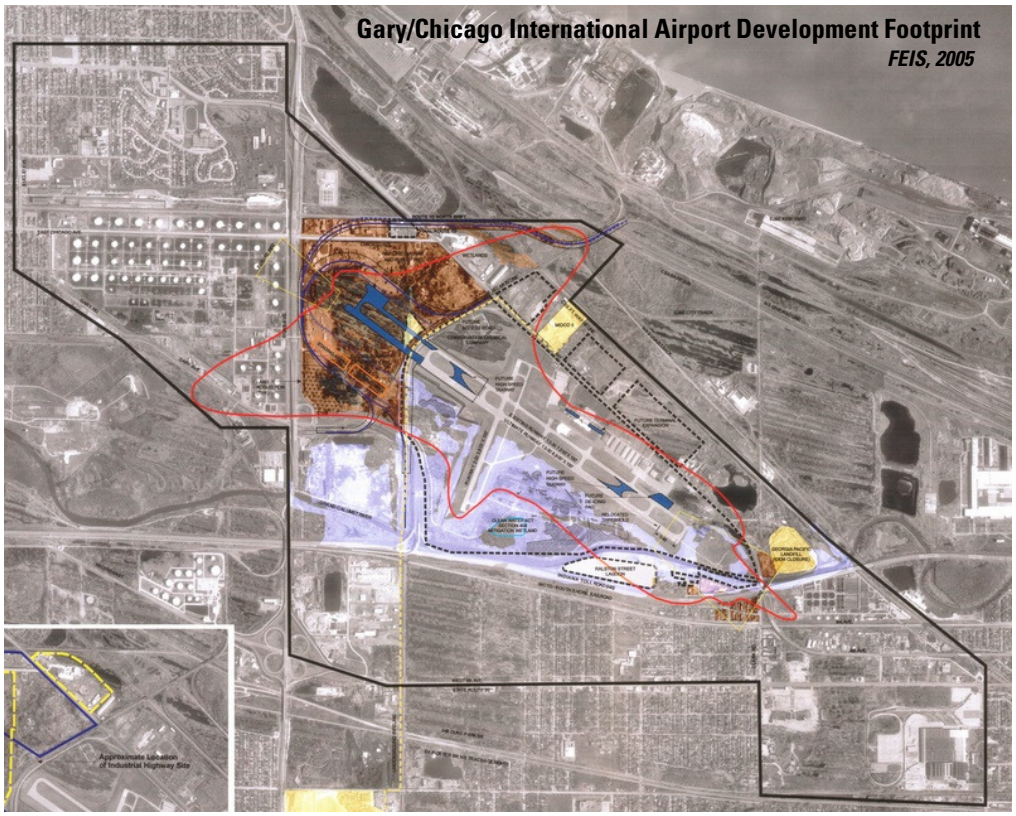
Chart 4: Gary/Chicago International Airport Investment Timeline



Critical Path Factors

Railroad Relocation

The development of the Gary/Chicago International Airport, as in any complex development project, has a number of factors that could slow or halt the development of the project. In the analysis conducted for this report, two such issues were identified for the Airport: the accomplishment of railroad relocation and the management of environmental issues. If these portions of the project are not completed expeditiously and skillfully, the project will likely come to a stop and could remain in limbo for some time. As a result we will discuss these issues briefly to address the impact they may have on the project.



Gary/Chicago International Airport Development Footprint
FEIS, 2005

The extension of runway 12-30, the main runway, by 1,900 feet is dependent on moving the EJ&E Railroad line that crosses in front of the current runway. This runway while currently at a length of 7,000 feet has a displaced threshold because of the elevated EJ&E Railroad line's proximity to the end of the runway. This condition results in an effective landing length of 6,285 feet. To move the runway, the Airport has been in discussions with several "class 1" railroads [Norfolk Southern, and CSX] to determine how the EJ&E line might be shifted onto other tracks and rights-of-way to maintain access for the EJ&E and still clearing the necessary space for the runway extension. A plan has been developed and the Airport is in the process of obtaining agreements among the requisite railroads, however the process is not complete. The continued development of the Railroad is dependent on completing this process and obtaining agreement with the railroads. Until an executable agreement is reached and signed and the Airport is beginning the relocation process, significant risk of substantial project delay is probable.

Environmental Factors

The environmental conditions of land and groundwater represent a critical path factors in the development of the Airport. A century of legitimate industrial uses and unfortunately, illegal operations or midnight dumping have contaminated, some but not all, property in and around the Airport. The concentrations of toxic materials adversely affect these ecological sub-systems—soil, wetlands, dune and swale and groundwater. Soil composition and groundwater flow migrate to off-site locations. While several identified parcels are undergoing clean up to either stabilize or to remove the environmental threat, work remains to be done on other sites. It is the unknowing of what substances lie beneath that can delay a project timeline and drive up its costs. This uncertainty does not suggest that Airport development cannot occur—*it can*. However, stakeholders to the Gary/Chicago International Airport differ on the extent of environmental problems contained within the Airport's footprint.

The Airport holds the fiduciary responsibility to ensure that effective environmental management occurs on property that it currently owns; and upon due diligence, it seeks to acquire. Environmental management at the Airport maintains two foci 1) day-to-day facility operations, i.e. an accidental oil spill during an engine repair or storm water discharge into the Grand Calumet River; and 2) phased physical expansions, i.e. liabilities associated with land acquisitions and new construction. The focus here is on the latter.

The Airport and its officials have consistently stated that environmental issues will not stop the development of the Airport in part,

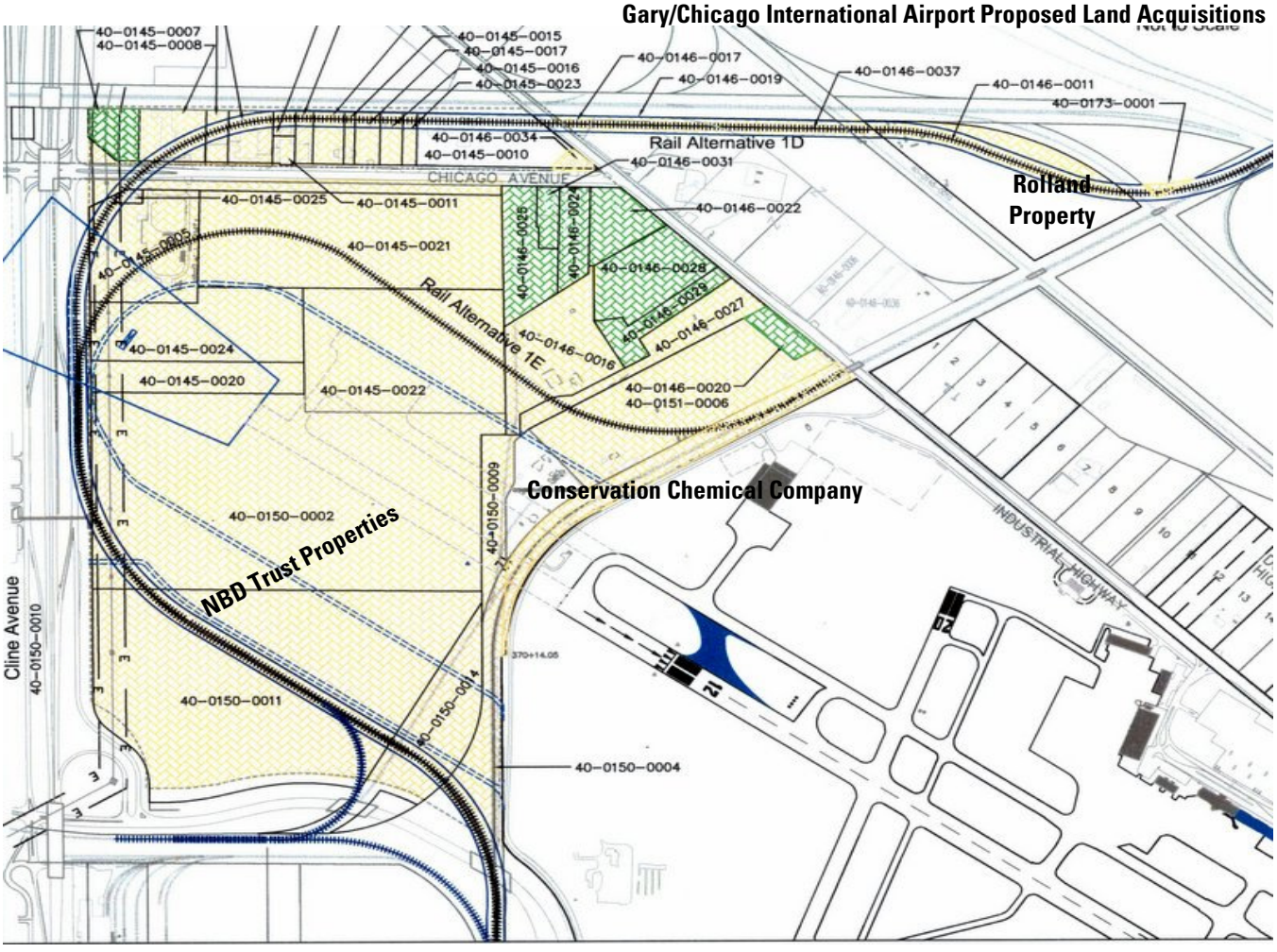
because contamination was not an issue. This assumption is based upon its accordance to environmental regulations and rules, its due diligence as part of the land acquisition process, its oversight of on-site, ongoing remediation efforts and cooperation with the appropriate jurisdictional agency. Furthermore, it contends that structural changes through construction involve adding feet of fill not penetrating sub-grade materials.

Regulatory agencies acknowledge, "land around the Airport can be put to a new use" in accordance with federal, state and local laws. In the case of the Airport, jurisdictional agencies include Federal Aviation Authority, U.S. Department of Transportation, U.S. EPA, U.S. Coast Guard, U.S. Fish and Wildlife Service, U.S. Army Corps of Engineers, Indiana Department of Environmental Management, Indiana Department of Natural Resources, and local City Departments. Depending upon the type of environmental issue and effects to human health and natural systems, the appropriate agency(s) will be engaged. These agencies work with the Airport and each other at times on site-specific issues.

In 2001, the FAA announced the public involvement phase of the environmental impact statement process. In April 2004, U.S. DOT & FAA released a draft EIS for public comments and FAA consideration. Most concerns pertained to the environmental issues. On October 8, 2006, the FAA approved the FEIS which identified several points for consideration. A second public comment period followed yielding three agency responses—U.S. EPA, IDNR and NIRPC—which are included as appendices in the FAA Record of Decision. The following overview summarizes key environmental concerns facing the Airport focuses on Phase 1 airport development as most of the activities associated with Phase 2 and Phase 3 airport development stages require separate EIS processes. Further investigation into the issues raised by the ROD supported this report's discussion of a delayed development start date and timeline.

The first phase of airport development readies the Airport for safe, full-time commercial service. Key components of this phase are land acquisition, EJ&E Railroad relocation and Runway 12 extension.

Gary/Chicago International Airport Proposed Land Acquisitions



Each stage requires environmental due diligence and potentially due care in terms of assessment, remediation and/or disposal. For this land acquisition stage purchases are required in the northwest quadrant of the Airport footprint [Cline Ave. & Gary Ave.], the northern block [northside of Gary Ave] and the northeast quadrant [Rolland Property & EJ&E]. There is a possibility for serious environmental contamination in this project area stemming from past industrial and commercial land uses. Several sites are monitored either through EPA, like Superfund sites MIDCO I and II, or IDEM with Georgia Pacific Landfill. These are parcels not owned by but are adjacent to the Airport property and lies within the footprint of potential development. Improper waste disposal has contaminated several parcels within this project area and concentrations, in certain cases, may exceed environmental human health standards.

According to the ROD, "There is considerable evidence of existing soil and groundwater contamination on and near the Proposed Action." However, access to several parcels in private ownership has thus made it impossible to collect significant empirical data to validate or quantify the degree of contaminations on all of the parcels." Site assessments aid in determining the extent of environmental problems. Phase 1 activities observe potential hazardous waste while Phase 2 activities involve boring and sampling of soil and water. The EJ&E Railroad currently lies immediately northwest of Runway12. The relocation proposes removal of the existing track and creation of a new track system.

This alternative route would travel an east-west easement across non-owned property [Rolland parcel] following the parameter of the Airport property [Gary Ave. & Cline Ave.]. The Airport has negotiated actions or is finalizing plans with the current property owner(s) for land acquisition, right-of-ways and high power line relocation. The Airport has conducted due diligence connected with real estate transactions and Phase 1 environmental assessments regarding most of the proposed land acquisitions.

Conservation Chemical Company is a triangular parcel necessary to the Airport's expansion which comes with substantial liability. Currently, the EPA operates an extraction well system to collect contaminated groundwater [petroleum recovery] and prevent its flow into adjacent sites, such as NBD Bank Trust Properties and the Grand Calumet River. A portion of the costs from past remediation have been paid for under CERCLA. Administered under the Oil Protection Act [OPA], the U.S. Coast Guard National Pollution Control Center finances this project because of the contaminated flow risk from a ditch to the Grand Calumet River and holds the current property owner as the responsible party, i.e. the Airport Authority.

There are two points related to the Conservation Chemical property. First, the U.S. EPA has incurred $1.5 million in cleanup costs. The Airport may be liable for this amount plus $50,000 per year for maintenance and a one-time cost of $25,000. The Airport also has the option of voluntarily taking over this system. Because this operation lies directly in the path of the extension, runway construction may well likely disturb the current extraction system. The costs associated with this issue will likely be the responsibility of the Airport.

Another parcel connected to the Conservation Chemical property is the NBD Bank Trust sites. Oil contamination on Conservation Chemical had migrated, in the form of a plume, to a portion of the NBD properties causing need for remediation. In 2002, the FEIS reports that a Phase 1 environmental assessment identified dumped oil sludge/ tank bottoms and drums likely present.

"Early communication can help ensure those seeking to undertake dredging activities that they will be obtaining the proper approvals, which could substantially reduce the potential for delay or frustration later in the process." **IDEM, 2006**

In March 2006, EnviroForensics conducted a Phase 2 assessment tested soil samples on the NBD Bank Trust properties for the Airport. Soil analysis results showed that 26 of the 56 soil samples yielded one or more Polycyclic Aromatic Hydrocarbons [PAHs] above IDEM's *Risk Integrated System of Closure [RISC] Industrial Default Closure Level [IDCL].* Of the 56 groundwater samples, 28 produced high concentrations of lead, 4 exceeded PAHs standards and 3 surpassed benzene levels. This analysis examined the first 10 feet of surface soils and groundwater samples at 4-7 feet below the surface.
The FEIS identified approximately 55 acres of wetlands, including dune and swale wetlands, within the Airport footprint. Under the Clean Water Act Section 404, wetlands need delineation to determine what impacts if any a fill project might have on U.S. navigable waterways, i.e. the Grand Calumet River. Most recently, the Airport received Army Corps of Engineers' delineations which initiated a public comment period. IDNR Offices of Water and Land Quality will handle

Clean Water Act section 401 wetlands certification or waiver for acreage not handled through U.S. ACE. The FEIS reports degraded wetlands from soil and groundwater contamination from metals and organic compounds. Remedial action may require removal of tanks and abandoned drums.

The environmental impacts associated with activities in the second and third phases of the Airport were not in the purview of the ROD. Each airport development phase will undergo its own EIS process. However, the three concerns discussed in this report illustrate how environmental factors impact costs and development timelines. Aggressive development of a physical land asset like the Airport can be hindered by the complex set of administrative relationships, regulatory protocol and environmental concerns inherent to brownfield redevelopment. This is an important lesson to consider sooner rather than later when it comes to not only Airport development but the Marquette Greenway as well.

In the process of due diligence regarding the environmental issues surrounding development of the Airport, a number of stakeholders – including members of the regulatory community – expressed concern that it was not sufficiently communicating with outside professionals regarding its plans for dealing with its environmental issues. These concerns were voiced in the context that the environmental challenges facing the airport were certainly manageable, but needed to be dealt with in an open manner and in broad consultation with the regulatory agencies. In Policy Analytics judgment, it is in the Airport's interest to develop a communication strategy and implement it with both community stakeholders and regulatory professionals.

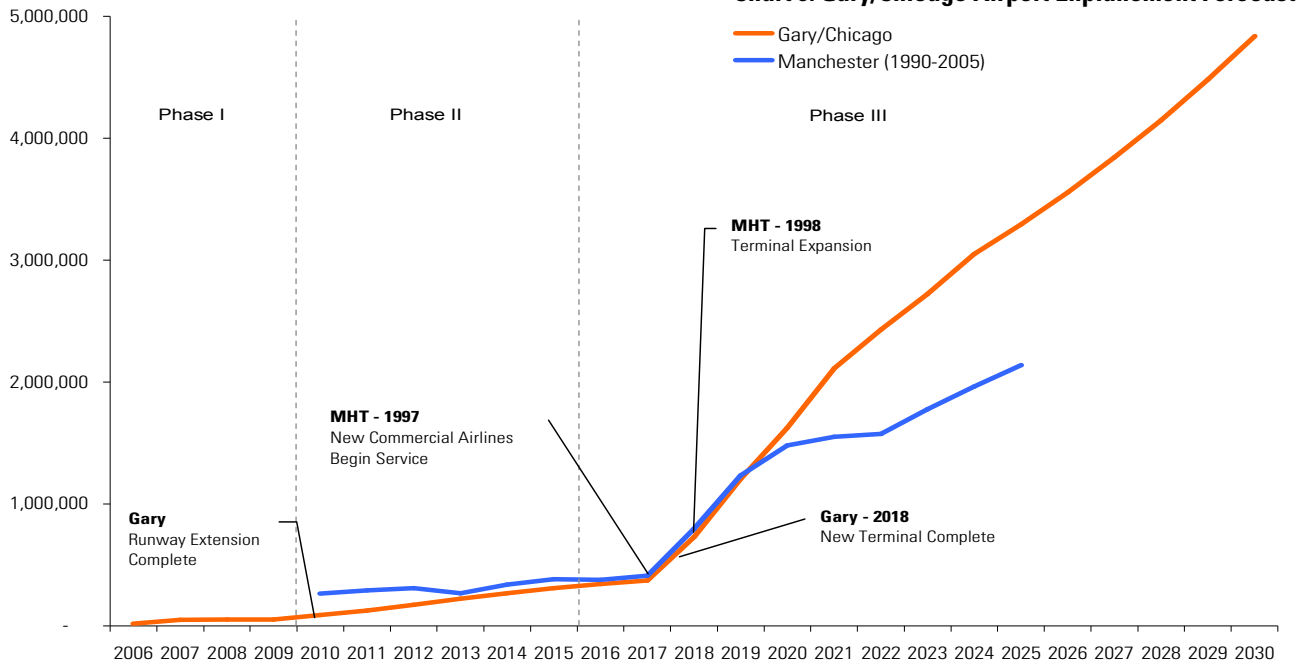
As explained, the relocation of the rail lines and the assessment, mitigation or remediation of identified environmental contamination are interdependent critical path factors. There is a significant risk that either or both of these issues will manifest unforeseen parameters and introduce significant delay [months, possibly extending into years] into the process of developing this asset. There is no way to forecast this probability – yet it exists and is far from zero. This report recommends that the Airport direct its best efforts to focus its top talent on these issues to ensure that "project non-completion risk" is minimized.

Market Outlook for Passenger Demand

The Enplanement Forecast

Passenger traffic will grow rapidly as the Gary/Chicago Airport transforms from a regional airport to a major commercial one. Over the last 15 years, air traffic in the Chicago region has grown at an annual average rate of 2.4%. O'Hare and Midway Airports currently operate near capacity and cannot sustain this growth rate into the future. As the Gary/Chicago Airport aggressively improves its infrastructure, it will absorb the part of the market growth that O'Hare and Midway cannot efficiently handle. Over time, as traffic nears capacity, the

Chart 6: Gary/Chicago Airport Enplanement Forecast



Chicago market enplanement forecast adds constraints to the growth at O'Hare and Midway. It becomes an vital component of the Chicago aviation system by the end of the planning period. Capital improvement will predicate enplanement growth at the Gary Airport. In 2010, the main runway extension will be complete, allowing expanded commercial service. Enplanements are expected to grow moderately until 2018, when new, high capacity terminal facilities are slated to open. Designed for growth, the new terminal will be scalable, and able to accommodate increasing passenger traffic. Once the terminal is finished, the Gary/Chicago Airport will grow quickly. By 2030, Gary is forecasted to enplane nearly 7% of the Chicago air market.

Table 10

Chicago Market Enplanement Forecast (1,000 Enplanements)

	2007	2010	2015	2020	2030
Gary/Chicago	50	88	308	1,626	4,839
% of Market	0.1%	0.2%	0.6%	2.8%	6.4%
Chicago Midway	8,674	9,306	10,462	11,762	14,866
% of Market	20.9%	20.9%	20.8%	20.3%	19.6%
Chicago O'Hare	32,781	35,167	39,537	44,449	56,181
% of Market	79.0%	78.9%	78.6%	76.9%	74.0%
Chicago Market	**41,505**	**44,561**	**50,307**	**57,837**	**75,886**

As noted earlier, the Manchester-Boston Airport has become an important secondary airport to Boston Logan. From 1990 to 2005, Manchester-Boston's share of the Boston passenger enplanement market (including Boston Logan, TF Green Airport in Providence RI, and Manchester-Boston) grew from 3% to 13%.

Return on Investment

Changes in transportation capacity in a regional economy can significantly impact economic performance. Perhaps the most apparent mechanism that produces this result relates to the impact transportation infrastructure improvements have on business productivity.

Transportation improvements also stimulate the economy through their impact on the access given to households on jobs, shopping and amenities. Better transportation access increases the livability of a region, which in turn helps attract and retain households. Finally, transportation improvements can also be expected to have a larger impact on a regional economy to the extent that the investments and operations of those transportation facilities increase visitor flow and/or are financed by tax dollars collected outside the region.

An analysis of the impacts of an aggressive airport development program in northwest Indiana reveals that investments in air travel capacity have a very significant impact on economic activity. Specifically, we find that improvements:

- ultimately increase employment in Lake and Porter counties by 86,390 jobs by the year 2040
- increase after-tax income (per year) by $5.3 billion by 2040, as measured in year 2006 dollars
- cause population in Lake and Porter counties to grow by about 192,000 people over the next 33 years
- yield results that grow over time and can be expected to yield additional net benefits beyond the forecast period

All of these results represent the difference between "build" and "no build" scenarios, and should be interpreted as impacts above and beyond baseline growth.

In deriving these impacts, we described and detailed three separate mechanisms through which the construction and operation of an expanded airport would impact the regional economy:

1) Transportation Access An estimate of the additional business access to air travel that the GYY provides to the Chicago market as it grows. This access factor has the effect of reducing business costs and provides northwest Indiana businesses with a competitive advantage. We estimate that by the year 2021, GYY improvements will provide a more than 25% increase in access to air travel for northwest Indiana businesses and households.

2) Construction: Like any investment in hard assets, the construction of buildings, runways, taxiways and other structures will result in near term jobs and therefore economic activity. The approximately $650 million in construction and infrastructure development occurring on the GYY site will provide substantial growth in construction related employment and economic activity. This is more so to the extent that construction is financed from sources outside the region.

3) Operation: Airports are large-scale businesses that employ workers, purchase goods from local and national vendors, and support synergistic businesses. The jobs are in the airlines that serve the passengers, or move freight, in rental and leasing services, government, and hotels and restaurants. Using industry studies on the number of jobs created by a unit of air activity, the Airport is estimated to produce approximately 11,500 [non-construction] jobs directly related to the Airport itself by the time the new terminal is in place. These direct jobs are part of the stimulus to the economy resulting from the Airport's rapid growth.

The above categories of stimulus to the region were estimated and introduced into the model and then the output measured against the baseline forecast. The change or delta in GRP, Personal Income, Productivity, Employment and other factors was noted and utilized in constructing the ROI ratios presented here.

Table 11

Table of ROI Measurements: GYY

Measurement	Numerator	Denominator	Ratio
Benefit / Cost	PV of Added Personal Income [in mill of $'s]	PV of Net Regional Cost [in mill of $'s]	
[values]	$23,069.9	$196.6	$117.3
Output Ratio	PV of Added Gross Regional Product [in mill of $'s]	PV of Net Regional Cost [in mill of $'s]	
[values]	$82,593.9	$196.6	$420.1
Cost / Job	PV of Net Regional Cost [in mill of $'s]	Employment Added by Project	
[values]	$196.6	86,390	$2,275.7

Source: Policy Analytics, LLC; 2007

The Airport development produces significant economic expansion within the northwest Indiana region. The scenario presented here is for the Gary Chicago International Airport to become in every respect ***the third Chicago airport***, with all that means in terms of being integrated into the transportation system of the Greater Chicago region. The output from this presumed development path grows to more than 86,000 jobs over the period and $44.5 billion in gross regional product. This means that for every $1 dollar of investment into the project from regional sources, the airport project returns $226 in economic output.

Northern Indiana Commuter Transportation District
NICTD

West Lake Corridor Development Vision

Northwest Indiana must enable convenient access to Chicago to achieve its economic potential and provide the best quality of life for its residents. The Chicago economy is an enormous engine, sustaining millions of jobs and impacting a multi-state geographic region. In 2004, the average job in Cook County, IL paid almost 40% more than the average job in northwest Indiana. Presently, congestion impedes access to Chicago for many residents of northwest Indiana. To better connect the region to Chicago and stimulate economic activity, NICTD plans to extend the South Shore rail line in Lake and Porter counties.

A 2006 report analyzed the economic relationship between northwest Indiana and Chicago, and concluded that improved access to the Chicago economy must be high priority for the region because of the size of its employment base and its concentration of high paying, service sector jobs. Chicago jobs paid higher wages than jobs in northwest Indiana in every industry except manufacturing, and significantly higher wages in white collar industries. In order to access these high-paying jobs, northwest Indiana residents need efficient access to Chicago.

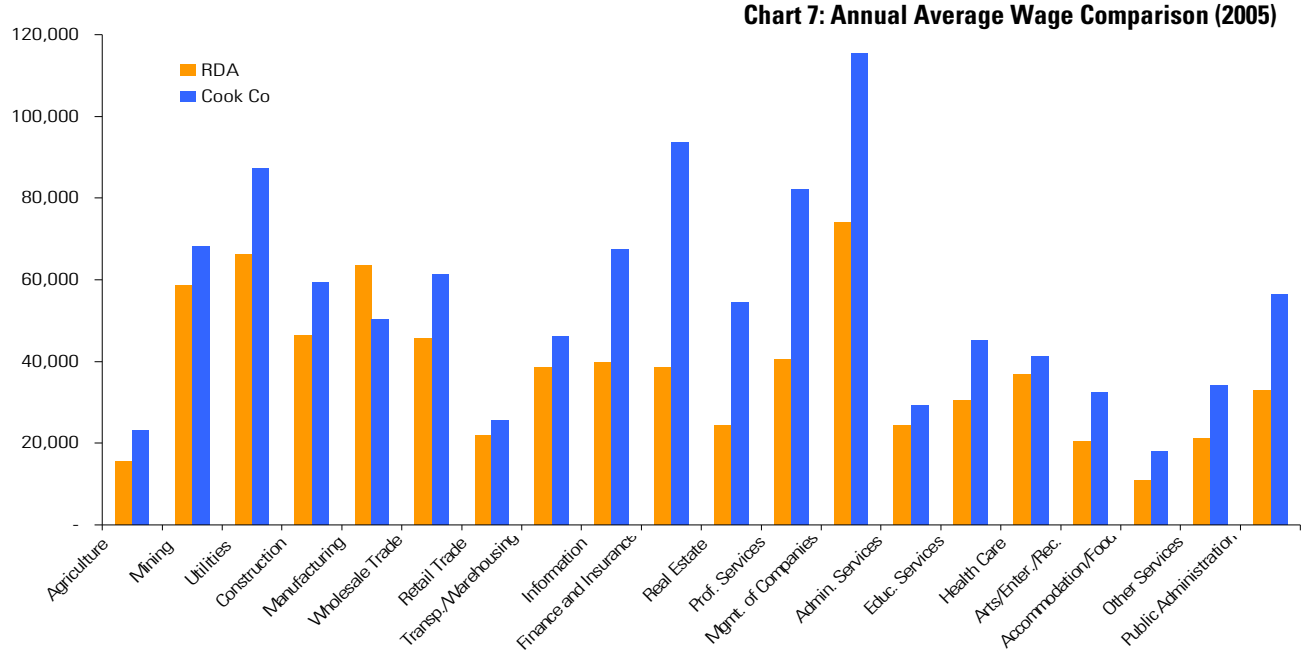
The Texas Transportation Institute's (TTI) Urban Mobility Report found that traffic congestion cost Chicago $4.27 billion in extra fuel and person hours in 2003. Travel delay consumed 700,000 million hours in the US in 1982, increasing to 3.7 billion hours in 2003. The TTI concludes, "Urban areas are not adding enough capacity, improving operations, or managing demand well enough to keep congestion from growing larger. "

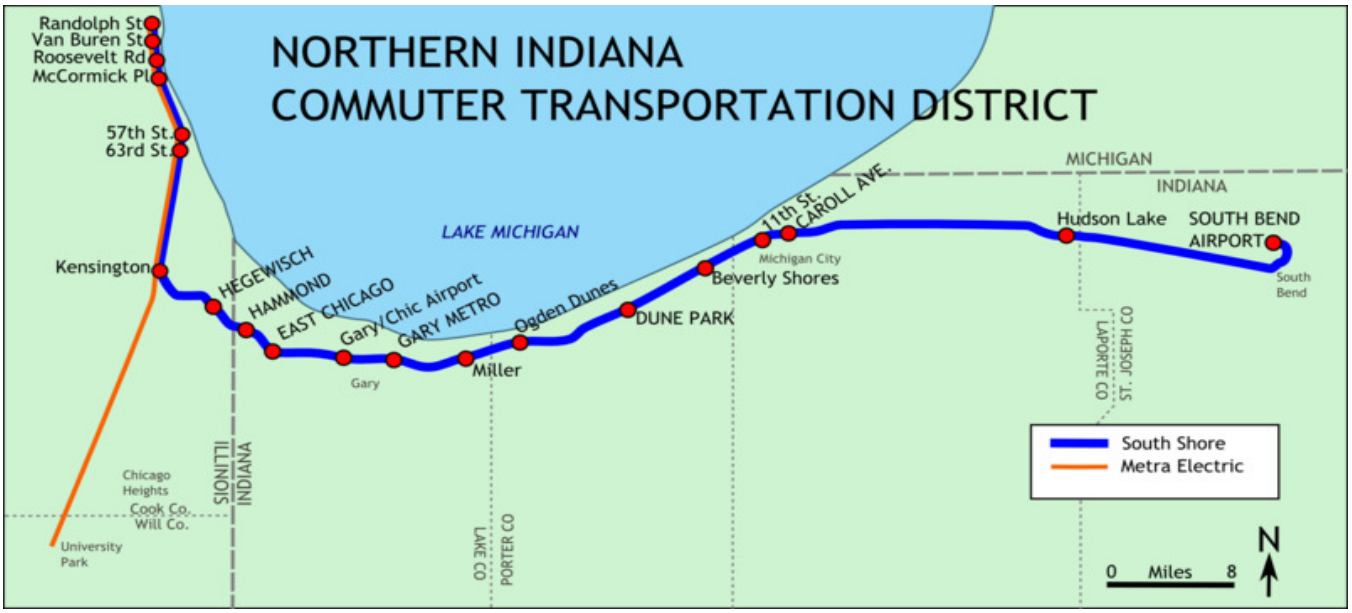
A study commissioned by NICTD found that by the year 2030, Interstate 90/94 in Cook County, the Borman Expressway, Interstate 65 in Lake County, and many portions of U.S. and State highways will be operating at or above their traffic capacity. The same study found that the north/south roads linking southern Lake and Porter counties to the East/West Interstate highway system into Chicago cannot support expected transportation demand.

As one step toward optimizing the region's transportation network, NICTD plans to extend the South Shore Line from Munster to Lowell and Valparaiso. This expansion will increase the region's commuter capacity and reduce congestion on the roads and highways leading to and from Chicago. Public transit systems have demonstrated the ability to reduce congestion. A report by the Victoria Transport Policy Institute states that public transit in cities with large rail systems provides $279 per capita in congestion cost savings, while transit in bus-only cities provides only $41 per capita. Transit systems decrease congestion on highways by decreasing the number of vehicles on the road. Expanded commuter rail can be expected to have many benefits, including:

- A decrease in travel times for personal and freight transportation
- A change in labor and production costs associated with small travel times and reduced travel uncertainty
- An increase in investment, production and population
- A change in emissions and vehicular safety associated with higher vehicle speeds

Chart 7: Annual Average Wage Comparison (2005)





Public transit can have positive implications for urban development and the environment. Transit Oriented Development (TOD) is a popular land use strategy designed to prevent urban sprawl and lessen traffic congestion. The city of Calgary's Best Practices Handbook defines TOD as "a walkable mixed use form of development focused around a transit station." Developers create high-density, mixed-use destinations within a 5-minute walking radius of the transit station. Successful TOD uses transit supportive land uses, such as multi-family residential, offices, schools and restaurants. Development focuses around subway, light rail, commuter rail, trolley, bus or any other kind of mass transit.

Munster, Gary, Dyer, Cedar Lake, Portage and Valparaiso are beginning to include transit-oriented development in their city planning, underpinned by NICTD's West Lake corridor expansion. NIRPC also sees TOD as a "sensible tools" planning tactic as part of a sustainable comprehensive land use strategy.

Comparative Systems

Across the country, commuter rail has reduced congestion or made cities more accessible. In New York, the Long Island Railroad is one of the oldest commuter rail systems in the country and the busiest in North America. It connects the eastern tip of Long Island to central Manhattan. On an average workday, over 280,000 riders commute on 728 trains. The LIRR provides much needed mobility to the New York area allowing passengers to travel to and from work, school, entertainment and recreation in an otherwise congested environment. To maintain a high standard of service, the LIRR continues to invest in its infrastructure by acquiring new rail cars and rehabilitating old stations.

In Nashville, Tennessee, a city of 1.2 million people, employment in the city was growing faster than population. This meant an increasing number of people were commuting into the city through already crowded traffic arteries. A commuter rail line named the Music City Star was developed to add commuting capacity and linkages to the Nashville city center from the surrounding region. Operations began

"Transit riders start and end their trips as pedestrians. Whether riders arrive on foot or via bus, private vehicle, or even bicycle, every transit trip has a walking component.

Creating a pedestrian environment which makes the transit trip easier and more enjoyable is therefore paramount in planning a successful station area."

Victoria Transport Policy Institute

in December 2006, with one line serving six stations. The service was developed with growth in mind, and the ultimate vision is to create a regional commuter rail network.

Metra, NICTD's neighboring commuter rail service in Illinois is an important link in the Chicago transportation system. It provides service to 230 stations over 495 miles of rail. Metra's annual ridership is estimated at 82.3 million people. Metra provides public transportation to Chicago's outer suburban residents. Coupled with Chicago's subway, elevated rail and bus systems provide an integrated transportation system serving the city and suburbs.

A finished West Lake commuter rail system will create vital links between northwest Indiana and Chicago. The new rail lines will increase commuter capacity for the northwest Indiana transportation system, reducing congestion and allowing more people to get to work, with fewer dollars lost on wasted time and fuel. Northwest Indiana will see economic gains from the West Lake expansion as it serves as the basis for new transit oriented development and encourages investment in the region.

The West Lake Corridor Development Process

Institutional and Organizational Structure

In 1977, the Indiana General Assembly established the Northern Indiana Commuter Transportation District to preserve passenger service on the threatened South Shore Railroad. Throughout the first part of the 20th century, as economic conditions and commuting trends changed, the South Shore operated through times of financial prosperity and hardship. NICTD was created to preserve rail service between northwest Indiana and Chicago by maintaining South Shore assets and administering local, state and federal subsidies. The South Shore Railroad was privately owned until 1989, when financial problems led to bankruptcy. NICTD took over operational control of the railroad in 1989 and assumed ownership of all South Shore assets by 1990. The South Shore operates year-round service with over 1000 trains on 130 mile of track between South Bend and Chicago each month. The line serves 20 stations, 12 in Indiana and 8 in Illinois.

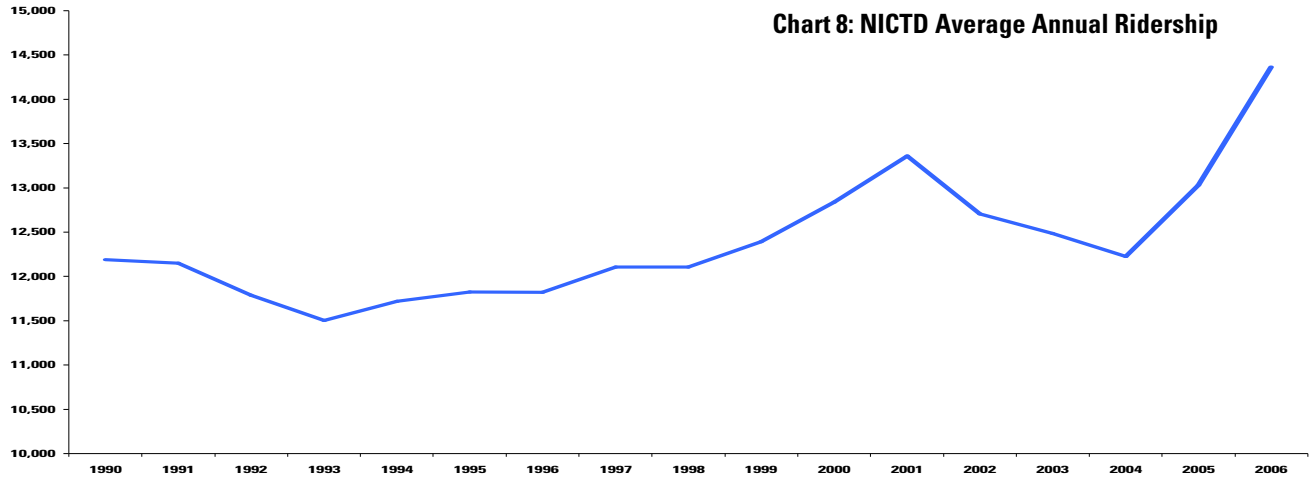
South Shore History

1903	The Chicago & Indiana Air Line Railway begins operation
1925	Samuel Insull purchases railroad; renamed The Chicago South Shore South Bend Railroad
1940's	Record ridership during World War II
1960's	Ridership dwindles as suburban development gains popularity
1977	NICTD created to operate the ailing South Shore
1990	NICTD purchases South Shore line
2006	South Shore named fastest growing commuter rail line in the country

Ridership

Ridership on the South Shore has increased dramatically as commuters abandon congested highways for the practicality of commuter rail. Ridership on the South Shore remained relatively stable from 1990 to 2004, but since 2004, average daily ridership has increased by 17%. Through the first 10 months of 2006, NICTD recorded an average daily ridership of 14,365. The increased usage of the South Shore can be attributed to a number of causes, including higher gas prices, increased congestion on major freeways and construction on the Borman Expressway and Chicago Skyway. In any case, an increasing number of people are using the South Shore to commute from homes in Indiana to jobs in Illinois.

Chart 8: NICTD Average Annual Ridership



System Effectiveness

In 2005, NICTD trains covered nearly 3.5 million service miles at an operating cost of $8.97 per mile. The South Shore line operates on both passenger fares and government subsidies. Passenger fares make up the largest revenue category and recover approximately half of operating expenses. NICTD's largest government subsidy is from the state and it receives federal and local non-tax subsidies.

Table 12

NICTD Service Effectiveness

	2003	2004	2005
Total Vehicle Miles	3,233,628	3,226,526	3,444,029
Operating Expense per Mile	$8.89	$9.42	$8.97
Operating Expense per Trip	$8.04	$8.57	$8.13
Passenger Trips per Total Mile	1.11	1.10	1.10
Revenue Vehicle Hours	87,573	88,696	92,460
Service Population	163,611	163,611	163,611
Trips per Capita	21.84	21.66	23.24
Fare Recovery Ratio	49	48	51
Ridership Trends	3,573,571	3,544,459	3,802,391
% Change		-1%	7%

The West Lake Corridor Expansion

The West Lake Corridor Expansion involves two new rail services. The Valparaiso line begins in downtown Valparaiso and travels northwest through Hobart, Merrillville, Griffith, Highland, Hammond and Munster. The travel time is estimated at 89 minutes. The Lowell line begins at Indiana Route 2 and travels north through Cedar Lake, St. John, Dyer, and Munster. The entire trip is anticipated at 83 minutes. As demand dictates, between three and five trains will operate in the peak direction, and one in the non-peak direction on each route during the morning and evening peak hours, there will be one round trip on each route during the midday period.

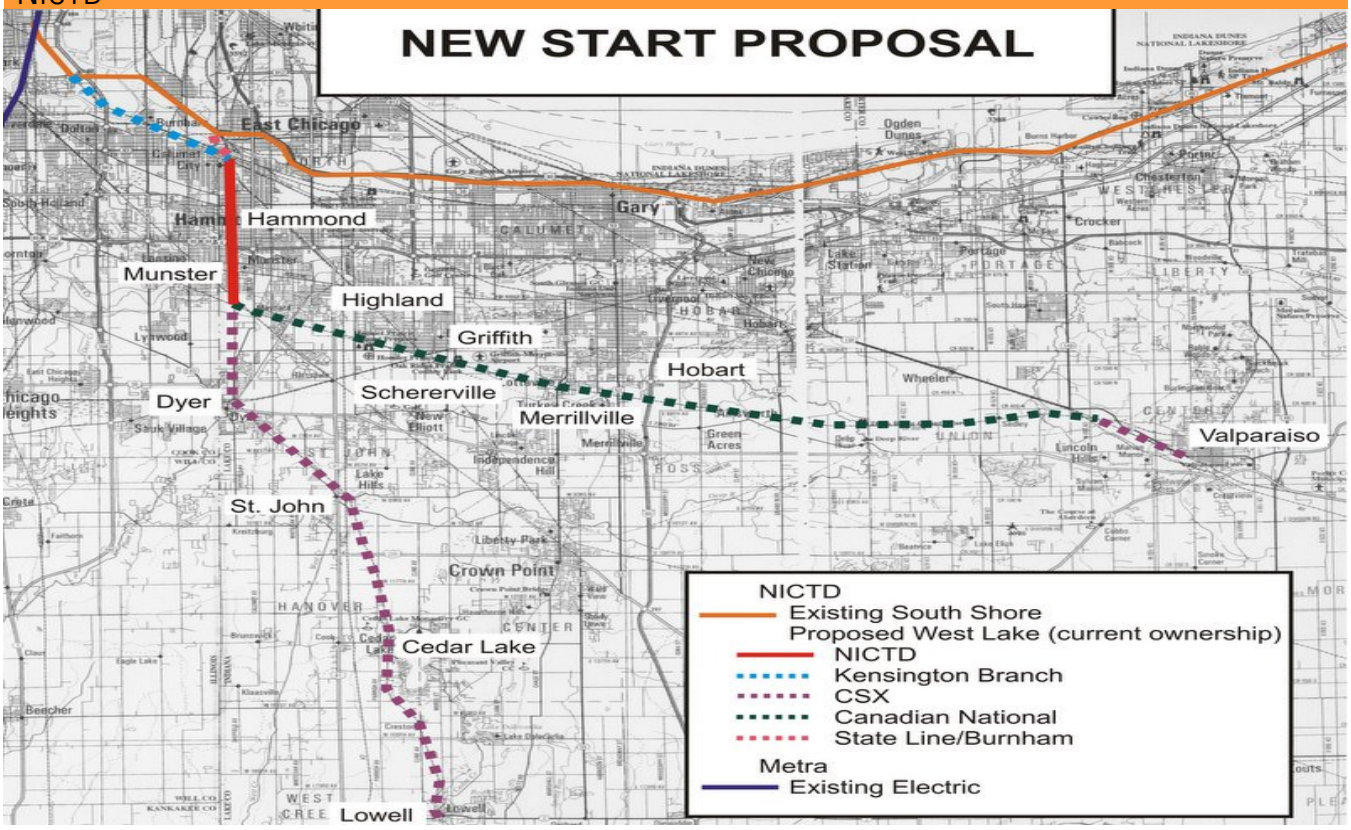
A well-planned transportation system is the backbone of a region's development, smoothly connecting people to their community. As one of the region's strategic directions, northwest Indiana stakeholders envisioned a transportation system developed to complement regional land uses, featuring a fully-integrated regional transit system, and that provides efficient intra-region access and greater accessibility to the Chicago economy. NICTD's West Lake Corridor expansion brings the region closer to this vision.

The need to connect northwest Indiana residents to high wage jobs in the Chicago economy is the impetus for the West Lake expansion. As the population of northwest Indiana grows, commuters demand an alternative to the congested freeways and arterial roads. Commuter rail will reduce highway congestion and provide a convenient cost effective, time-saving route to Chicago. At the same time, northwest Indiana cities will use the West Lake expansion as the basis of transit-oriented development efforts to preempt urban sprawl, raise land values and create a sense of community within their cities.

The gains of transportation investment are realized over a long time horizon, and planners must be proactive in anticipating future trends. If public transportation projects are delayed until traffic stands still due to congestion, the region will lose millions of dollars. The investment timeline begins in 2007 to standardize the economic return analysis across the four targeted investments. However, it is likely that even if federal decision-making were to make funding available expeditiously, construction would not begin until at least 2009. Construction is predicted to take 7 years to complete and costs will be spread over the entire period.

Initial Capital Cost

The initial capital investment for the West Lake Corridor expansion is approximately $902 million. The construction phase of the expansion project will cost $398.4 million, 44% of the project total. Nearly $170 million will be spent on a guide way and track elements. Eleven new stations will be constructed to serve the two lines, four on the Valparaiso line, four on the Lowell line, and three on the shared line between Munster and Hammond. Successful negotiations with Canadian National Railroad are necessary prior to the installation of the Valparaiso line.



Operating Expenses

The construction on the West Lake Corridor expansion is estimated to be completed by 2013 with service beginning the following year. Estimated NICTD's net operating costs will increase by $22.8 million annually due to the South Shore expansion. Because only 47% of operating costs are recovered by passenger fares, increases in operations result in increased net operating costs (subsidized expense).

Table 13

West Lake Corridor Expansion Cost (million $)	
Guideway and Track Elements	169.8
Stations, Stops, Terminals, Intermodal	58.0
Support Facilities: Yards, Shops, Admin	5.8
Sitework and Special Conditions	61.4
Systems	103.5
Construction Sub-total	**398.4**
R.O.W., Land, Existing Improvements	186.4
Vehicles	94.0
Professional Services	123.5
Unallocated Contingency	99.9
Total	**902.2**

Critical Path Factors

New Starts is the Federal Transit Administration's process whereby new transit projects qualify for federal funding. Each project is rated on criteria such as cost effectiveness, congestion reduction and mobility benefits. After several alternatives are studied, the applying entity selects a locally preferred alternative that provides the most benefit to stakeholders. NICTD is participating in the New Starts process to acquire federal funding for the West Lake Corridor expansion. Currently NICTD is working to reduce costs and evaluate its population parameters to determine if it meets the threshold for New Starts funding. The uncertainty of finding funding for the West Lake Corridor project represents the only significant critical path factor for NICTD. Both federal funding streams and the requirement to produce local funding at perhaps as high as a 50% match rate will present a challenge. At this point NICTD is still attempting to determine how to meet these challenges.

The Market Outlook for Ridership Demand

Through the first 10 months of 2006, the South Shore had an average of 14,365 riders per day. Ridership is expected to increase at a gradual rate during the seven years of construction. Once both rail lines are operational, average ridership for the entire system is expected to increase substantially. Some of the traffic on the new rail lines will be new growth and some will be from individuals who already commuted on the South Shore, who previously drove to a further station.

Return on Investment

The South Shore railroad has functioned as a vital part of the greater Chicago transportation network for almost a century. In one of the most urbanized, industrialized regions of the country, this commuter rail system has functioned both as a congestion reliever and as a connection to high paying jobs for the economy of northwest Indiana.

The impacts of that congestion relief are significant. Avoided automobile trips result in fewer cars on the road at peak congestion times, resulting in higher average speeds, reduced emissions and shorter, less variable travel times. The reduction of congestion, through investments that increase the transportation capacity of a regional economy, is an important aspect of any growth strategy. Traffic congestion levels [throughout the U.S.] have increased in every area since 1982. Congestion extends to more time of the day, more roads, affects more of the travel and creates more extra travel time than in the past.

For this reason, the West Lake Corridor expansion has become a primary focus of development project for NICTD and for regional stakeholders in general. This expansion of the rail network, connecting the communities of central and southern Lake County, as well as Valparaiso and Porter County, to the high paying jobs in the Chicago central business district is envisaged as a powerful contributor to regional growth.

There are at least two separate ways in which the increase in transportation capacity represented by the West Lake Corridor expansion can be expected to directly impact regional economic activity. The first is by reducing congestion on the surface transportation network.

These two aspects of the impact of the West Lake Corridor expansion were modeled as to their effect on the economy and then estimated to produce inputs to the REMI model. The expansion of the South Shore to include the West Lake Corridor lines to Lowell and to Valparaiso will have an impact on congestion in the region. The reduction in congestion was entered into the Transight model and then in turn put into the REMI Policy Insight model for an evaluation of its impact on the larger economy.

A second, equally powerful direct result of commuter rail expansion is the inflow of income resulting from workers who use the rail line. To evaluate NICTD's connectedness function with the rest of the Chicago economy, the differential in wages between northwest Indiana jobs and those in Chicago was estimated and utilized as an effect on the system. These "differential wages" are an effect of the West Lake Corridor's provision of riders into the Chicago job market. Our analysis indicates that by year 2030, the rail line's operation will bring more than $1.8 billion (as measured in today's dollars) to the region from workers who hold jobs in Chicago.

Finally the construction for the West Lake Corridor project would take place over a 7 year period. These expenditures and the jobs they create work through the economy and have an impact on the region. The above categories of stimulus to the region were estimated and introduced into the model and then the output measured against the baseline forecast. The change or delta in GRP, Personal Income, Productivity, Employment and other factors was noted and utilized in constructing the ROI ratios presented here.

Table 14

Table of ROI Measurements: NICTD

Measurement	Numerator	Denominator	Ratio
Benefit / Cost	PV of Added Personal Income [in mill of $'s]	PV of Net Regional Cost [in mill of $'s]	
[values]	$36,843.4	$570.1	$64.6
Output Ratio	PV of Added Gross Regional Product [in mill of $'s]	PV of Net Regional Cost [in mill of $'s]	
[values]	$32,177.3	$570.1	$56.4
Cost / Job	PV of Net Regional Cost [in mill of $'s]	Employment Added by Project	
[values]	$570.1	26,480	$21,529.5

Source: Policy Analytics, LLC; 2007

The expansion of commuter rail provides a large and lasting impact on the northwest Indiana economy. The reduction in congestion will impact business costs and the quality of life for individuals for decades to come. The scenario presented here is for a major increase in access to commuter rail within the region. The cost of that expansion is significant, however, it is consistent with the bold investments that are called for in transforming the northwest Indiana regional economy. This investment returns $36.8 billion [NPV] in personal income during the period, and 26,480 jobs are produced. At the same time, this investment returns $32.2 billion in total economic activity.

Regional Bus Authority
RBA

The Regional Bus System Development Vision

Thousands of northwest Indiana residents travel by local bus every day. Some use the bus by choice, as a low-cost or convenient alternative to driving. Others without access to a car rely on public transit as a necessary part of their livelihood. Operators in Gary, Hammond and East Chicago offer public transportation, but these providers operate independently of one another. Limiting the scope of operation to a city or county border isolates neighboring communities and restricts access in some cases. An integrated regional bus system must be developed to optimize northwest Indiana's transportation network. This system would allow individuals to cross political boundaries, enabling unobstructed intra-regional transportation. Expanding existing services and offering new services will grant essential connectivity opportunities for residents.

An optimized public transit system affords an alternative to automobile travel from origin to destination. In this example, a worker commuting to Chicago could take a bus from home to a commuter rail station and would transfer to the South Shore line to ride into Chicago. Absent the bus system, this commute would only be available to workers with access to a car and force those workers to incur the cost of fuel, maintenance and parking. Instead of traveling on a complete system, this commuter must still commute by auto some distance, and would require parking facilities. Without a complete bus system, for the reverse commuter, someone coming into northwest Indiana for a job, public transit would no longer be an option. The reverse commuter who took rail from Chicago to northwest Indiana, would be stranded at the rail station without a car, with taxi as the only potential solution.

An intra-regional bus system is beneficial to both choice and transit-dependent riders. Choice riders have access to a car, but choose to use public transit instead. For choice riders, public transportation provides a cost savings. By riding the bus, commuters save money on fuel, parking, maintenance and possibly insurance. Time and convenience are major factors in a choice riders transportation decision. If the workplace is not easily accessible by bus, choice riders will drive.

A regional bus system interconnects the region, adds destinations and increases the pool of choice riders. Dependent riders do not have access to a car and rely heavily on transit for mobility. The regional bus system will create economic opportunity for these workers by enabling access to more employment centers. This will increase the number of potential employers, and allow individuals to commute from areas of high unemployment to places with labor shortages. The result will be higher personal income for non-choice riders.

While many northwest Indiana residents have access to a municipal bus system, there is unmet demand for intra-regional bus routes. Simply adding more buses to the existing isolated regional operators will not fulfill this demand. An integrated, regional solution is needed that facilitates the movement of people throughout the region, without respect to artificial boundaries.

Operating expenditures for both bus and paratransit systems in the U.S. were $18.5 billion in 2004, up 41% from $11.3 billion in 1995. In 2004, this accounted for over 65% of all public transportation operating expenses in the U.S., which was $28.5 billion. During 1995, bus and paratransit expenses accounted for 63% of all public transportation costs, which was $17.8 billion total. However, the cost per trip only went up 38% during 1995 to 2004, from $2.29 to $3.17 per trip.

Northwest Indiana research supports the case for optimized intra-region transit. A human service agency survey, commissioned by NIRPC, identified transportation barriers to be cost of out-of-county service, unreliability, poor connections, uncoordinated fare system. lack of north-south route access and lack of linkages.

"We ought to recognize that today, in the region we live, we do not come close to delivering the public transportation opportunities reasonable people should expect from their government. "
Congressman Pete Visclosky

Comparative Systems

PACE

The Regional Transportation Authority (RTA) was created in 1974 to supervise local transportation operators in Northeastern Illinois. Currently, the agency oversees the Chicago Transit Authority (CTA), Metra Commuter Rail and PACE Suburban Bus. The RTA's mission is to insure financially sound, comprehensive and coordinated public transportation for northeastern Illinois.

PACE is the bus operator for Chicago's outer suburbs. It serves over 210 communities and has a service area population of more than 5.2 million. Pace also administers the Vanpool Incentive Program, the second largest vanpool program in the United States. In the program, a vanpool participant drives a multi-passenger van that is owned, insured and maintained by Pace. P ACE is part of a regional, multi-modal public transit system, connecting with Chicago's metro bus, subway and elevated rail system to provide integrated access from Chicago's outer suburbs to its urban core. It provides valuable access and congestion relief for suburban commuters.

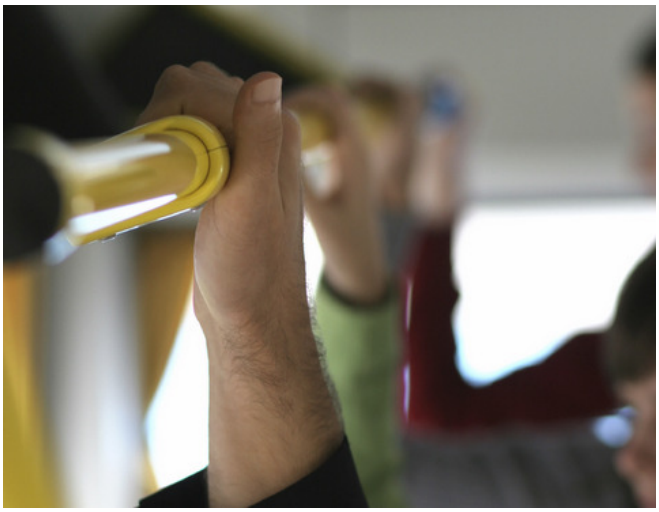
Case Study

The Regional Public Transportation Authority (RPTA), otherwise known as Valley Metro is the provider responsible for public transit in the region of Phoenix and Maricopa County, Arizona. Even though Valley Metro has this responsibility, they do not actually operate the majority of transit services in the region. They are regarded as a membership organization, where most services are separately operated and funded by the numerous individual municipalities in the greater Phoenix region. These cities agree to participate with Valley Metro by creating a brand name so services can be streamlined and confusion among riders reduced.

From the headquarters in downtown Phoenix, RPTA manages a customer service, marketing and long-term transit planning operation, which is collectively shared among all Valley Metro member cities. Each member city has a representative on the RPTA board of directors that is appointed by its mayor or board of supervisors.
Numerous independent service providers offer bus transit every day through Valley Metro. Although these systems are independently owned and operated they all, possess the same Valley Metro logo scheme. By doing this, Valley Metro is able to create the awareness and understanding that all bus systems providing services in the region are unified, which can also create the perception that all service providers are the same organization.

Although each municipality is currently independently owned and operated, each with its own staff and source of funding, Valley Metro has a vision to consolidate each system into one seamless regional agency. Some consolidation has already occurred, with the merging of Mesa's municipal bus system and the Dial-a-Ride system with Valley Metro. However, there are areas of concern, such as service levels being maintained, protection of funds and each local agency convincing their customers that they will receive the same care and attention as they did before.

From 2003 to 2004, Valley Metro's fixed route bus fleet of 694 provided 51.8 million rides to its 3.2 million-service area population on 83 routes with a farebox collection rate of 23%.



Existing Operators

The current public bus system includes three autonomous municipal services in the cities of Gary, East Chicago and Hammond and with five demand-response providers. These transit systems offer both fixed route and demand response services. A fixed route provides service along a prescribed route on a scheduled basis. Large buses, capable of transporting 25 or more people serve these routes. The Gary Public Transportation Corporation (GPTC), East Chicago Transit (ECT) and the Hammond Transit System (HTS) are fixed route service providers that provide demand response services only on a limited basis.

A demand response service operates on a door-to-door basis, requiring an advance reservation. These vehicles do not follow a fixed route, but travel throughout the community transporting passengers according to their specific requests. Service is provided

Table 15

Existing Bus Service Effectiveness

	2003	2004	2005
Total Vehicle Miles	3,378,676	3,278,806	3,362,406
Operating Expense per Mile	$3.58	$4.27	$4.16
Operating Expense per Trip	$5.46	$5.73	$5.72
Passenger Trips per Total Mile	0.65	0.74	0.73
Service Area Population	631,362	631,362	631,362
Dollars per Capita	$19.14	$22.18	$22.14
Trips per Capita	3.5	3.9	3.9
Fare Recovery Ratio	18%	18%	17%

INDOT 2003-2005 Annual Reports, Regional Bus Authority, 2030 Connections

using smaller vehicles with a capacity of 7-15 passengers. The region's demand response providers are Opportunity Enterprises , North Township Dial-A-Ride, and the Northwest Indiana Action Corporation, which includes the South Lake County Community Services and Porter County Community Services.

From 2003 to 2005, bus providers in Lake and Porter counties have experienced increased ridership and operating expenses. Annual ridership in the two counties reached 2.4 million in 2005. Area providers recover an average of 17% of operating expenses through passenger fares, though East Chicago provides a 100% subsidized city bus service.

Mission Statement of the Regional Bus Authority

To enhance the quality of life in Northwest Indiana by assuring the availability of a customer responsive regional bus transportation system.

The Regional Bus System Development Process

Institutional and Organizational Structure

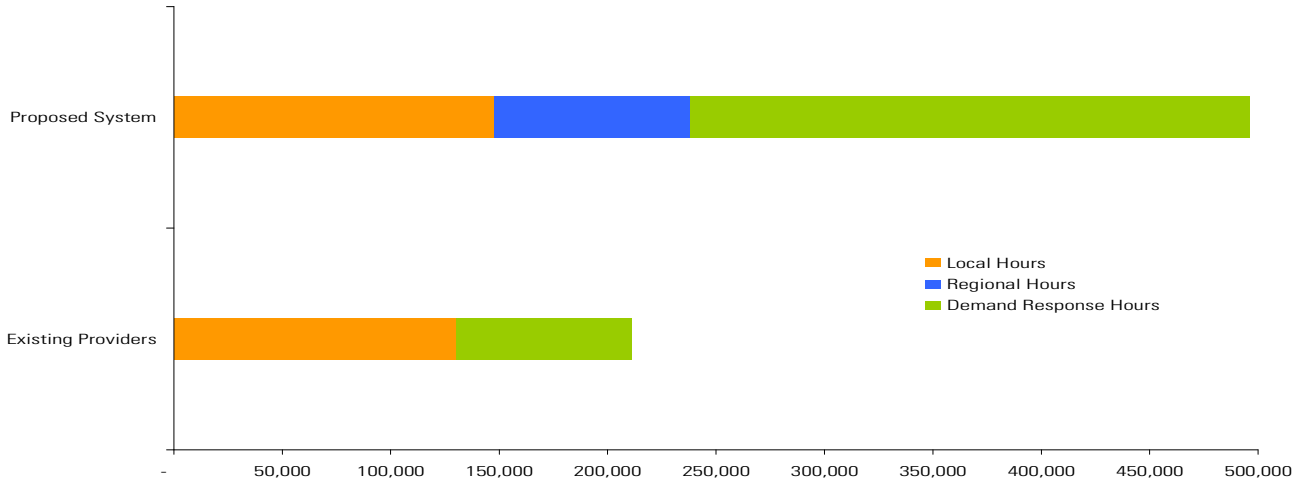
The Regional Transportation Authority (RTA), was created through legislation passed by the Indiana General Assembly. However, the RTA legislation was not enacted by the Lake County Council until 2000. In 2005, the name of the Regional Transportation Authority was changed to the Regional Bus Authority, as a result of the same bill passed by the Indiana General Assembly that created the Northwest Indiana Regional Development Authority. This bill also enabled the RBA as an eligible petitioner for RDA grant funds. In early 2006,

Congressman Visclosky obtained $495,000 in federal funds to conduct a Regional Bus Study for Lake and Porter Counties. RDA provided $125,000 matching funds so the study could be undertaken. The goal of this study is to develop a Strategic and Operations Plan for the RBA.

The Regional Bus Authority Study

In summer 2006, the RBA selected Kansas City-based TranSystems Corporation to perform a regional bus study. This Strategic and Operations Plan would include establishing the framework and scope for a regional bus system along with an operational, management and organizational plan to coordinate bus operations across the region. In November 2006, the Regional Bus Authority (RBA) received a preliminary financial analysis of the Regional Bus Study and in December 2006, the draft Strategic and Operations Plan was delivered. The details of the Strategic and Operations Plan serve as the basis for the hypothetical model analyzed in this report. Transit demand calculations, peer system analysis and rider input sessions all demonstrated

Chart 10: RBA Service Hour Comparison



a need for a more extensive bus service in northwest Indiana, affirming the findings of NIRPC's Transit Needs Analysis Study. The report estimated that consolidating bus services could cut $250-$500 thousand in management and administrative costs. Consolidation could also potentially save $60 thousand by eliminating service duplication and also provide maintenance savings.

This targeted investment analysis assumes the adoption of the universal operator scenario, one of the options in the Plan. In this setting, the RBA would have governmental responsibility for all local, regional and demand response bus services in Lake and Porter counties. The universal operator provides an integrated single management structure for bus service across the entire region. A universal operator provides savings by consolidating and reducing management costs and allowing the direct administration of new state and federal funding.

The regional bus system would provide more than twice as many system operating hours as the current system, expanding operations in the local, regional and demand response systems. The proposed region-wide service includes 90,000 new regional service hours, and over 155,000 new demand response service hours.

A peer comparison conducted by TranSystems found the level of bus service (measured by expenses per capita and trips per capita) was well below that of transportation systems in similar regions. To estimate an appropriate level of service and cost, TranSystems proposed a service solution and budget in line with peer regions. Annual operating expenses for the first year are estimated at $24.5 million, with $21 million directed toward operations and maintenance, and $3.4 million directed toward administrative costs.

The upfront capital costs of the new proposed system is projected to be $29 million, amortized at 5% per year over 12 years in the model (assumed life of a standard transit bus). These expenditures include the purchase of 90 new vehicles. The plan recommends purchasing 38 new low-floor transit buses to serve fixed routes, and 52 15-passenger mini-buses for the new demand- response coverage. The capital plan also calls for 150 bus shelters across the region at $25,000 each. Other capital expenses include heated transit centers and technology investment. The fleet replacement cost, the annual costs associated with replacing fleet vehicles as they become obsolete is projected to be $3.6 million per year. A transit bus has a useful life of 12 years, and a demand response vehicle has a useful life of 7 years.

Table 16

Projected Annual Operating Costs

	Vehicle Hours	O&M Cost ($)
Local Service		
Existing Services		
Fixed Route	112,000	6,661,160
ADA Paratransit		666,116
New Services		
Valparaiso (incl. ADA)	11,820	709,200
Other Local Services	24,340	608,500
Subtotal	148,160	8,644,976
Regional Service		
Regional Routes	90,493	5,429,580
ADA Paratransit		542,958
Subtotal	90,493	5,972,538
Demand Response		
Existing Services	81,350	2,033,760
New Services		
North Lake County	43,000	1,075,000
South Lake & Porter Co.	134,310	3,357,750
Subtotal	258,660	6,466,510
Operating & Maintenance		21,084,024
General & Admin Cost		3,371,215
Totals		**24,455,239**

TranSytems Preliminary Regional Bus Authority Financial Analysis

The proposed regional bus system is projected to receive $17.6 million in operating revenue. Passenger fares will account for $4.6 million, recovering 15% of revenue. The RBA is also expected to continue to receive state and federal assistance. The projected resources will leave a budget shortfall of $13.9 million to be covered by additional revenues.

Table 17

Operating Revenues

	Revenue ($)
Fare Revenue	4,597,275
State Assistance	4,051,479
Federal Assistance	
Section 5307	5,835,945
Section 5309	3,100,000
Total Revenues	**17,584,699**

With a budget and scope of service in line with peer regions, the proposed regional bus service will have the capacity to serve more clients at a higher standard of quality.

Table 18

Regional Bus System Summary	
Operating Revenue	**$17,584,699**
Expenses	
Operating Expenses	$24,455,239
Upfront Capital Cost (Annualized)	$3,422,488
Fleet Replacement Cost	$3,655,000
Total Expenses	$31,532,727
Budget Shortfall	**$13,948,028**
Total Service Hours	497,313
Expenses per Capita	$39
Trips per Capita	7.66

The Market Outlook for Passenger Demand

Cost and passenger trips per capita are the two metrics used to determine the level of service for the proposed regional bus system. In the first year of operation, TranSystem estimates ridership of 7.66 trips per capita. Once the integrated regional system is in place, ridership is expected to increase. NIRPC's Regional Transit Needs Analysis, Connections 2030 Regional Transportation Plan and surveys from regional non-profits show that lack of routes, inconvenient times and unreliable service all prevent people from taking public transit. The regional bus system is designed to eliminate or minimize these barriers, attracting more riders. The model for the following return on investment analysis assumes that bus per capita trip ridership will grow to meet the TranSystem's peer region average by 2011.

Return on Investment

Public Transit throughout the U.S. provides a vital service to urban and elderly individuals who are unable or unwilling to use automobiles for their primary transportation. Unfortunately this critical core of services provided by transit agencies – primarily bus systems – has masked the economic development impact that transit provides for a region.

However, the public transit system must deliver those services in a way that provides value to both the rider with no other option, and those who are induced to ride for cost-savings and convenience. The NIRPC 2030 Plan identified the critical issues for northwest Indiana transit system riders and potential riders.

- Access to jobs, and basic services
- Affordability
- The need for cross-county line service
- Improvements to service quality
- The need to promote transit friendly development

The creation of the RBA and the option of producing an integrated region-wide single provider system has developed a way to address these issues and yield the benefits that any transportation improvements can deliver: reduced congestion on the roadways, better access across the region to jobs, healthcare, shopping and amenities. Like commuter rail and improved access to air travel, improved bus transit services stimulate the economy and increase the quality of life for the citizens of a region. The proposed Universal Operator System, defined in the TranSystems report is evaluated here using the REMI model – consistent with the methodology used for the other targeted investments.

The ridership forecast for this new system is consistent with the peer group regions' costs as defined in the TranSystems report. This increased ridership was estimated to decrease congestion on the surface transportation networks throughout northwest Indiana using the Transight model. As a result of that analysis, we find that these improvements to the transit system would:

- Increase employment by nearly 7,000 jobs over the period to 2040
- Provide personal income growth of $4.5 billion [NPV], over the time horizon
- Generate $7.2 billion in additional economic activity during the same period
- Cause the population to increase in Lake and Porter counties by approximately 8,670 persons

These measurements are against a baseline forecast for the region and so should be considered net increases due to the introduction of the new transit services.

Table 19

Table of ROI Measurements: RBA

Measurement	Numerator	Denominator	Ratio
Benefit / Cost [values]	PV of Added Personal Income [in mill of $'s] $4,481.6	PV of Net Regional Cost [in mill of $'s] $322.9	$13.9
Output Ratio [values]	PV of Added Gross Regional Product [in mill of $'s] $7,238.2	PV of Net Regional Cost [in mill of $'s] $322.9	$22.4
Cost / Job [values]	PV of Net Regional Cost [in mill of $'s] $322.8	Employment Added by Project 6,924	$46,620.5

Source: Policy Analytics, 2007

Shoreline Development
Marquette Greenway Plan

Shoreline Development

Shoreline development is a regional economic development strategy to which people of northwest Indiana are strongly attached; and, Marquette Greenway Plan is an expression of this strategy. This land use vision differentiates this targeted investment from the mobility-driven investments which transport people from point A to point B. The Marquette Greenway cultivates a sense of place—rootedness. To residents, greater access to Lake Michigan nourishes generational traditions with a living symbol of the region's economic and recreational culture. To visitors, greater access to the shoreline and nearby amenities will deepen an affinity between traveler and place so as to return again. To the economy, the reuse of the lakefront property represents an opportunity to improve public access while at the same time, shifting to higher economic returns. Historically, this meant industrial uses but today, mixed-use real estate provides broader returns to both the regional economy and local urban communities

As a core strategy, the Marquette Greenway helps to diversify the regional economy. Recently, NIRPC identified the environment as an economic strategic direction and the Marquette Greenway Plan as a sustainable economic driver because of its balanced-approach to enhance the quality of natural systems, while strengthening quality of life and bolstering a pro-business climate region-wide. The effects are that, for instance, brownfield redevelopment and biodiversity restoration improve environmental quality; green building technology and extensive trail systems benefit public health. Finite, high-value shoreline property encumbered as underutilized parcels can be exchanged for higher yielding uses. Both cities and viable industries have potentially reusable lakefront properties totaling several thousand acres and Marquette Greenway Plan encourages this market interaction to benefit the public for generations to come.

Project development constraints are time and money. The economic viability of environmental remediation opportunities also makes for challenges to shoreline development decisions. Preserving northwest Indiana jobs for its citizens is paramount to shoreline development in order to maintain a quality of life for all individuals. Logically, parcels on the outer edges of properties would develop first before core locations on industrial sites. Similarly, less contaminated land could be turned over faster than those parcels with substantial environmental issues. With respect to monetary constraints, projects with low cost/quick return face shorter time horizons compared to high costs projects with long time horizons and anticipated start dates. An incremental development approach to the Marquette Greenway follows a 30 year timeline.

The land use changes envisioned by the Marquette Greenway Plan are wide-ranging and extensive. The land use assumptions call for the construction of more than 2 million square feet of restaurants and retail space, 21 million square feet of residential development, and 2.5 million square feet in office buildings. They also call for 341 acres of parks and recreational space, nearly 1,800 hotel rooms, more than a mile of new beach development and nearly 3,000 marina slips. Discounting to the present, the project calls for $400 million in public spending in the next ten years, with nearly $8 billion in private investment taking place out to year 2029.

"It may be difficult to affect or influence the broader economic and social forces, but commitments to and participation at the level of place offers the possibility of real change, of making important differences in the feel and quality of one's own life and the lives of others in the community."
Native to Nowhere, Timothy Beatley

Shoreline development encompasses a process that extends at a minimum over decades and perhaps as long as generations. Estimating the impact that this massive change in the land use along the Lake will have in the economy of the region is, therefore, a challenge on many levels. Central to this analysis is the ability to measure accurately the number of visitors to the region and their patterns of spending. Greater access and new amenities along the lakeshore will draw visitors both to the lakeshore and to the region, generally, as the perceptions of the quality of life and amenities available to both residents and visitors begins to change. In addition the changed use of the land will require and induce investments in hotels, marinas, office parks, residential facilities and other more capital intensive facilities.

When the improvements are fully implemented, projected impacts to the region's economy will be significant. By the end of the planning horizon, the lakeshore attractions are projected to attract more than 20 million new visitors per year from outside the region, increasing consumer spending by $3.9 billion in 2006 dollars. Total spending by these visitors is projected at approximately $62.2 billion in current dollars on the regional economy. Because the starting dates for different projects vary, we use the "net present value" [NPV] of the benefits over the 30-year period to compare the projects and measure the grand total impact.

This report uses both a "land use – capital investment model" to estimate the impacts to the region of the changes in the use of the shoreline geography, and a "dynamic policy model" driven by estimates of the number of visitors and the spending flows that come from those visitors. In addition, we reviewed 66 suggestions contained within the Executive Summary of the Marquette Greenway Plan. Through stakeholder interviews and analytical review, seven catalytic projects stood out as the strongest objectives to realizing the goal of the Marquette Greenway.

The development opportunities represented near-term construction and master planning phases as well as uninitiated and long time horizon prospects. Some sites are already held in the public domain, making them quicker targets to turnaround. The potential projects on private industrial property will take longer given the complex set of issues related to land transfer. Therefore, this report's arrangement of Marquette Greenway sub-areas present lower costs/short-term projects first then subsequently higher expected costs/longer-term horizons. The focus here is on property directly connected to the shoreline. Other Marquette projects, not on the shoreline but within the development geography due exists but were not quantified at this time.

The Marquette Greenway Plan Highlights

Portage - Public beach and access at confluence of Burns Waterway and Lake Michigan coupled with the Northside Master Plan consisting of a mix of private and public uses and access points

Gary West - Public access and green space reuse, including trails and scenic byway, adjacent to Buffington Harbor, Gary Chicago International Airport and former industrial property

Gary Downtown - River and canal walks, water-based recreation, scenic overlooks and transit-oriented development

Gary Miller -Tourist and transit-oriented developments, enhanced streetscape and water linkages between Lake Michigan and Grand Calumet River

East Chicago - Along East Chicago Ship Canal, a mix of business-focused and community-focused development including an industrial heritage museum and parks

Whiting - Renovation of existing beach and park, railroad consolidation as well as creation of new public land, beach and promenade from industrial use

Hammond - Consolidation of public infrastructure and industrial land for reuse, linkages to Chicago's Park System as well as extend connectivity between Hammond Marina and Wolf Lake

Phase 1 and Phase 2 - The entire lakefront plan should extend from the Illinois border to eastern edge of the City of Portage in Phase 1 and from Portage to Michigan border during Phase 2, each bound by US Highway 20 to the north

Vision: "to create a livable lakefront"

Needs for catalytic projects or planning initiatives:
showcase our heritage
redefine the edges
bridge the gaps
preserve, protect and enhance environmental systems
protect and cherish our drinking water
formulate effective management and funding strategy

Non site-specific initiatives:
studies of rail consolidation, tax impact, and environmental due diligence along with plans for governance and management, multi-use trails and Phase 2.

Marquette Greenway Plan, Executive Summary; 2004

The Marquette Greenway Development Process

Institutional and Organizational Structure

In June 1985, newly elected Congressman Peter J. Visclosky unveiled his regional vision for reclaiming 75% of the Lake Michigan shoreline from industrial uses to public use, entitled The Marquette Project. In October 2003, Visclosky's vision moved toward reality as economic and political factors aligned. An intergovernmental agreement between Mayors of Whiting, Hammond, East Chicago, Gary and Portage was executed and politically supported by Governor Joe Kernan, Senators Richard Lugar and Evan Bayh, and Representative Earl Harris. Major industry was also open to such possibilities. Visclosky defined the Plan's three guiding principles:

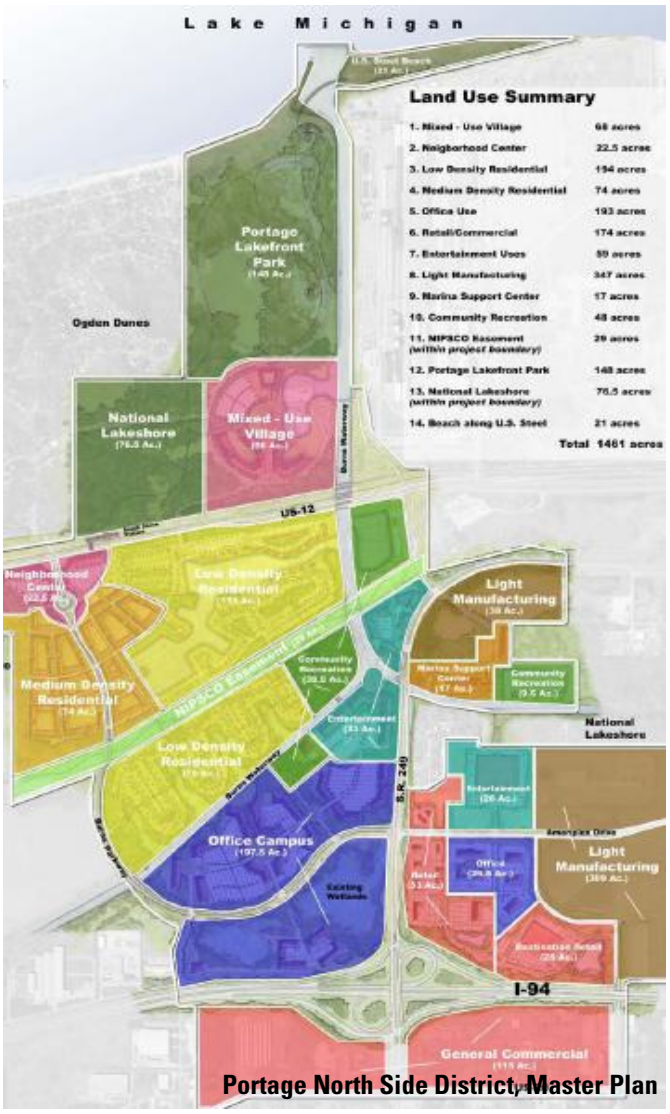
1) Recapture 75% of the lakeshore for public use including parklands,
2) A *minimum* 200 feet setback from the lakeshore; and,
3) A continuous biking and walking trail from the Illinois border to Portage.

Through a Lake Michigan Coastal Program grant each of the five cities contributed $8,000 toward a $200,000 feasibility study. This visioning process sought to develop a shoreline reclamation master plan. In June 2004, consulting firm JJR commenced the process and presented the resulting Marquette Greenway Plan as Indiana's lakefront investment strategy.

Overall, the report identified 1,500 acres for potential reuse, 2,500 acres for additional green space and 100 miles of multi-use trails. Public access, the fundamental reason for the Plan, could potentially increase from 33% to 82%. Changing public perception through reclaiming the shoreline from non-industrial uses is an intention of the Plan. The following highlights hint at how reuse and greater public access will positively shape the public's perceptions.

City of Portage

The transformational nature of the Marquette Greenway Plan is best captured and closest to fruition with the City of Portage. For four decades, this shoreline community lacked public access within its municipal borders to Lake Michigan and has been working passionately to make it happen. Much of the lakefront remained either in private ownership as residential and industrial uses or lied within the jurisdiction of the Indiana Dunes National Lakeshore and town of Ogden Dunes. Over seven years ago, a narrow swatch of private land west of the Burns Waterway to the Ogden Dunes' eastern border was identified as a potential public access point for the City. Public and



Portage North Side District Master Plan

private sectors—National Steel, United States Steel, Indiana Dunes National Lakeshore and the City of Portage—worked collaboratively on this negotiated, complex property transfer and management framework including cleanup above environmental standards. This chain of interactions began over seven years ago and continues today through the Portage North Side Master Plan, the development phase of the property. The Portage beach and lakefront project has emerged as a catalyst for a livable lakefront, the first accolade to the Marquette Plan.

The "North Side District" of Portage primarily supports industrial and commercial activities. It is a transportation corridor to the steel mills, Port of Indiana, U.S. 12, railroad lines and commuter rail lines. The public marina provides boat launching and seasonal slips, while small private marinas dot the Burns Waterway. The nearest land-based beach access consists of restricted access in Ogden Dunes or fee entry at West Beach, part of the National Lakeshore. The Little Calu-

met River lacks recreational utility.

The environmental setting reflects the regional character of co-existence between heavy industry and fragile ecosystems. Nearby RCRA industrial uses raise environmental concerns regarding air pollution and potential risks for soil and water contamination. However, greenfields and low impact uses are expected to have minor to no environmental remediation necessary. Wetlands mitigation should be anticipated.

The reinvestment strategy for the North Side District encompasses 1,461 acres extending from the public beach down to U.S Highway 20. While the sixty-acre Portage beach and parkland functions as a "beacon" for the District, two private sector developments will anchor it. The Ameriplex at the Port is zoned for light manufacturing and destination retail; home of the new Bass Pro Shops. Marina Shores at Dunes Harbor is a new residential marina community constructed on the site of a former boat launch and sand mining operation. The plans are for protection of beach areas, parks, development of greenspace and trails, marina expansion and farther away from the shore, some office and commercial investment. Other design elements germane to the Marquette vision are the proposed transit-oriented development near the South Shore Ogden Dunes station and a regional trail system connecting the National Lakeshore east/west units. Water-based recreational trails on the Little Calumet River and a futurist eye toward a canal link to downtown Portage are also proposed.

The total private development investment is estimated at $652.6 million [NPV] over the period, attracting a stream of visitors projected at 117.6 million. This economic activity will result in nearly 6,000 new jobs and draw approximately 2,100 new residents to the region.

City of Whiting

For generations in Whiting, the public has enjoyed Lake access from two local parks, a city-owned green space and the county-owned beach. This area already is consistent with the Marquette Greenway principles, especially the minimum 200 feet setback. A marina-based, mixed used development will optimize growth constrained by a city only 2 square miles in size. As in the case with Portage, the City of Whiting has initiated this catalytic project's planning phase so as to move quickly on low-cost enhancements.

The historical uses on Whiting's lakefront reflect what is still seen today—the Lake, Whihala Beach to the west, BP refinery to the east and to the south, a residential buffer before downtown. Several railroad lines transect this area in a right of way dividing the park and residential/recreational uses. Environmental concerns stem from close proximity to BP and Mittal Steel, both RCRA facilities. Ongoing remediation processes and national security issues inhibit public use of BP-owned beach [east of wastewater treatment] at this time. For the city, the lead shots from a former skeet shooting range contaminated a portion of the lake bottom off the northeast side of the park possibly making full development cost-prohibitive.

The reinvestment strategy for lakefront/marina planned development includes approximately 150 acres as land uses change overtime. The anchors of the Whiting project are the lakefront/marina development and the central business district. The marina development will be supported by recreational, residential, green space and commercial uses. Mixed-income, market-rate single family detached dwellings, single family attached dwellings, townhouses and low-rise apartments are slated south of the railroad tracks. In anticipation, the City

City of Whiting Beach and Mittal Beach Property
Google Earth

East Chicago/Gary South Shore Lakefront, Rendering from Joint Plan

rolled out a homeownership program to coincide with residential development. In addition, the city seeks to preserve its charm through consistent architectural design standards for all structures. Private investment induced by this project is estimated at $212.8 million [NPV] over the 30-year period and should attract more that 14.5 million visitors during the same timeframe.

Mittal Steel

Mittal Steel indicates a willingness to develop brownfields and explore Marquette Greenway linkages at its East Chicago plant. It has identified potential easements and smaller parcels, which may serve as recreational connectors between shoreline communities as large scale opportunities are unlikely in this 30-year time horizon.

Integrated steel production has dominated the land use on Mittal properties for a century with environmental impacts to soil, groundwater and air. Many industrial shoreline property owners, like Mittal or BP, have expressed a willingness to provide more of their properties for public use, but are wary of the increased operational costs and legal risks that these redevelopment efforts might well bring. As a RCRA facility, Mittal's concern about increasing the cost of doing business is justified. BP expressed similar safety and business concerns, in addition to the implications of Mittal beach on its adjacent parcel.

Mittal has suggested that approximately 32 acres on the southwestern corner of the peninsula dubbed here as "Mittal Beach" could support beach access in the near term thereby realizing a Marquette Greenway linkage. The construction of the industrial jetty and BP Water Treatment Plant created a natural beach area over the years. It would be publicly accessible by bicycle or car.

The economic impact is expected to be approximately $60 million [NPV] and the total visitors drawn to the site over the 30-year period within which these projects are compared [in conjunction with the other shoreline developments] will approach 660 thousand persons.

City of East Chicago

The Cities of East Chicago and Gary propose a joint South Shore Lakefront strategy. East Chicago seeks a residential-focus to shoreline development whereas Gary proposes a marina-based/mixed-use complex. The East Chicago strategy will parlay the nostalgia of its city center and Harbor neighborhood into a revitalized, expanded community with much needed and convenient access to commercial, retail and recreational services.

The South Shore Harbor Beach and Park is the catalytic project in connection with the Marquette Greenway. North of Cline Ave, the City envisions brownfield redevelopment, marina expansion and creation of a lakefront parks and regional trails system. The antiquated municipal wastewater treatment facility is slated for demolition and a new facility proposed outside of the project area. Under a separate but concurrent community development plan, the City will break ground on new residential developments in 2007 flanked by two new parks. Attractive, pedestrian-friendly bridges would be constructed to link the two plans.

Both railroad relocation and environmental risks are factored into this project's development timeline and projected costs. Railroad lines impede convenient, safe access and aesthetically-pleasing views. Environmental contamination of soil and underground water exists on the western edge of project area and potentially along the rail corri-

dor. Asbestos removal at the wastewater treatment plant is possible given the age of the facility.
The build-out is expected to occur over as much as a 12-year period, with the railroad relocation proving especially time consuming. The total private investment catalyzed by this shoreline reuse and associated development is projected to be $413.0 million over the time horizon, with an estimated 16.5 million visitors and nearly 2,000 jobs created.

City of Gary

The Gary South Shore Lakefront strategy at Buffington Harbor proposes a dynamic transformation of its western shoreline extending south to the upper bounds of the Airport. The Buffington Harbor project includes a broad set of development targets along the lakeshore, with an expanded marina, increased park acreage, greenways, pedestrian links, office development, retail, residential and wetlands protection and preservation – encompassing as much as 300 acres in total.

Much of the property in this project area has been always been zoned industrial and commercial uses. Environmental contamination of soil and groundwater are anticipated throughout the 300 acres so delayed starts in project development may occur. Remediation costs may extend across multiple responsible parties. Railroad relocation may also present additional considerations.

The economic impact of this change in the city and eventually the quality of life is projected to be $407.4 million over the 30-year period, with more than 48 million visitors attracted to the region as a result.

United States Steel

United States Steel is the single largest shoreline property owner in Gary with seven miles of lakefront and thousands of acres extending to the Grand Calumet River. A significant proportion of this property, possibly hundreds of acres, may be available for future redevelopment consistent with the vision of the Marquette Greenway and complimentary to nearby restoration and greenspace projects.

USS identified 200 acres on its western edge for eventual shoreline development. Given this parcel's proximity to the Gary/Chicago Airport, the Gary/East Chicago lakefront project, globally rare dune and swale preserves and Chicago skyline backdrop, this catalytic project area could easily become a national case study in brownfield redevelopment.

A century of activities on this USS property, like its peers along the shoreline, have adversely impacted soil, groundwater and air. Active and dormant railroad lines traversing this property pose a risk. These challenges may result extensive remediation costs associated with this project. However within a period of seven to eight years, this acreage could be ready for valuable shoreline redevelopment consistent with the goals of the Marquette Greenway Plan. Public sector leadership may need to take a strong role in initial project planning and coordination of stakeholders to offset non-environmental costs to industry.

One possible concept for this development would include beachfront, almost 50 acres of parkland, greenways and wetlands, pedestrian links, and a small amount of office and retail. Under these assumptions, the economic impact over the period is estimated at $587 million in private development investment and private activity spending [NPV] – generating approximately 27 million visitors.

City of Hammond

The first impression of both the Marquette Greenway and the State of Indiana by eastbound travelers begins with an urban vista from the Skyway Bridge. Traveler excitement generated while crossing the bridge quickly evaporates upon descent. The panoramic lakeshore fades behind billowing stacks, non-descript buildings, degraded natural space and dated housing. Major gateways should signify a welcoming transition, unfortunately, northwest Indiana does not.
The Hammond shoreline is economically committed to manufacturing, water-based gaming and public marina/beach access. Several railroad lines and heavily traveled Indianapolis Boulevard present physical barriers and environmental liability risks. Nearby Wolf Lake offers a development opportunity but is not directly connected to Lake Michigan. Therefore it is excluded from this analysis.

Hammond's only substantial opportunity lies with State Line Energy. Although currently a productive electricity generating plant, State Line

has had discussions with the City regarding moving off of the shoreline. If it took place, this move would allow for the reuse of a jetty on the Illinois-Indiana border, approximately 31 acres in total. On the Illinois side, a Chicago public park and recreational area, including a small marina abuts the southwestern edge of the plan, while Hammond's Bird Sanctuary flanks the southeastern edge. This site could symbolize bi-state coordination of land use by offering a truly seamless transition between Chicago's Burnham Plan to northwest Indiana's Marquette Greenway Plan.

This investment strategy requires a phased approach whereby RCRA-related environmental remediation and restoration projects occur in the near term and extensive brownfield redevelopment over the long-term. The Hammond site would allow for a moderate sized hotel, beach access, retail and restaurants, pedestrian links and greenways. Even though the site may not be immediately available for development, it is an example of a possible long-term change, which could have great value. Based on these uses, the private investment produced by this change is projected to be $115 million [in NPV], with a

total impact on the economy of the region over 30 years estimated at $653 million [in NPV].

Return on Investment

Northwest Indiana's best known asset is its shoreline which an asset has produced jobs for many decades. However the economic landscape has changed. The Marquette Greenway Plan is a major step to moving northwest Indiana toward a more diversified economy and improving the quality of life at the same time. As the major industrial firms located along the shoreline become more efficient in their use of the land, the opportunity for cleanup and reuse is apparent. This changed use and sense of place can regenerate and redefine the relationships residents and visitors have with it. The Plan also holds the promise of transforming the economy, through the development of parks, marinas, retail and residential property, bringing visitors from outside the region and with them the spending that drives new investment.

This study has exhaustively examined the parcel-by-parcel land use changes and investments that, taken as a whole, can be expected. Based on the plans of the cities along the lakeshore and utilizing estimates of environmental costs and development magnitudes from other similar regions, we find that the Marquette Greenway plan as explained above would:

- Add 39,000 jobs to the regional economy by the year 2040
- Increase total economic activity as measured by gross regional product by $38.9 billion by 2040
- Grow the population of northwest Indiana by 60,300 persons by the end of the time horizon
- As the shoreline continues to develop and change these impacts would grow and extend beyond the forecast period

These outcomes are measured against a no-change baseline scenario, and so are additional impacts above the "normal growth."

The residents of northwest Indiana have long awaited for the opportunity to improve the aesthetics of the region by improving the environment and developing an attractive shoreline. The Marquette Greenway plan makes this aspiration possible by demonstrating the full value of greater public access to the shoreline redevelopment strategy. The investment in this project will pay significant

Table 20

Table of ROI Measurements: MGP

Measurement	Numerator	Denominator	Ratio
Benefit / Cost [values]	PV of Added Personal Income [in mill of $'s] $12,683.9	PV of Net Regional Cost [in mill of $'s] $30.1	$421.7
Output Ratio [values]	PV of Added Gross Regional Product [in mill of $'s] $38,882.6	PV of Net Regional Cost [in mill of $'s] $30.1	$1,292.6
Cost / Job [values]	PV of Net Regional Cost [in mill of $'s] $30.1	Employment Added by Project 38,990	$771.5

Source: Policy Analytics, LLC; 2007

Conclusion / Findings

The 2005 Indiana General Assembly created the Northwest Indiana Regional Development Authority, assigned a development mission, provided funding and required that it complete a Comprehensive Economic Development Plan prior to the start of making investments. For each of the projects identified in the statute, the report was to include: budget and timeline, the return on investment, the expected need for ongoing subsidy, and the projected federal matching funds. This report, completed under the RDA's supervision, is submitted as fulfillment of that statutory requirement.

This report is built upon the foundation of an eight month analysis and review of the economy and demographics of northwest Indiana, relevant policy studies completed over the past six years, and an intensive analysis of the four targeted investments set forth in the RDA's statute. This analysis yielded the following insights:

1. The Gary / Chicago International Airport has the potential to capture a significant amount of the greater Chicago region's air activity growing to approximately two-thirds the size of Midway today, becoming in reality the third most important airport in the Chicago region and adding 86,000 jobs and $82.6 billion [PV] in net new economic activity over the next 40 years. This development will be completed with a substantial amount of federal funding, and will not be expected to require long term outside subsidies.

2. The West Lake Corridor extension of the South Shore commuter railroad to Lowell and Valparaiso will reduce congestion within the northwest Indiana region and produce significant inflows of personal income, boosting the regional economy, producing more than 26,000 new jobs and $32.2 billion [PV] in net new economic activity. If the project is funded through the federal New Starts program, it will likely receive 50% federal funding, and will require state funds at the current ratio to subsidize its expanded operations.

3. The development of the Lake Michigan shoreline in northwest Indiana will reduce environmental contamination, increase the quality of life for residents and produce economic benefits far in excess of the funds needed for the investments. The Marquette Greenway Plan as estimated/described in this report will add 39,000 jobs to the regional economy and increase net new economic activity by $38.9 billion [PV] over the next 40 years. This development will require no net ongoing subsidies. It is not clear what federal match rates will apply for the projects included in this development plan, as federal programmatic funds have not been identified.

4. The provision of a region-wide, integrated transit/bus system will provide access to jobs, access to health care and access to shopping for both citizens without other means of transportation and those who choose to ride transit. These new transit services will increase employment by 7,000 jobs and add $7.2 billion [PV] in net new economic activity during the next 40 years. Federal funds are expected to provide approximately 28% of the annual operating and capital cost, with the need to cover an annual budget shortfall of approximately $14 million region-wide.

The RDA's goal is to be "…a catalyst for the transformation of the Northwest Indiana economy to robust world class status." The projected impact of the above projects is a very robust $160.9 billion in net new economic activity, and an increase in jobs of 158,000 by 2040 that amounts to nearly a 50% increase above the baseline forecast. These projects help to catalyze a Northwest Indiana that is a leading portion of the Indiana and Chicago economies and known for its quality of life. In short, the vision of those who worked to establish the RDA can become a reality. The challenge is to deliver on the development path that is laid out for the region – it is a question of implementation and resources – but the vision can be realized if the people of Northwest Indiana choose to make it happen.

PolicyAnalytics, LLC

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Policy Analytics, LLC is an Indiana based company specializing in economic research, public finance, and policy analysis. William J. Sheldrake founded the firm in 2004 with the vision of providing creative analytical insight for public and private decision-making to business executives, elected officials and other community leaders in need of first rank research and top quality strategic thinking. The company is headquartered in Indianapolis, Indiana while working on projects throughout the state and the Midwest. Through its experienced staff, Policy Analytics brings to its projects the combined experience of over 60 years of public finance and public policy expertise and decades of private sector and academic research skills.

Project Team

To meet the project sponsor and stakeholder expectations, Policy Analytics led by President Bill Sheldrake, assembled a professional seven member team consisting of Policy Analytics' staff consultants; Hunden Strategic Partners, a Beverly Shores-based real estate and economic development firm; and Civil and Environmental Consultants, a Pittsburg, PA-based land use, environmental planning and engineering company.

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