

ProPEL Indy

Enhanced Transportation Infrastructure Illustrative Revenue Capacity Analysis



Prepared for HNTB by
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Introduction and Purpose of Report

ProPEL Indy

ProPEL Indy is a unique opportunity for central Indiana residents to envision the future of the urban interstates. This study will inform the next 20 years of investment in our interstates as we identify ways to modernize these roads and improve the region's overall mobility, economic opportunity, and quality of life.

The goal of ProPEL Indy is to identify transportation needs and community goals along I-65 and I-70, inside the I-465 loop. ProPEL Indy will develop a set of options to be considered that meet transportation needs and community goals. This will set the long-term vision for investment in the interstates.

Alternative Funding Analysis

The ProPEL Indy process evaluates possible enhanced transportation infrastructure alternatives for the future reconstruction of certain segments of the I-65 and I-70 corridors near downtown Indianapolis. These enhanced alternatives carry higher construction and operational costs than baseline replacement alternatives. The purpose of this memo is to perform a high-level capacity evaluation of selected value capture methods to evaluate the potential to fund the enhanced infrastructure alternatives from non-traditional sources.

This memo presents the findings of the second phase of a two-phase study on enhanced infrastructure fundings options. The first phase, "Enhanced Transportation Infrastructure Revenue Options Analysis," identified a variety of *potential* non-traditional revenue options to fund enhanced transportation infrastructure. This phase analyzes the potential fiscal capacity of selected revenue options.

This memo summarizes the methodology and findings of the analysis. This analysis is intended to be a high-level examination of fiscal capacity given reasonable future development parameters. It is not a forecast of predicted revenues and in no way implies a commitment of resources from State or Local entities to fund certain projects. Actual future conditions will vary from stated assumptions.

1.0 – Value Capture Framework

Enhanced Transportation Funding Options

The first phase of this study, as documented in the memo, “Enhanced Transportation Infrastructure Revenue Options Analysis,” reviewed case studies of enhanced infrastructure funding projects in Columbus, Ohio and Dallas, Texas, and also reviewed several potential enhanced infrastructure funding tools. These tools are described below:

Funding Strategy	Jurisdiction	Strategy Description
RIGHT-OF-WAY REVENUE GENERATION STRATEGIES		
Joint Development Lease Agreement	State, Local	Lease of government owned land/air rights for private development.
Joint Development Land Sale	State, Local	Sale of government owned land at market rate to generate revenue.
Utility Joint Development	State, Local, Private	Public-Private-Partnership to lease right-of-way for fiber optic lines.
VALUE CAPTURE STRATEGIES		
Tax Increment Financing	Local	Capture of incremental property tax revenue resulting from new development.
Income Tax capture	State, Local	Capture of incremental income tax revenue resulting from increased economic activity.
Sales Tax Capture	State	Capture of incremental sales tax revenue resulting from increased
LOCAL REVENUE TOOLS		
Transportation Impact Fee	Local	Fee on new constructions benefiting from infrastructure projects.
Economic Improvement District (EID)	Local	Fee on property owners benefiting from infrastructure/economic improvement projects.
Parking Fees	Local	Revenue from parking meter collections.

Of these tools the following have been selected or further study in the fiscal capacity analysis:

- Joint Development Lease Agreement
- Property Tax Increment Capture
- Local Income Tax Increment Capture

The selection of these tools does not imply that they are the most likely to maximize revenue for enhanced infrastructure projects or are the best suited tools for this application. These tools were selected because there is precedent for their use in Indiana to direct local revenue to infrastructure projects. Their use is intended to provide a reasonable illustration of the capacity of local revenue options.

Value Capture Premise

The value capture framework in this analysis is premised on the assumption that enhanced transportation infrastructure – especially improved accessibility and amenities within the study areas will facilitate private investment and development in adjacent areas. This analysis does not seek to correlate or prove the connection between infrastructure improvement and private investment. Instead, the analysis is structured to address the question, “if enhanced infrastructure improvements contribute to a more attractive development environment, then what is the potential capacity of value capture revenue tools?”

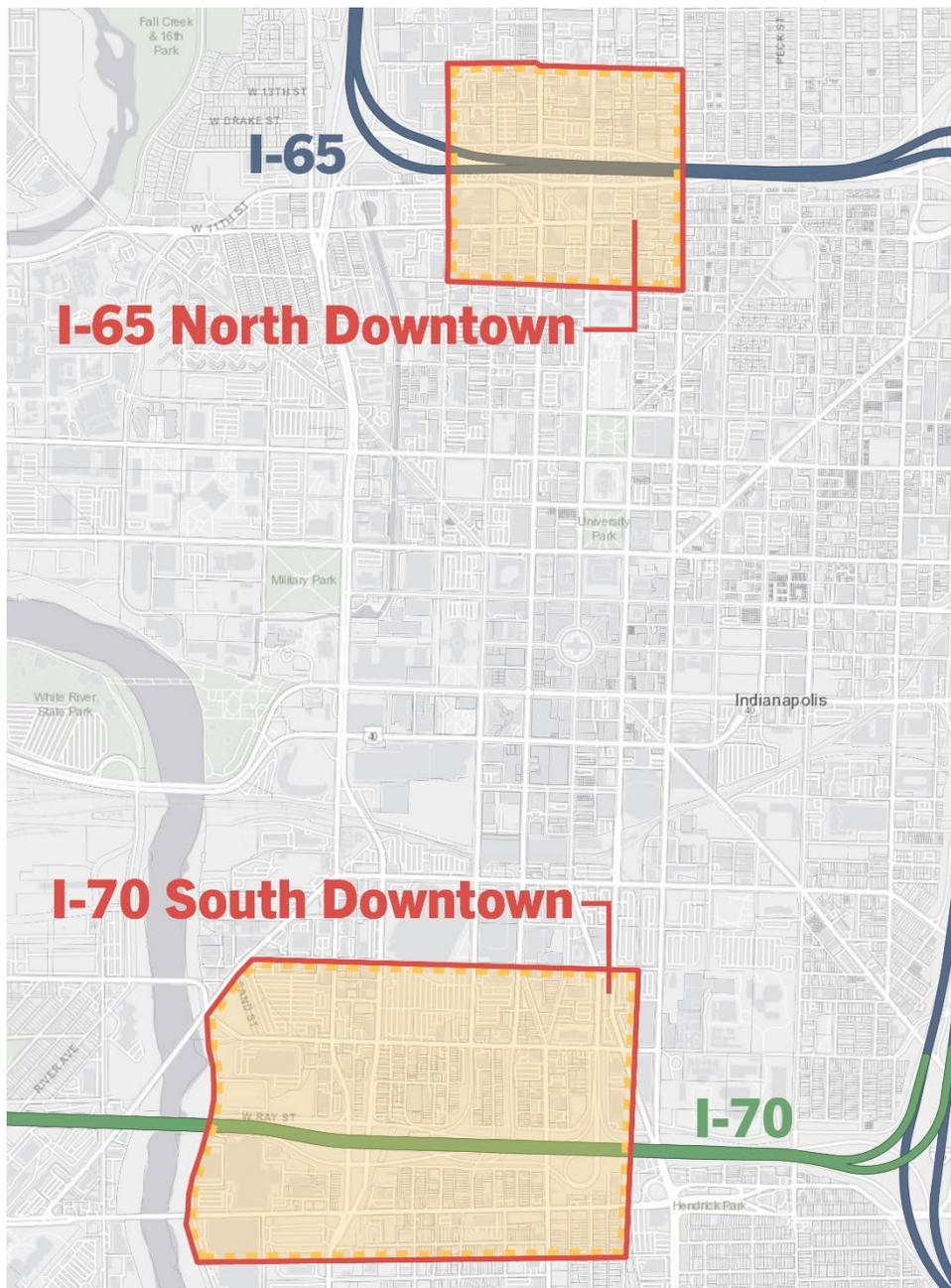
The value capture framework is structured to quantify the potential for investment and economic activity within the potentially reusable right-of-way that has been identified as part of the transportation improvements, and within adjacent under-utilized property. This analysis does not quantify impacts to broader geographic areas, or follow-on economic impacts.

2.0 – Fiscal Impact Methodology

Study Area Definition

The study areas for this analysis are a subset of the greater study area for the ProPEL Indy Study. The study areas include two district segments on which enhanced infrastructure improvements are proposed:

- **I-65 North Downtown:** The segment of I-65 between Delaware St. and Capitol Ave. on the north side of Downtown Indianapolis.
- **I-70 South Downtown:** The segment of I-70 roughly between the White River and Madison Avenue on the south side of Downtown Indianapolis.



Enhanced Infrastructure Alternatives

Two enhanced infrastructure options are evaluated in this analysis, the Recessed Alternative and the Viaduct Alternative. More information on each alternative can be found in the Indy ProPEL study documentation.

Recessed Alternative



Illustrations for representational purposes only. Preliminary and subject to change based on public input and technical review.

Viaduct Alternative



Illustrations for representational purposes only. Preliminary and subject to change based on public input and technical review.

Methodology: Private Development Agreement – Land Lease

Both enhanced infrastructure alternatives, the Recessed Option and the Viaduct Option reduce the footprint of the transportation structure, potentially making area within the public right-of-way available for other uses. It is possible that the State of Indiana would desire to preserve control and use of the entire right-of-way for future transportation related projects. However, it is possible under certain conditions that a joint private development agreement may be explored for development within the public right of way.

The outright sale of land within the right-of-way would require the State to relinquish full interest and future control of the property. For this reason, a private land lease structure that would allow the State to maintain long-term ownership of the land itself is evaluated in this analysis. The land lease valuation exercise uses the following methodology:

A. Number of developable acres within the right-of-way

From the engineering documents, the number of acres within the right-of-way that may become available for potential development.

B. Assumed market price per acre

A review of property tax assessment records shows that land within downtown Indianapolis is assessed at approximately \$1 million per acre. This is the assumed land value for this analysis. Actual market value of land transactions may vary due to a variety of factors.

C. Market value of developable land

The count of developable acres multiplied by the assumed market value per acre.

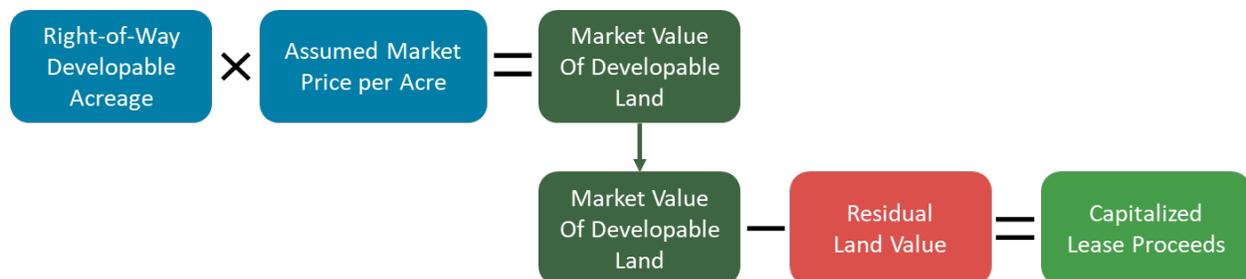
D. Residual value of land

The present value of the land at the end of the lease term. Assumed lease terms: 75-year lease, with 3% inflation rate; annual payments.

E. Capitalized Lease Proceeds

The estimated capitalized value of the lease. Actual lease proceeds will vary due to the terms of the lease, development restrictions, financing costs and other parameters.

Private leases are subject to federal regulations regarding the disposal of excess property. In many situations, the public sector partner must command market rate lease terms. The design, negotiation, and terms of private lease agreements can be a complex process that involves negotiating trade-offs regarding development control and timing. Further analysis would be required to assess the suitability and feasibility of long-term development leases for all or any right-of-way that would be made available through an enhanced infrastructure project.



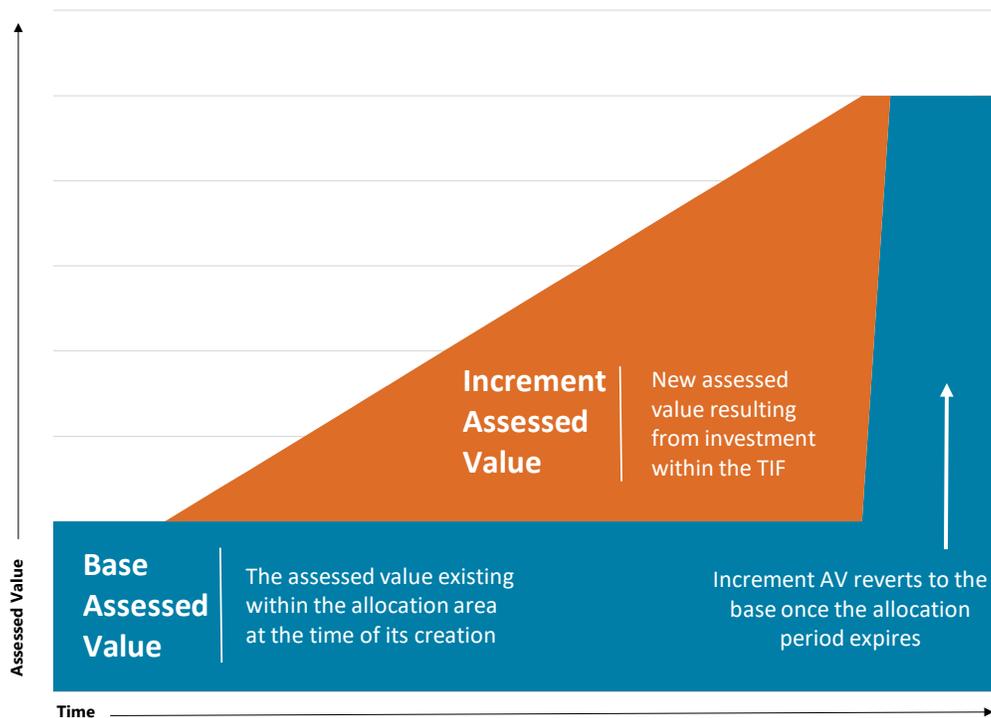
Methodology: Local Property Tax Capture

Tax Increment Financing [TIF] is a strategic tool for economic development and urban redevelopment, utilized by local municipalities to stimulate private sector investment within designated areas. TIF functions by “capturing” the incremental property tax revenues generated by new development within a defined geographic district. These captured revenues are then allocated to fund economic development and redevelopment initiatives that directly benefit the TIF district.

Commonly, TIF revenues are used to secure debt financing for improvements to physical infrastructure within and around the TIF area. New TIF allocation areas typically have a duration of 25 years, commencing after the first bond payment is issued.

Increment assessed value and revenues were estimated using data from low-density and high-density comparable areas. All existing assessed value within the specified development area was assumed to be base assessed value.

Illustration of TIF Increment Capture



Low Density Estimate Methodology

The low-density estimate uses the property type acreage and vertical development area of parcels within the Virginia Avenue comparable area to estimate the buildout density of different property types within the study area. The Virginia Avenue comparable area uses the Greater Virginia Avenue Corridor [GVAC] Economic Improvement District [EID] as the boundary.



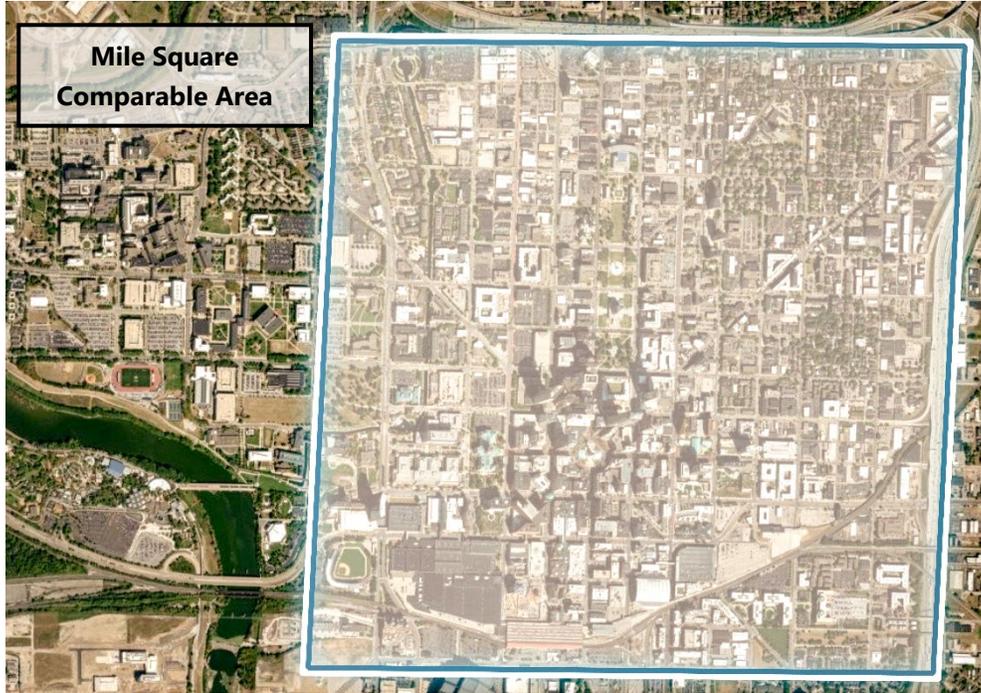
Each property type's share of the total area (excluding exempt and institutional parcels) and average square feet per of vertical development per acre was used to estimate the capacity for new development within the study areas. The assessed value per square foot of new constructions, within the last five years, across Indianapolis were used to estimate the potential value of new development within each property type.

Virginia Avenue Comparable Area Summary of Assumptions

Property Type	Total Acreage	Share of Total Acreage	Sq. Ft. per Acre	Assessed Value per Sq. Ft.
Single-Family Residential	2.5 acres	7.5%	88,000 SF/Ac.	\$206.75/SF
Apartments	7.2 acres	21.4%	77,000 SF/Ac.	\$221.60/SF
Hotel	-	-	-	\$259.48/SF
Office	2.6 acres	7.7%	21,000 SF/Ac.	\$154.90/SF
Retail	7.0 acres	20.9%	23,000 SF/Ac.	\$154.90/SF
Restaurant/Café	2.3 acres	6.9%	12,000 SF/Ac.	\$154.90/SF
Other Commercial	11.9 acres	35.6%	37,000 SF/Ac.	\$154.90/SF
Industrial	-	-	-	\$42.60/SF
Total	33.5 acres	100.0%		

High Density Estimate Methodology

The high-density estimate uses the Mile Square comparable area to calculate the property type mix and the vertical development capacity for each of the study areas. The Mile Square comparable area uses the Downtown Indianapolis Economic Enhancement District [EED] as the boundary.



The same methodology used for the low-density estimate was applied to the new acreage and square foot assumptions drawn from the Mile Square comparable area.

Mile Square Comparable Area Summary of Assumptions

Property Type	Total Acreage	Share of Total Acreage	Sq. Ft. per Acre	Assessed Value per Sq. Ft.
Single-Family Residential	90.7 acres	16.4%	52,991 SF/Ac.	\$206.75/SF
Apartments	108.1 acres	19.5%	74,279 SF/Ac.	\$221.60/SF
Hotel	28.7 acres	5.2%	142,312 SF/Ac.	\$259.48/SF
Office	106.8 acres	19.3%	102,222 SF/Ac.	\$154.90/SF
Retail	24.1 acres	4.3%	75,987 SF/Ac.	\$154.90/SF
Restaurant/Café	10.9 acres	2.0%	53,329 SF/Ac.	\$154.90/SF
Other Commercial	143.0 acres	25.8%	51,608 SF/Ac.	\$154.90/SF
Industrial	42.5 acres	7.7%	33,142 SF/Ac.	\$42.60/SF
Total	554.6 acres	100.0%		

Methodology: Local Income Tax Capture

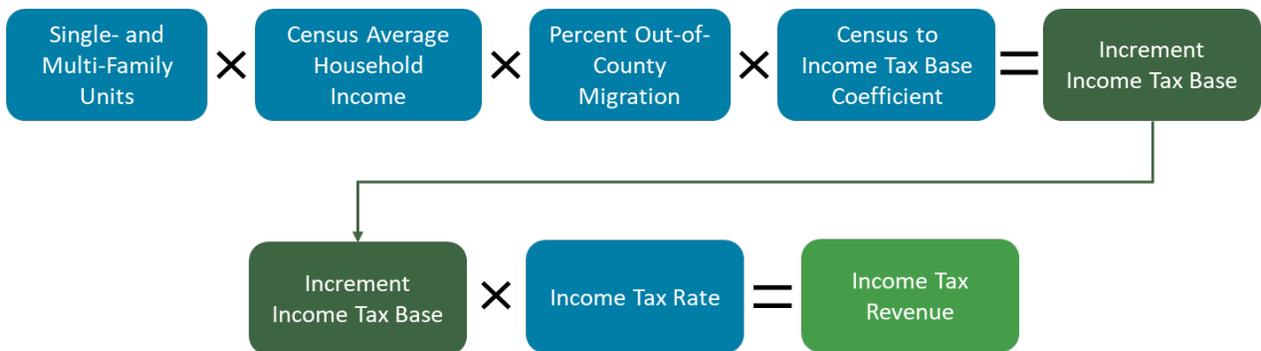
The local income tax is a major source of revenue for local municipal units (counties, cities and towns) within Indiana. The local income tax is imposed by the county fiscal body or income tax council, levied against Indiana personal income and paid within the county of residence.

There is not currently a mechanism in place to directly capture gains in local income tax revenue for use in transportation projects. However, the concept of local income tax capture has precedent for use in several economic development structures such as:

- Community Economic Revitalization Districts [CRED]
- Innovation Development Districts [IDD]
- Transit Development Districts [TDD]

Marion County currently imposes a local income tax rate of 2.02%. According to U.S. Census data, the mean household income within the downtown Indianapolis area is approximately \$112K. New income tax revenue only accrues to the county from residents (and incomes) that are net new to the county. Residents that move from one location to another within the county do not generate new, incremental income tax revenue. This analysis assumes that 75% of the new residential units constructed are occupied by net new residents to the county.

The full income tax estimation methodology is described in the flowchart below:



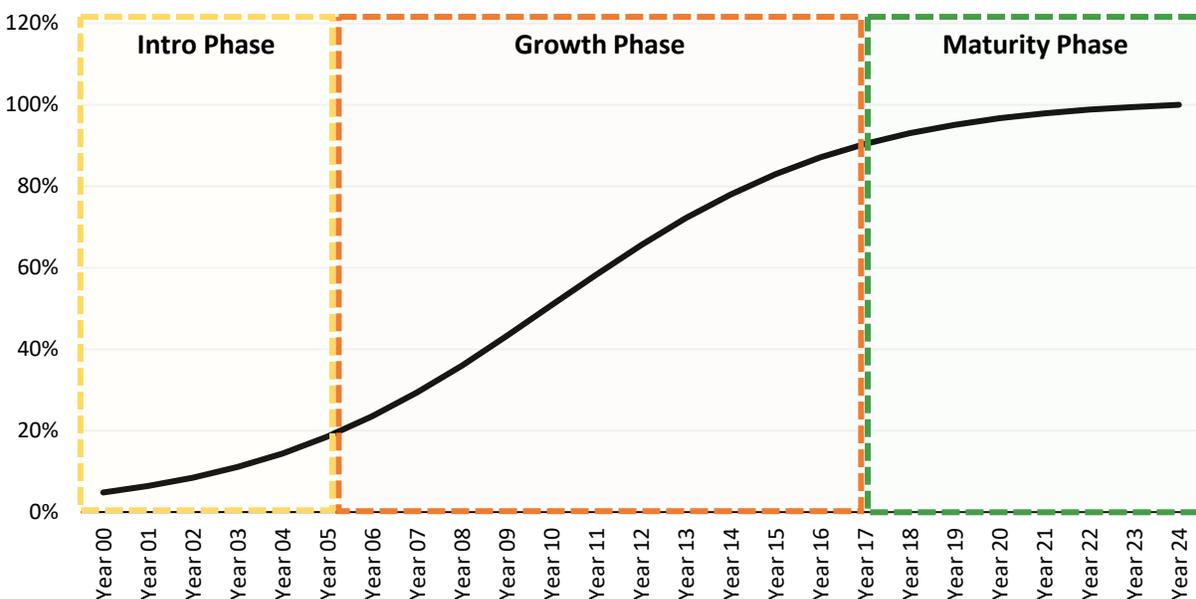
Development Timing Assumptions

The timing and duration of any highway improvements, and follow-on development is uncertain and speculative at this point in the planning process. However, an analysis of the fiscal capacity of revenue options requires assumptions about construction and development timing. An illustrative development timeline was created to estimate the timing of future follow-on development and investment.

Many development cycles follow a similar pattern, which begins with an introductory phase. In the introductory phase, development begins slowly, but the rate of change increases each year. As development momentum grows, the cycle enters into a growth phase. Eventually, as available capacity is consumed, the rate of growth slows, and the development enters a maturity phase.

The development curve begins in year 0, which is assumed to be the year that the transportation infrastructure improvements are substantially completed. Development is assumed to increase over time, so that 80% of the development occurs within 15 years of project completion. By year 25, development approaches 100% of total capacity.

Illustrative Development Timeline



The significant outcome from the use of a development curve is that the full economic benefit of the follow-on development is not immediately available to fund the project. The pace and scale of development will materially impact the present value of any revenue stream. If development occurs faster, then the total available resources would increase. If development lags behind the illustrative assumptions, then available resources will be less than estimated in this analysis.

The analysis assumes that all development in all scenarios follows the development timeline. The cumulative fiscal benefits of investment are expressed in terms of net present value, over a 25-year period, discounted at a rate of 5%.

3.0 – Recessed Alternative Revenue Potential Analysis

Identification of Developable Areas

Interstate redevelopment projects throughout the nation that have restored or enhanced connectivity typically induce new investment into the surrounding area as increased vehicle and pedestrian traffic bring demand to previously underinvested areas. The recessed I-65 and I-70 projects have the potential to catalyze revitalization and new investment within the surrounding area. For the purposes of this analysis, project-adjacent parcels with deteriorated, low-value, or no improvements were categorized as underutilized. Although this land area is categorized as “underutilized”, it is not certain that the land will become taxable. It is possible that the land would be used for a tax exempt purpose in future development. The total area of potentially reusable right-of-way and underutilized area was used to calculate the fiscal impacts of redevelopment around the project sites.

North Study Area Redevelopment Parcels



- Right-of-Way
- Underutilized Parcels

South Study Area Redevelopment Parcels



Development Assumptions

Based off of development density from the Mile Square and the Virginia Avenue comparable areas, a low density and high-density buildout of the redevelopment area was calculated.

North Study Area Development Estimate

	Acreage		Total Development Area	
	Low Density	High Density	Low Density	High Density
Single-Family Residential	2.2 ac.	4.7 ac.	192,000 SF	252,000 SF
Apartments	6.2 ac.	5.7 ac.	479,000 SF	420,000 SF
Hotel	-	1.5 ac.	-	214,000 SF
Office	2.2 ac.	5.6 ac.	47,000 SF	571,000 SF
Retail	6.1 ac.	1.3 ac.	140,000 SF	96,000 SF
Restaurant/Café	2.0 ac.	0.6 ac.	25,000 SF	30,000 SF
Other Commercial	10.3 ac.	7.5 ac.	381,000 SF	386,000 SF
Industrial	-	2.2 ac.	-	74,000 SF
TOTAL	29.0 ac.	29.0 ac.	1,264,000 SF	2,043,000 SF

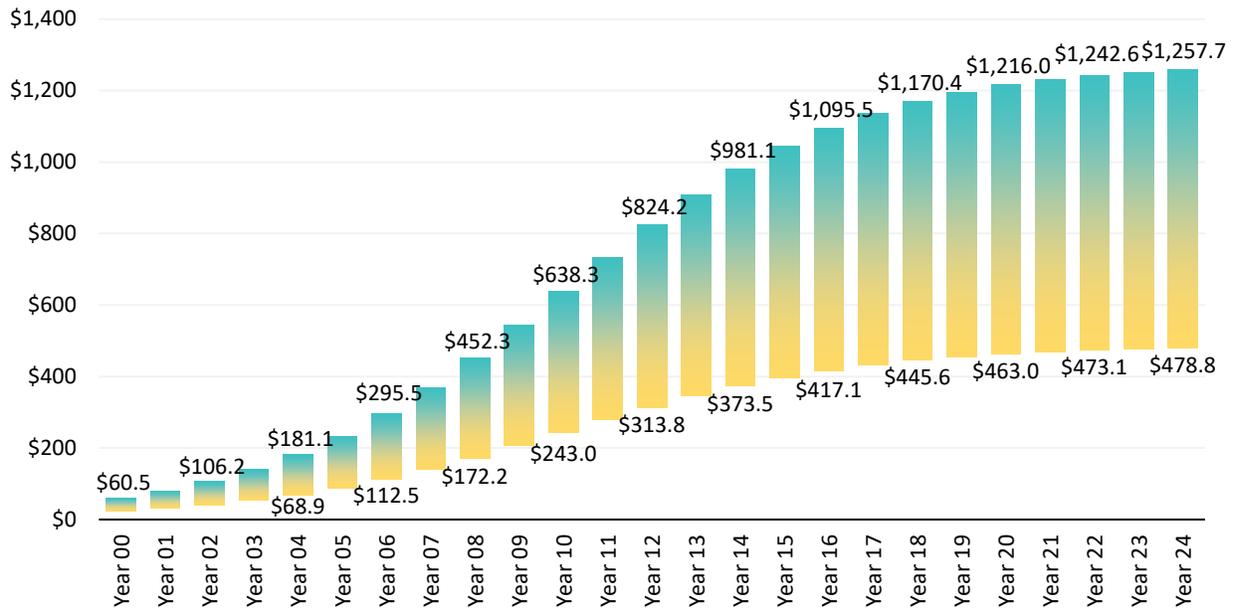
South Study Area Development Estimate

	Acreage		Total Development Area	
	Low Density	High Density	Low Density	High Density
Single-Family Residential	5.7 ac.	12.5 ac.	506,000 SF	663,000 SF
Apartments	16.4 ac.	14.9 ac.	1,262,000 SF	1,107,000 SF
Hotel	-	4.0 ac.	-	562,000 SF
Office	5.9 ac.	14.7 ac.	124,000 SF	1,505,000 SF
Retail	16.0 ac.	3.3 ac.	369,000 SF	252,000 SF
Restaurant/Café	5.3 ac.	1.5 ac.	65,000 SF	80,000 SF
Other Commercial	27.2 ac.	19.7 ac.	1,004,000 SF	1,017,000 SF
Industrial	-	5.9 ac.	-	194,000 SF
TOTAL	76.5 ac.	76.5 ac.	3,330,000 SF	5,380,000 SF

The total gross assessed value of the development was estimated using comparable properties within downtown Indianapolis. The resulting development within the study areas, at full buildout, is estimated to provide between \$479 million and \$1.3 billion in increment assessed value.

Estimated Cumulative Increment Assessed Value Buildout

Low to High Density Estimates, Dollars in Millions



Fiscal Impact

ESTIMATED LAND LEASE PROCEEDS

The Recessed Alternative creates approximately 38 acres of potential reusable right-of-way on which development may potentially occur. Assuming a market value of \$1 million per acre, a 75-year lease and a 3% rate of inflation, the capitalized value of lease proceeds for the Recessed Alternative is \$33.9M.

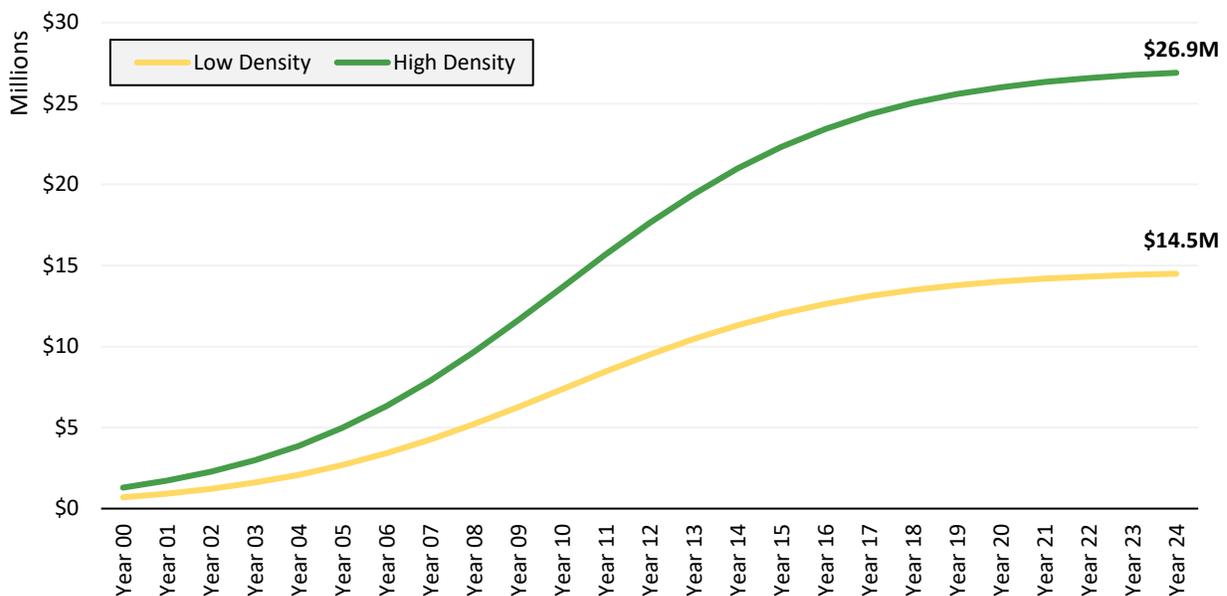
Scenario	Area	Acres	Market Value	Less: Residual	Lease Value
Recessed	I-65 North Downtown	4	\$4.0M	(\$0.4M)	\$3.6M
Recessed	I-70 South Downtown	34	\$34.0M	(\$3.7M)	\$30.3M
Total		38	\$38.0M	(\$4.1M)	\$33.9M

PROPERTY TAX INCREMENT CAPTURE

At full buildout, new development within the study areas is estimated to produce between \$15 and \$27 million annually in current dollars.

Estimated Annual Increment Property Tax Revenue

Dollars in Millions

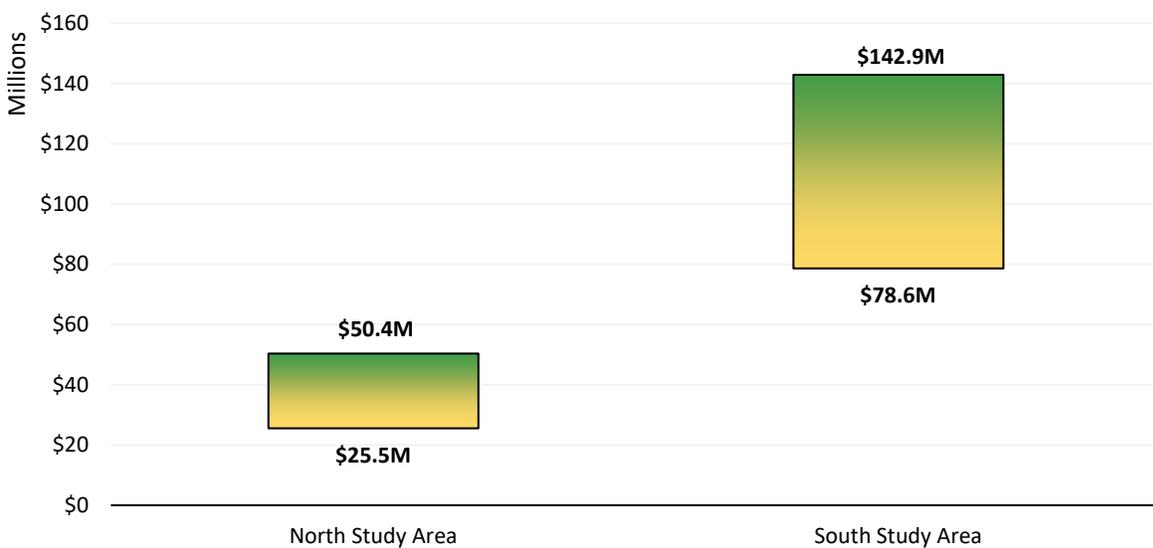


The short term value of a long-term series of cash flows is expressed as the present value of the cash flows. This methodology accounts for the time value of money to quantify the up-front value of a future revenue stream. This also serves as an approximation of the amount that could be capitalized from the revenue stream. This analysis uses a discount rate of 5% for present value calculations, which approximates the public sector cost of capital for debt financing.

The present value of TIF increment revenue over a 25 year period ranges from \$25-\$50M for the North Study Area, and \$79-\$143M for the South Study Area.

Estimated Present Value of Increment Property Tax Revenue

Present Value of Annual Revenues Over 25 Years, Discounted at 5%; Dollars in Millions

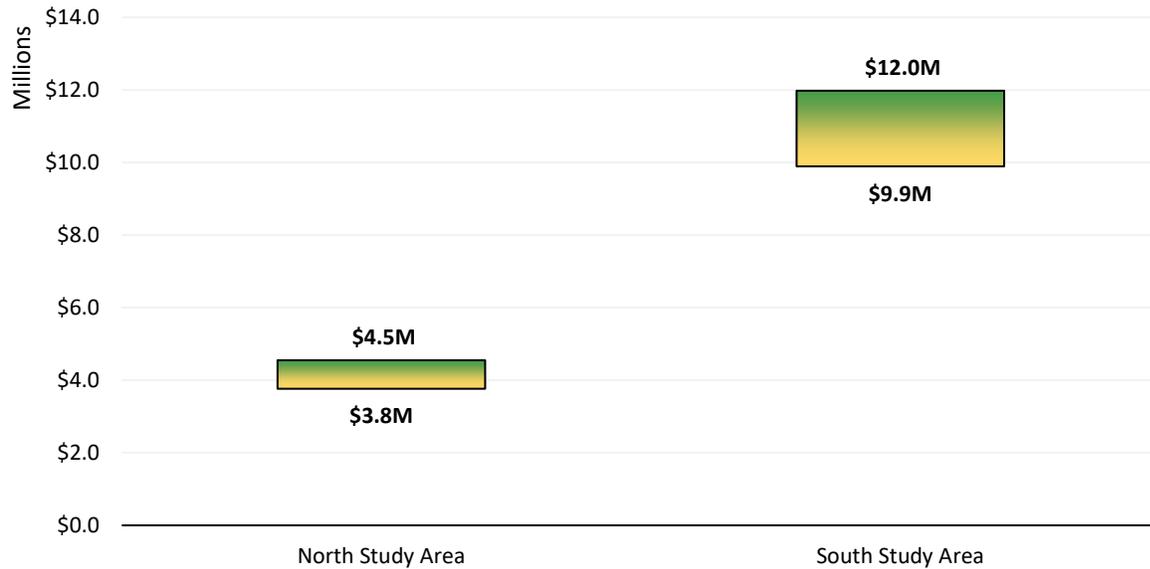


LOCAL INCOME TAX CAPTURE

At full buildout, new single-family and multi-family residential properties are estimated to generate \$2.5 million annually in income tax, assuming a high density of new development. The present value of increment local income tax capture is estimated to be \$16.5 million in a high-density development scenario and \$13.7 million in a low-density development scenario.

Estimated Present Value of Increment Income Tax Capture

Present Value of Annual Revenues Over 25 Years, Discounted at 5%; Dollars in Millions



TOTAL FISCAL IMPACT

The net present value of all selected revenue options for the recessed alternative is estimated to be between \$152 and \$244 million depending on the density of new development. Increment property tax capture provides the largest amount of funding in both the low density and high-density scenarios, contributing between 68% and 79% of the total present value.

Estimated Present Value of Revenue Options

	Low Density			High Density		
	North	South	Total	North	South	Total
Land Lease Revenue	\$3.6 M	\$30.3 M	\$33.9 M	\$3.6 M	\$30.3 M	\$33.9 M
Increment Property Tax Capture	\$25.5 M	\$78.6 M	\$104.2 M	\$50.4 M	\$142.9 M	\$193.2 M
Increment Income Tax Capture	\$3.8 M	\$9.9 M	\$13.7 M	\$4.5 M	\$12.0 M	\$16.5 M
Grand Total	\$32.9 M	\$118.8 M	\$151.7 M	\$58.5 M	\$185.2 M	\$243.6 M

Net present value at 5% over 25 years of cumulative development

4.0 – Viaduct Alternative Revenue Potential Analysis

Identification of Developable Areas

The total area of underutilized parcels (see note on page 13) was assumed to remain the same between the recessed alternative and the viaduct alternative. The total acreage of developable right-of-way decreases in the viaduct scenario compared to the recessed alternative in south study area but increases slightly in the north study area.

North Study Area Redevelopment Parcels



South Study Area Redevelopment Parcels

-  Right-of-Way
-  Underutilized Parcels



Development Assumptions

Based off of development density from the Mile Square and the Virginia Avenue comparable areas, a low density and high-density buildout of the redevelopment area was calculated.

North Study Area Development Estimate

	Acreage		Total Development Area	
	Low Density	High Density	Low Density	High Density
Single-Family Residential	2.4 ac.	5.2 ac.	212,000 SF	278,000 SF
Apartments	6.9 ac.	6.2 ac.	529,000 SF	464,000 SF
Hotel	-	1.7 ac.	-	236,000 SF
Office	2.5 ac.	6.2 ac.	52,000 SF	631,000 SF
Retail	6.7 ac.	1.4 ac.	155,000 SF	106,000 SF
Restaurant/Café	2.2 ac.	0.6 ac.	27,000 SF	33,000 SF
Other Commercial	11.4 ac.	8.3 ac.	421,000 SF	426,000 SF
Industrial	-	2.5 ac.	-	81,000 SF
TOTAL	32.0 ac.	32.0 ac.	1,396,000 SF	2,255,000 SF

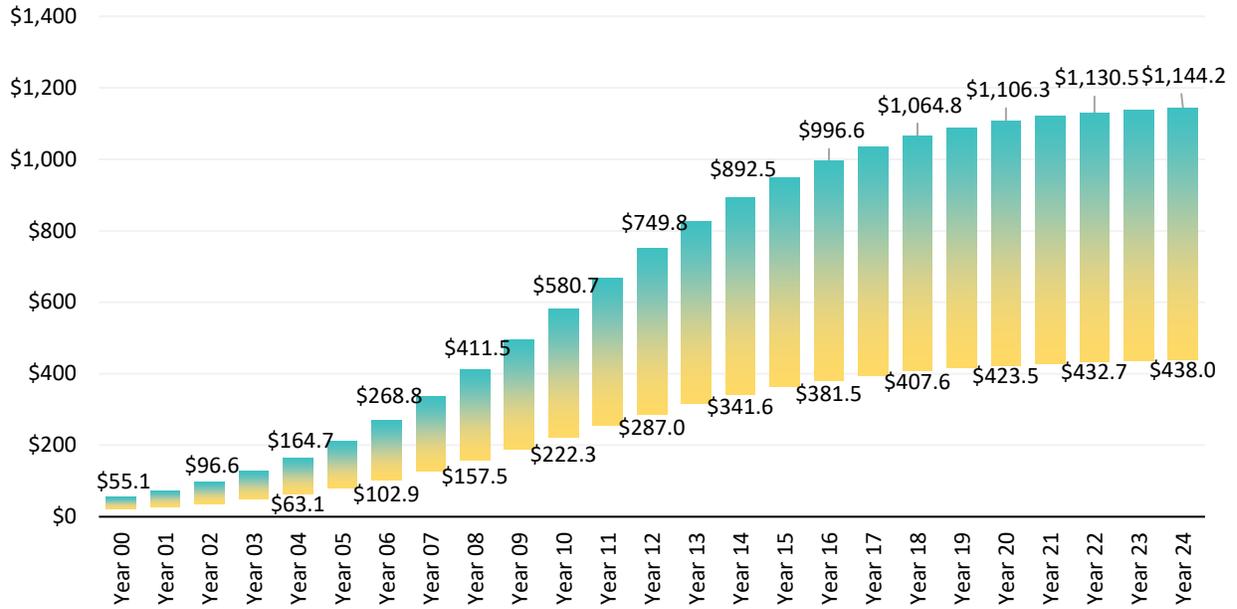
South Study Area Development Estimate

	Acreage		Total Development Area	
	Low Density	High Density	Low Density	High Density
Single-Family Residential	4.8 ac.	10.5 ac.	427,000 SF	559,000 SF
Apartments	13.8 ac.	12.6 ac.	1,064,000 SF	933,000 SF
Hotel	-	3.3 ac.	-	474,000 SF
Office	5.0 ac.	12.4 ac.	104,000 SF	1,269,000 SF
Retail	13.5 ac.	2.8 ac.	311,000 SF	212,000 SF
Restaurant/Café	4.5 ac.	1.3 ac.	55,000 SF	67,000 SF
Other Commercial	22.9 ac.	16.6 ac.	846,000 SF	858,000 SF
Industrial	-	4.9 ac.	-	164,000 SF
TOTAL	64.5 ac.	64.5 ac.	2,807,000 SF	4,536,000 SF

The total gross assessed value of the development was estimated using comparable properties within downtown Indianapolis. The resulting development of the study areas, at full buildout, is estimated to provide between \$438 million and \$1.1 billion in increment assessed value.

Estimated Cumulative Increment Assessed Value Buildout

Low to High Density Estimates, Dollars in Millions



Fiscal Impact

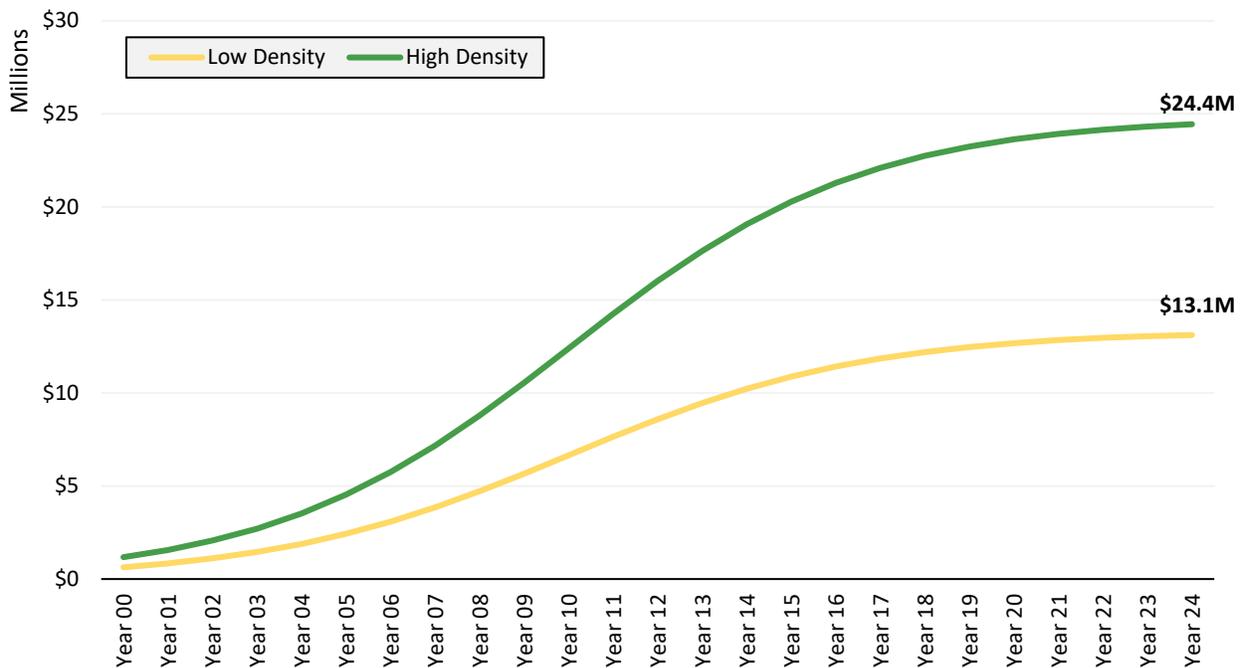
ESTIMATED LAND LEASE PROCEEDS

The Viaduct Alternative creates approximately 26 acres of potential reusable right-of-way on which development may potentially occur. Assuming a market value of \$1 million per acre, a 75-year lease and a 3% rate of inflation, the capitalized value of lease proceeds for the Recessed Alternative is \$25.8M.

Scenario	Area	Acres	Market Value	Less: Residual	Lease Value
Viaduct	I-65 North Downtown	7	\$7.0M	(\$0.8M)	\$6.2M
Viaduct	I-70 South Downtown	22	\$22.0M	(\$2.4M)	\$19.6M
Total		29	\$29.0M	(\$3.2M)	\$25.8M

Estimated Annual Increment Revenue

Dollars in Millions



Estimated Present Value of Increment Revenue

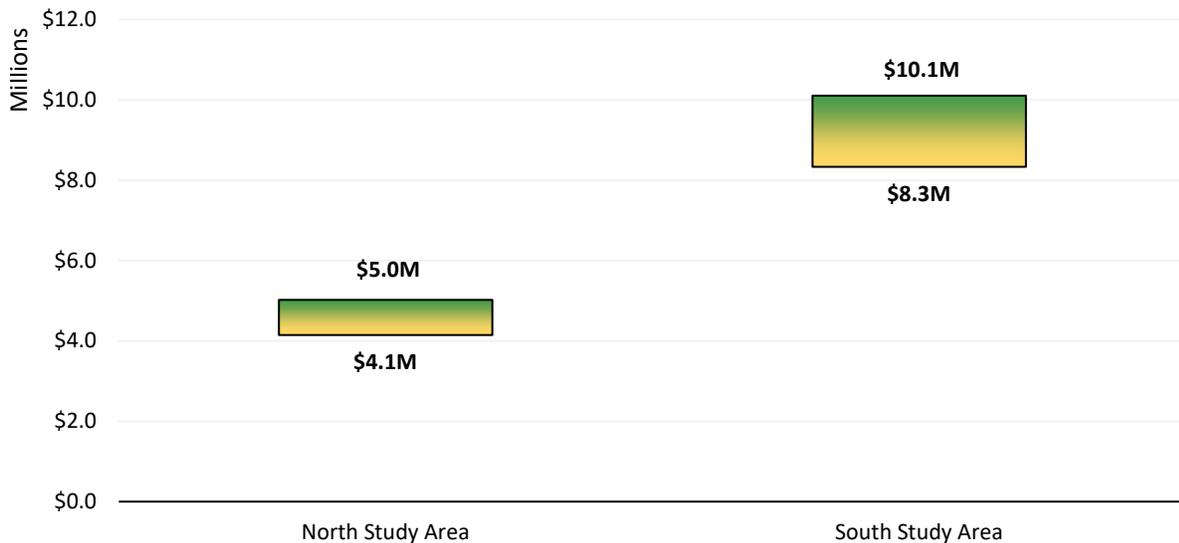
Dollars in Millions



LOCAL INCOME TAX CAPTURE

At full buildout, new single-family and multi-family residential properties are estimated to generate \$2.3 million annually in income tax, assuming a high density of new development. The net present value of increment local income tax capture is estimated to be \$15.1 million in a high-density development scenario.

Estimated Present Value of Increment Income Tax Capture



TOTAL FISCAL IMPACT

The net present value of all selected revenue options for the viaduct alternative is estimated to be between \$133 and \$217 million depending on the density of new development. Increment property tax capture provides the largest amount of funding in both the low density and high-density scenarios, contributing between 72% and 82% of the total present value.

Estimated Present Value of Revenue Options

	Low Density			High Density		
	North	South	Total	North	South	Total
Land Lease Revenue	\$6.2 M	\$19.6 M	\$25.8 M	\$6.2 M	\$19.6 M	\$25.8 M
Increment Property Tax Capture	\$28.9 M	\$65.4 M	\$94.2 M	\$56.2 M	\$119.4 M	\$175.6 M
Increment Income Tax Capture	\$4.1 M	\$8.3 M	\$12.5 M	\$5.0 M	\$10.1 M	\$15.1 M
Grand Total	\$39.2 M	\$93.3 M	\$132.5 M	\$67.5 M	\$149.1 M	\$216.6 M

Net present value at 5% over 25 years of cumulative development

5.0 – Findings and Conclusions

Summary of Fiscal Impacts

In summary, the potential for development within the potential reusable right of way, and adjacent underutilized parcels have the potential to produce revenue-generating investment which could be leveraged to support the construction and/or operation of the enhanced transportation assets.

The selected value capture tools generate cumulative, present value revenues of \$151.7 million - \$243.6 million over 25 years for the Recessed Option. The Viaduct Option generates cumulative, present value revenues of \$132.5M - \$216.6M over a 25-year period.

Estimated Present Value of Revenue Options

Present value of revenue options over 25 years; discounted at 5% annually

LOW DENSITY	Recessed Option	Viaduct Option
<u>North Study Area</u>		
Land Lease Revenue	\$3.6 M	\$6.2 M
Property Tax Increment	\$25.5 M	\$28.9 M
Local Income Tax Increment	\$3.8 M	\$4.1 M
Total	\$32.9 M	\$39.2 M
<u>South Study Area</u>		
Land Lease Revenue	\$30.3 M	\$19.6 M
Property Tax Increment	\$78.6 M	\$65.4 M
Local Income Tax Increment	\$9.9 M	\$8.3 M
Total	\$118.8 M	\$93.3 M
GRAND TOTAL	\$151.7 M	\$132.5 M
<u>HIGH DENSITY</u>		
<u>North Study Area</u>		
Land Lease Revenue	\$3.6 M	\$6.2 M
Property Tax Increment	\$50.4 M	\$56.2 M
Local Income Tax Increment	\$4.5 M	\$5.0 M
Total	\$58.5 M	\$67.5 M
<u>South Study Area</u>		
Land Lease Revenue	\$30.3 M	\$19.6 M
Property Tax Increment	\$142.9 M	\$119.4 M
Local Income Tax Increment	\$12.0 M	\$10.1 M
Total	\$185.2 M	\$149.1 M
GRAND TOTAL	\$243.6 M	\$216.6 M

Conclusions and Considerations

1. Value capture tools generate revenue from the economic activity that follows from the infrastructure development. Revenues are not available at the onset of the project. Debt financing strategies can leverage future revenues but may need to be backed or guaranteed by existing revenue sources. Further, financing strategies may be required that bridge the time period between when capital is needed for the construction projects to when follow-on investment materializes.
2. The typical life of a TIF district is 25 years from when debt service is first payable. The present value calculations are based on a 25-year time period. However, in this case, the useful life of the transportation improvements exceeds 25 years, so it is reasonable to consider a longer-term value capture strategy, which would likely require statutory change. Extending the time frame of the value capture would increase the amount of net present proceeds available for the project.
3. This analysis uses an illustrative development curve as the basis for the assumed timing of private investment following the completion of the transportation improvements. The productivity of the value capture tools is sensitive to the timing and pace of development. More revenue would be generated if the pace of development exceeds the assumptions; while less revenue would be available if the development lags the illustrative development timeline.
4. Quantifying the revenue generated by value capture tools does not imply that the entirety of the revenue could be made available to fund the enhanced infrastructure investment. Economic development projects often require TIF investment in other areas – site infrastructure, land costs, and development incentives – in order to facilitate development on the site. It is likely that some portion of TIF revenue would be required to incentivize private development.
5. This analysis assumes that potential reusable right of way and underdeveloped land area are fully utilized for taxable purposes. The use of land for non-taxable purposes – parks, open space, or institutional uses – may be beneficial to the proposed development but would limit available value capture revenue.
6. This analysis focuses primarily on revenue tools supported by local revenue sources (local property tax and income tax). Tools that leverage non-local revenue sources (state sales tax and state income tax, for example) could be developed, but would likely require statutory authorization.
7. Public sector funding can be supported by private sector and philanthropic funds in order to implement major civic priorities. The Klyde Warren Park project in Dallas, Texas utilized significant levels of private funding for both construction and operations. Indianapolis is home to a number of philanthropic foundations and corporations. These are explored further in the report from Phase 1 of this analysis.