

RIVER RIDGE

DEVELOPMENT AUTHORITY

2018 Economic Impact Analysis River Ridge Commerce Center

Presented to the:
River Ridge Development Authority

February 13, 2019



Preface: 2018 Impact Analysis

The River Ridge Commerce Center continues to be an engine for growth in the Southern Indiana economy. With more than 50 companies operating on site and more than 12 million square feet of commercial and industrial space, River Ridge serves as an important employment hub, supporting economic activity throughout the region.

The purpose of this report is to quantify the impacts of the River Ridge Commerce Center on the regional economy, and state and local revenues. This report summarizes this impact in three phases: the impact of River Ridge Development Authority spending, the impact of private capital investment, and the ongoing impact of business operations.

This report is the seventh in a series evaluating the regional impacts of River Ridge. The first report, issued by Policy Analytics in early 2013, focused on the impacts of the RRCC through 2012, and subsequent reports analyzed the developments during calendar years 2013, 2014, 2015, 2016 and 2017. This report builds on those initial analyses, and extends them to include investments and business activity occurring in the 2018 calendar year. These reports are intended to be updated annually to allow the RRDA, its stakeholders, and other observers to monitor the progress of development at River Ridge.

Policy Analytics, LLC is an Indiana company with significant experience in independent economic analysis and regional development studies. The economic impacts here are estimated using IMPLAN, a professionally accepted economic modeling tool. The fiscal impacts are modeled using Policy Analytics' proprietary Local Government Revenue model, which is customized to include parcel-level data for all Indiana counties. This report is being prepared under contract with the RRDA, with an intended audience that includes RRDA management, its board, interested stakeholders and statewide policy makers.



Table of Contents

- Preface.....2
- Table of Contents.....3
- Executive Summary.....4
- New Development Activity: 2018.....6
- Financial Overview.....8
- RRDA Activity: 2018 Economic Impact.....11
- Private Construction: 2018 Economic Impact.....13
- Ongoing Operations: 2018 Economic Impact.....15
- Combined River Ridge Economic Impact: 2018.....17
- State and Local Fiscal Impacts.....19
- Appendix A: History and Overview.....24
- Appendix B: Economic Impact Methodology.....28



Executive Summary: 2018 Impact Analysis

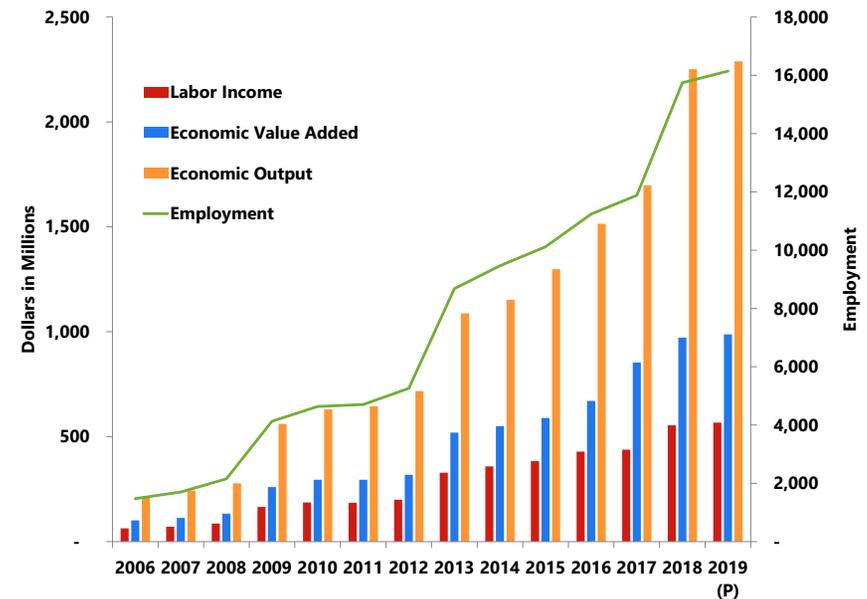
For the last fifteen plus years, the River Ridge Development Authority has executed its charge to convert the former Indiana Army Ammunition Plant into a modern, high capacity business and industry center. The RRDA's early steps of acquiring land, cleaning up and demolishing defunct structures, and installing street and utilities infrastructure have paid dividends in recent years as investment and business activity at the Commerce Center continues to increase.

As the initial redevelopment — along the SR 62 corridor nears capacity, the RRDA is intensifying its efforts to develop other areas of the Commerce Center. River Ridge is accessible by the first Indiana interchange from the new Lewis and Clark Bridge. To capitalize on this proximity, the RRDA has engaged a master developer to oversee the execution of a 300-acre "Class A" office park adjacent to the SR-265 interchange. Furthermore, the RRDA is working toward the demolition of the old munitions production facilities on the north end of the Commerce Center. The removal of these structures will open up a significant amount of additional land for redevelopment.

River Ridge 2018 Development Highlights

1. Investment of more than 13 million in new capital infrastructure, including utilities, sidewalks and more than 3,000 linear feet of new roads.
2. Selection of a master developer to oversee the implementation phase of the Gateway Office Park.
3. Construction of more than 2 million square feet of commercial/ industrial space for future private tenants.
4. Location of new employers at River Ridge, including Medline, Niagara, Bluegrass Supply Chain, GE, and Ingram Micro.

Combined RRCC Economic Impact
RRDA activity, private investment, and ongoing operations



The RRDA continues to make significant investment in capital infrastructure at River Ridge. In 2018, the Authority invested more than \$13 million in extending the street network, utilities and site investment. This work included the addition of 1,500 linear feet of new roadway to extend Patrol Road, and 2,500 feet of linear roadway throughout the Gateway district. Significant investments were also made in extending water and wastewater infrastructure through out the site. Further improvements were made in sidewalk installation, trails, and other site improvements.

Private investors added approximately 2.0 million square feet of new industrial and commercial space in 2018, including a 1.2 million square foot facility, the largest at River Ridge, built by Medline. A number of new employers located to River Ridge in 2018, including Medline, Niagara, and Ingram Micro. The U.S. Census Bureau also continued to ramp up operations as it uses River Ridge as a regional center during the 2020 Census process.

Executive Summary: 2018 Impact Analysis

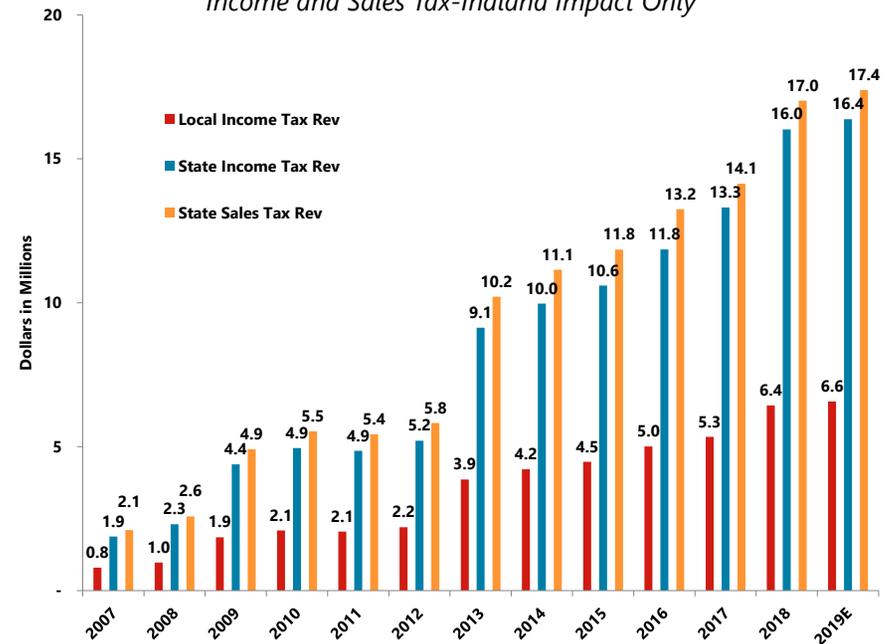
In addition to these new operations, existing businesses such as Amazon, American Fuji Seal, Autoneum, and Tenneco continue to make River Ridge a nexus of employment for the region.

In total, the economic activity at River Ridge is estimated to create or sustain more than 16,000 regional jobs once the businesses that located to River Ridge in 2018 ramp up operations. This equates to approximately \$2.3 billion in annual economic output. This total economic impact includes \$988 million in gross regional product and \$567 million in labor income annually. The estimated economic impact of the River Ridge Commerce Center has increased consistently since 2006 as the development of the site has progressed.

The business activity taking place at River Ridge also produces returns for local and state governmental units. The Commerce Center's labor income impact will produce an estimated \$6.6 million in local income tax revenue for Indiana taxing units in 2019, a significant portion of which accrues to River Ridge's appointing authorities. State fiscal impacts of \$17.4 million in Indiana sales tax revenue and \$16.5 million in Indiana income tax revenue are projected for calendar year 2019.

The private investment and employers added in 2018 continue to extend the impact of River Ridge to the regional economy. The yet untapped potential of the Gateway district, and the potential development of more areas of the Commerce Center provide significant opportunities for further growth into the future.

River Ridge State and Local Fiscal Impact
Income and Sales Tax-Indiana Impact Only



New Development Activity: 2018

The River Ridge Commerce Center continued to see a high level of construction activity in 2018 - both from the private sector and public investments in infrastructure. By the end of the year, the Commerce Center was home to more than 13 million square feet of commercial and industrial space.

Private Investment

Private development activity added approximately 2.0 million in usable square footage to the footprint of the Commerce Center. A new 1.2 million square foot logistics center, was constructed by Medline, a manufacturer and distributor of medical supplies. This facility, substantially complete in 2018, is the largest at River Ridge in terms of overall square footage. In addition to the Medline facility, another large, 469K square foot building was constructed by Niagara. Additional industrial structures were constructed by Gray Construction (250K square feet) and Capstone Development (84K square feet).

The majority of the private investment to date has been in the development of large scale industrial and commercial facilities. However, the first major modern, Class A office building was completed in 2018 by America Place, one of the early developers in the Commerce Center. This building, which will serve as the corporate headquarters for America Place, was designed by the internationally renowned architect Kulapat Yantrasast. This facility includes three floors of office space, plus a large gallery and event spaces.



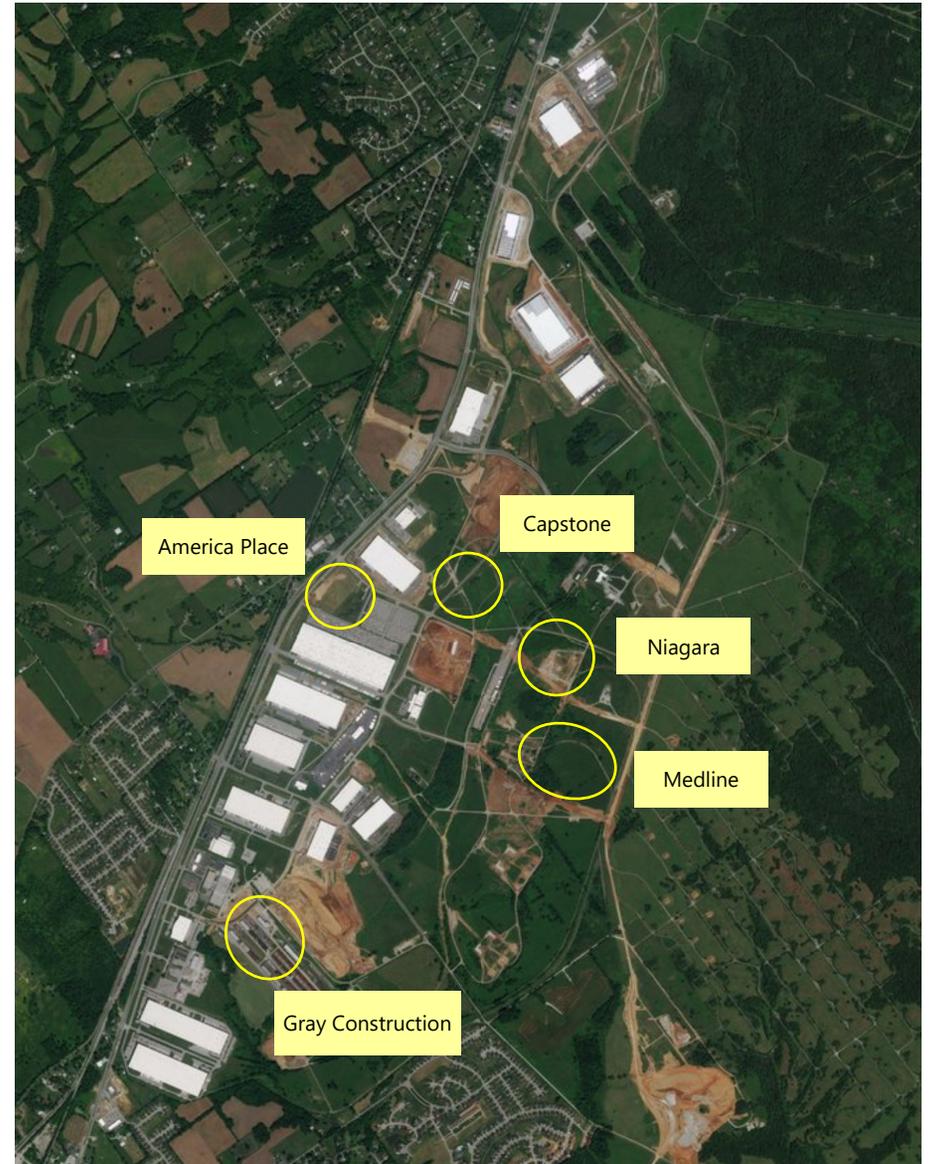
New Development Activity: 2018

Infrastructure Development

The River Ridge Development Authority invested more than \$13 million in furthering the development of public infrastructure at the Commerce Center. The investment included roadway improvements along the 8th Street corridor, the intersection at 8th Street and SR 62, and 1,500 linear feet of new roadway to extend Patrol Road. Utility improvements were also made in 2018, including extensions to both the water and sewer network along Logistics Avenue.

Gateway Development

In 2018, the RRDA entered into a long-term master development agreement with local firm Hollenbach-Oakley to develop up to 300 acres of commercial and office space within the Gateway district off of the new SR-265 interchange. In its efforts to prepare for this oncoming development, the RRDA completed Phase IV of its Gateway Master Plan, which included approximately 2,300 feet of linear roadway throughout the Gateway district, in addition to sidewalks, wayfinding signs, pavement markings, and trails. The RRDA anticipates that this infrastructure will set the stage for the first round of commercial/office development in the Gateway district.



2018 Financial Overview

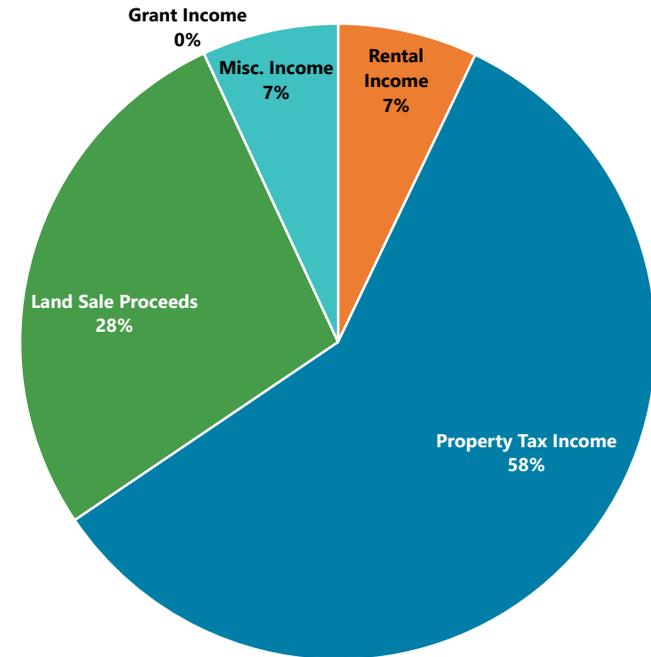
The River Ridge Development Authority is a quasi-governmental entity responsible for converting the Commerce Center property from a military facility into a modern regional employment center. To achieve this charge, the RRDA is responsible for demolishing old structures and establishing the necessary infrastructure, such as road, street, water and sewer networks. In addition to this, the RRDA is in charge of marketing the Commerce Center globally to investors and firms.

The RRDA is governed by an appointed Board of Directors. Appointments are made by the following local political entities: Clark County, the City of Jeffersonville, the City of Charlestown, the Town of Utica, and the Indiana Port Commission. The RRDA is operated by a professional staff led by Jerry Acy, Executive Director.

RRDA Business Model

- Phase 1: The RRDA takes possession of property, provides basic infrastructure such as roads, water and sewer, and performs environmental remediation, if needed, and site work to make the property viable for further development.
- Phase 2: The property is sold to a private developer or user/manufacturer who makes site preparations and finances the construction of commercial and/or industrial facilities on the site.
- Phase 3: The newly constructed facility is leased or sold to tenants who locate ongoing business operations at River Ridge.

RRDA Revenues by Source, 2018
Total Revenue: \$12.0M



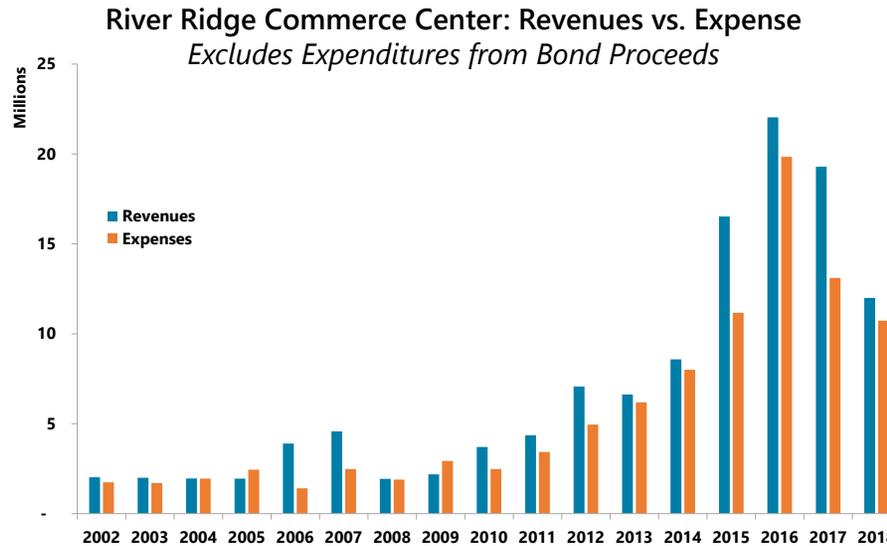
Source: RRDA; Preliminary, Unaudited

RRDA Revenues

The RRDA generates revenue from multiple sources to execute its duties. In 2018, the total revenues from all sources amounted to \$12.0 million. This is less than the 2017 total of \$22 million, chiefly due to less land sale activity which was down by \$8.3 million. Since 2012, the land sale proceeds had been the largest source of income for the Authority, but this year it was surpassed by the property tax income. The property tax income, including both TIF and UEZ proceeds, produced a revenue of \$7 million, 58% of the total, which was an increase from 2017's \$4.8 million. Land sale proceeds totaled \$3.3 million; rental income and other miscellaneous revenue sources comprised the remaining \$1.7 million.

2018 Financial Overview

The RRDA acts as a Redevelopment Commission to administer development tools, tax increment financing (TIF) and urban enterprise zones (UEZ) available under state statute to generate property tax related revenues. TIF allows the RRDA to capture the “incremental” property tax revenues produced from new private investment within the Commerce Center. The RRDA TIF applies to real property, but not depreciable personal property, which accrues to the tax base of local governmental units.



Using its UEZ designation, River Ridge can extend property tax incentives to businesses that locate within the Commerce Center. The Authority’s practice is to grant 10 year, 100% investment deductions to qualifying business. Participating business entities then are responsible to pay a fee equal to 49% of the value of the incentive to the RRDA which can be used for redevelopment purposes. In effect, the UEZ incentives result in a 10 year, 50% reduction in property tax liabilities for participating taxpayers.

In 2018, the RRDA generated \$2.62 million in TIF revenue and \$4.39 million in UEZ revenue for a total of \$7.0 million in property tax related revenues.

Economic Development Tools

The RRDA operates in a similar way to a redevelopment commission and administers the tax increment financing district and the urban enterprise zone that are coterminous with its boundaries.

Tax Increment Financing (TIF)

In a TIF district, all property tax revenue attributable to assessed value growth subsequent to the establishment of a TIF is allocated to the “increment.” This incremental revenue is available to the RRDA to fund capital projects within the TIF district. The River Ridge TIF currently captures all real property assessed value growth within River Ridge. Growth in personal property assessed value is allocated to the base taxing units.

Urban Enterprise Zone (UEZ)

An Urban Enterprise Zone is a designated area for which the RRDA can grant property tax deductions to incentivize investment. Companies locating at River Ridge can apply for a 10-year, 50% property tax deduction on real and personal property.

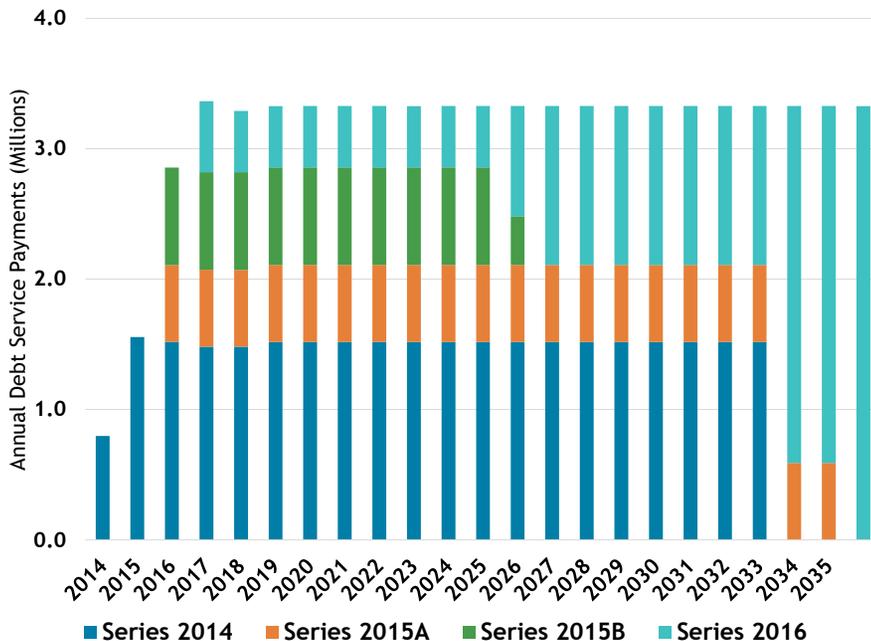
2018 Financial Overview

Expenditures

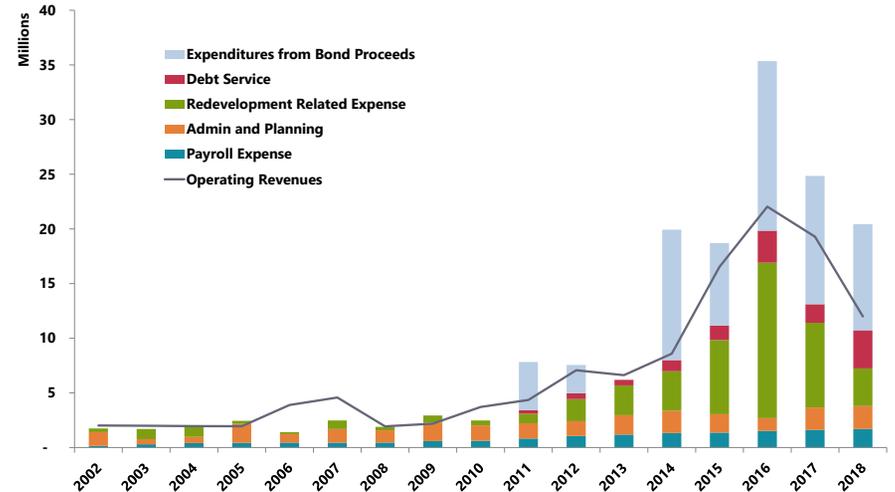
The RRDA's expenditures are comprised of operating and capital investment activities. The operating activities include the personnel cost for the staff that manages, maintains, and markets the Commerce Center, utilities, maintenance, security, marketing expenses, and professional services. The RRDA's operating budget for 2018 was \$3.8 million, with an average of \$3.3 million over the last five years. The salary and benefits comprised \$1.7 million, 45%, of the operating budget.

The majority of the RRDA's expenditures in 2018 were related to capital investment and site redevelopment. The capital investment consists of \$6.9 million in 2018, or 65% of the total expenditures. Major capital

River Ridge Annual Debt Service Payments



Summary of Revenues and Expenses



projects include street construction, utility installation, site development, the maintenance of common areas, and demolition projects. The RRDA has contributed significant resources to the Commerce center's "Gateway" district that directly connects to SR-265 and the Lewis and Clark bridge.

The Development Authority's capital activities are funded by a combination of cash receipts and bond financing. The RRDA's most recent bond was issued in 2016 resulting in \$3.3 million in debt service payments. In 2018, approximately \$9.7 million was invested from bond-funded sources.

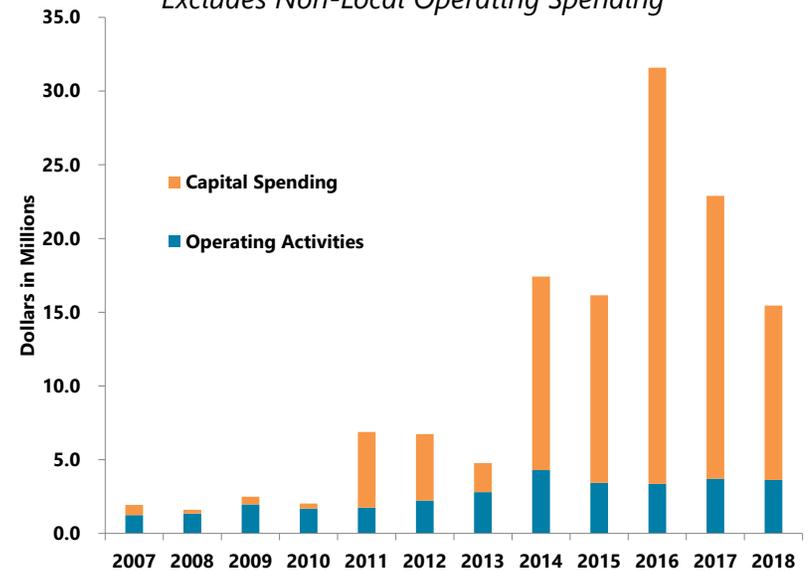
RRDA Activity: 2018 Impact

The River Ridge Development Authority generates economic activity through its operating and capital expenditures. In 2018, the RRDA's total expenditures amounted to \$20.4 million. Component spending included general operating expenses of \$3.8 million, debt service expenses of \$3.5 million, and capital spending of \$13.2 million.

The RRDA's operating activities include its professional staff of 16 employees, who manage the Commerce Center. Payroll expenses totaled \$1.7 million in 2018, comprising 45% of its operating budget, and 8% of its total, overall spending (capital plus operating). In addition to payroll, operating activities include professional and business services such as legal fees, marketing, utilities, and financial advisory services.



RRDA Economic Impact Input Summary
Excludes Non-Local Operating Spending



The \$13.2 million in capital spending included a mix of bond proceeds and cash funded expenses (largely from proceeds from the sale of land). The capital projects completed in 2018 include the construction of new local streets and site development preparations within the "Gateway District" abutting the SR-265 interchange.

In 2018, the RRDA entered into a long-term master development agreement with local firm Hollenbach-Oakley to develop up to 300 acres of commercial and office space within the Gateway district off of the new SR-265 interchange. In its efforts to prepare for this oncoming development, the RRDA completed Phase IV of its Gateway Master Plan, which included approximately 2,300 feet of linear roadway throughout the Gateway district, in addition to sidewalks, wayfinding signs, pavement markings, and trails.

RRDA Activity: 2018 Impact

The RRDA activity generated an estimated \$21.0 million in economic output, and \$6.0 million in labor income, resulting in 157 jobs throughout the study region. The economic impact of RRDA activity was down from the previous two years due to a lower level of level of land sale activity. Construction impacts are short term in nature, and do not extend beyond the period of investment. The estimated average wage for jobs stemming from spending by the Development Authority is \$33,833.

The RRDA uses public funding from TIF, UEZ and grant revenues to prepare the Commerce Center for the investment of private funds. In 2018, the

Economic Impact of the RRDA - CY 2018

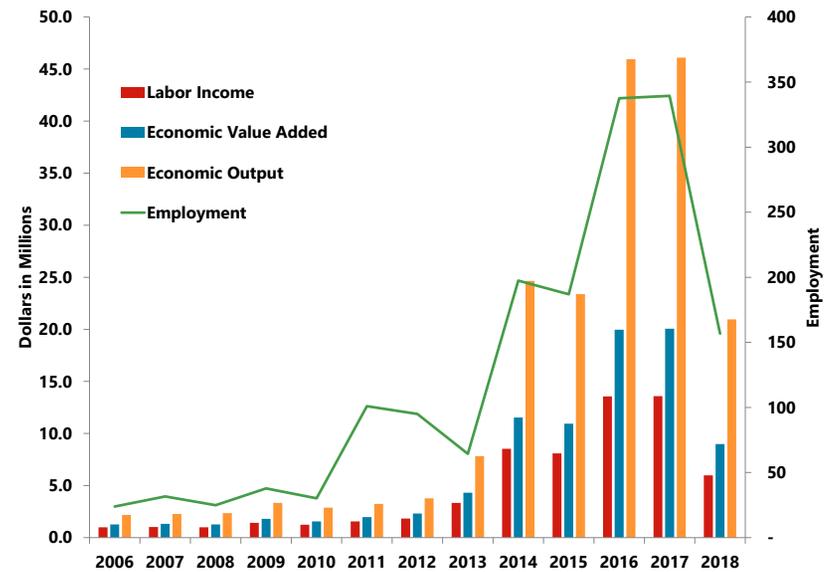
Operations and Capital Investment (dollars in millions)

	Econ Output	Value Added	Labor Income	Jobs
Direct Effect	\$12.0	\$4.2	\$3.3	93
Indirect Effect	\$5.1	\$2.6	\$1.6	32
Induced Effect	\$3.8	\$2.2	\$1.1	32
Total Effect	\$21.0	\$9.0	\$6.0	157

Note: Throughout this document, numbers may not sum precisely to totals due to rounding

RRDA leveraged each \$1.00 of TIF and UEZ with \$0.71 from alternative sources, to generate \$2.99 in economic output and \$0.85 in labor income throughout the economy.

Economic Impact of RRDA Capital and Operating Spending



Employment Impact of RRDA Activity in CY 2018

Total Employment Impact

Top 8 Industries	Jobs	Avg. Wage
Nonresidential Construction	76	\$31,843
Management of Companies	16	\$72,833
Restaurants	5	\$16,622
Retail Trade	5	\$21,218
Professional Services	5	\$40,339
Wholesale Trade	3	\$65,668
Truck Transportation	2	\$44,699
Employment Services	2	\$27,857
Total - All Industries	157	\$33,833

Private Construction: 2018 Impact

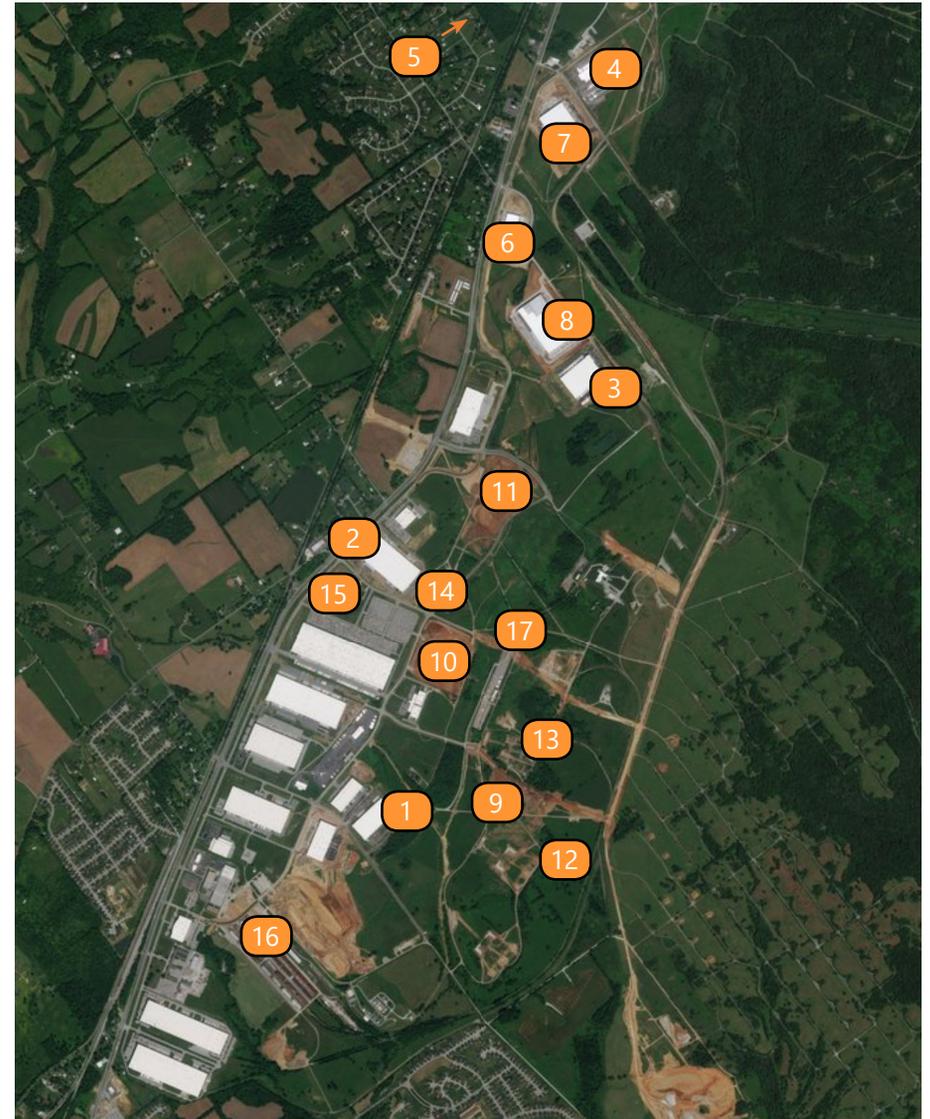
Private developers continue to invest in construction projects at the Commerce Center. Five new commercial and industrial facilities were constructed in 2018, totaling 2.0 million square feet in usable space.

Private Capital Investment at River Ridge Sites Developed After 2015

Major Sites	Constr. Year	Area (Sq. Ft.)
Site 1 America Place III	2015	181,250
Site 2 Capstone	2015	500,000
Site 3 Genpak	2015	306,000
Site 4 Magnolia	2015	137,000
Site 5 DA Incorporated	2015	57,000
Site 6 Gray Industrial Realty, Inc.	2016	200,000
Site 7 Knipper	2016	412,090
Site 8 Pinchal & Company	2016	458,640
Site 9 VanTrust Real Estate	2016	540,000
Site 10 Opus Development Company	2016	426,500
Site 11 Crossdock	2017	668,000
Site 12 Exeter	2017	500,000
Site 13 Medline	2018	1,200,000
Site 14 Capstone	2018	84,000
Site 15 America Place Office	2018	40,000
Site 16 Gray Construction	2018	250,000
Site 17 Niagara	2018	469,000
Total		6,429,480

Source: Construction cost estimated using assessment records and IEDC filings

Private Investment at River Ridge



Private Construction: 2018 Impact

Total private construction activity totaled an estimated \$72 million in 2018. This equates to an estimated 634 direct jobs, and 873 total regional jobs when indirect and induced impacts are included. This investment spending supported a total of \$104.4 million in economic output, including \$39.1 million in regional labor income.

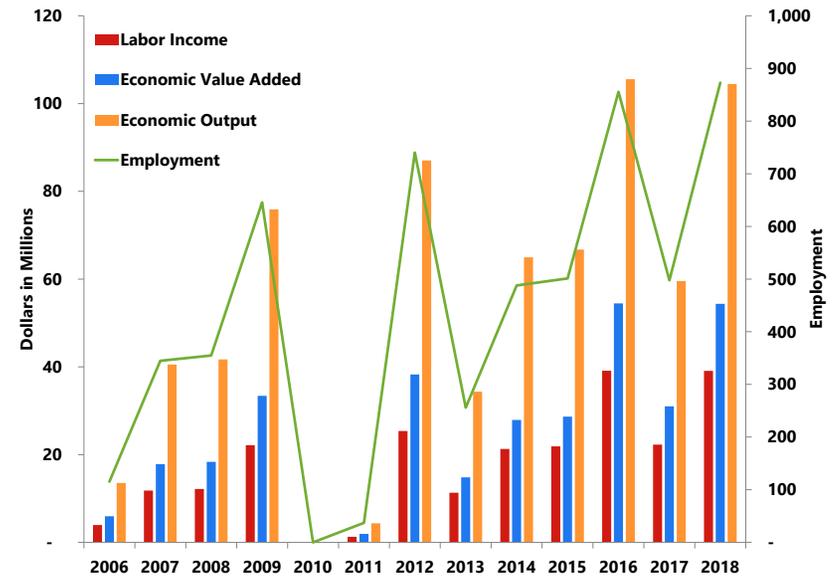
Impact of Private Investment - CY 2018

Construction related impacts (dollars in millions)

	Econ Output	Value Added	Labor Income	Jobs
Direct Effect	\$71.7	\$19.5	\$29.3	634
Indirect Effect	\$13.2	\$6.6	\$4.0	77
Induced Effect	\$19.5	\$11.2	\$5.7	162
Total Effect	\$104.4	\$37.2	\$39.1	873

The development at River Ridge is a major contributor to the Region's construction sector, employing an estimated 634 individuals (on an annualized basis). These jobs earn an estimated \$42,000 in wages and salaries, which exceeds the local average wage. The construction activity at River Ridge also supports ancillary business activity and employment in the wholesale trade, logistics, retail and household services sectors.

Economic Impact of Capital Investment by Private Developers



Employment Impact of Private Construction - 2018

Total Employment Impact

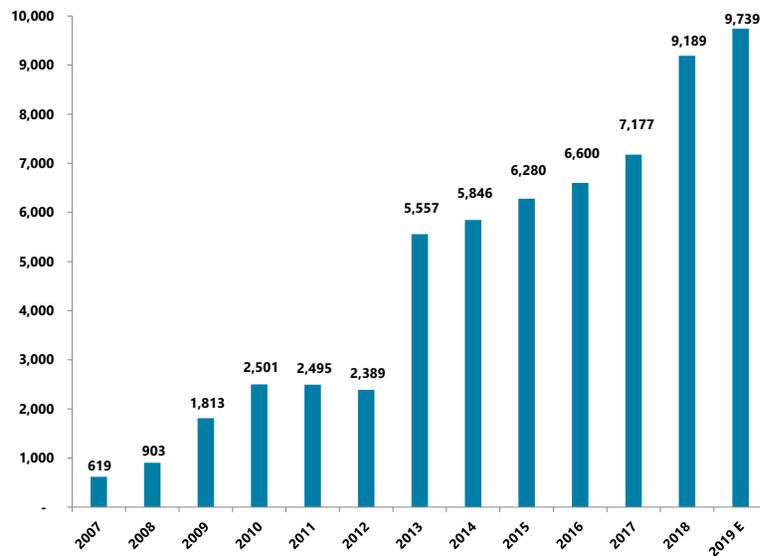
Top 10 Industries	Jobs	Avg. Wage
Nonresidential Construction	634	\$42,023
Food Service Establishments	29	\$16,978
Wholesale Trade	13	\$65,589
Retail Stores	20	\$25,539
Truck Transportation	10	\$45,688
Employment Services	9	\$28,495
Medical Offices	5	\$78,892
Nursing Homes	5	\$35,539
Hospitals	5	\$59,528
Accounting and Bookkeeping	5	\$44,452
Total - All Industries	873	\$40,223

Ongoing Operations: 2018 Impact

The River Ridge Commerce Center continues to serve as a major employment hub for the Southern Indiana economic region. Since 2007, the Commerce Center has hosted over 50 companies with more than 9,000 jobs. The industries at River Ridge cover a wide range including transportation and logistics, manufacturing, repair and maintenance, and technical services. The Commerce Center's largest employer is Amazon, which occupies a 1 million square foot distribution center at River Ridge. Amazon employs approximately 3,000 full time workers at its fulfillment center, with higher seasonal levels of employment.

A number of new employers located to River Ridge in 2018, bringing the total employment on site to over 9,000 workers. In total private operators have committed to more than 10,000 jobs, once operations fully ramp up. Major employers who located to River Ridge in 2018 include Ingram Micro, Medline, and the United Collections Bureau. In addition, the United States

Direct Employment at River Ridge



2012: Does not include Amazon Employment
 2013-2019(P): Seasonal Amazon employees are modeled on a part-time prorated basis

Major Enterprises Operating at River Ridge

Firm Name	Business Sector
A&R Logistics	Truck Transportation
Amazon	Warehousing and distribution
American Fuji Seal	Food packaging manufacturing
Autoneum	Auto component manufacturing
Bluegrass Supply Chain Services	Transportation Management Systems
Bose	Consumer Electronic Repair
Briova Rx	Pharmaceutical support services
Parker Hannifin	Air filtration products
Complete Metal Fabrication	Machining and fabrications
DA Inc.	Plastics Manufacturing
Enjoy Life Foods	Food Manufacturing
Genpak	Distribution
Hughes Development, LLC	Real estate/Road Contractor
Husky Injection Molding Systems	Distribution
idX Corporation	Retail fixture manufacturing
Ingram Micro	IT Products
Magnolia	Auto part distribution
Manitowoc Company, Inc.	Distribution
Mr. "P" Express, Inc	Truck transportation
Neovia Logistics	Logistics
Nu-Yale Cleaners	Laundry service headquarters
Olon Industries, Inc.	Wood product manufacturing
OPTUM	Call Center
Pegatron/ Asus	Electronics repair
PTI Quality Containment	Component Fabrication
Saddle Creek Logistics	Distribution
Shoe Sensation	Consumer Product Distribution
Taylor Communications	Printing and distribution
Tenneco	Automotive supplier
U.S. Census	Federal Government
Collins Aerospace	Advanced manufacturing

Ongoing Operations: 2018 Impact

Census Bureau is housing significant operations at River Ridge related to the taking of the 2020 Census. Once at capacity, the Census Bureau will employ more than 1,000 people on-site for the duration of the census process. In total, new operators at River Ridge added approximately 9,739 direct jobs in 2018.

The direct private employment data used in this analysis has been provided by the River Ridge Development Authority, and is based on economic development incentive filings and direct interactions with employers on-site. Employment estimates were provided for Calendar Year 2018. Because, new companies may locate to River Ridge with a small staff, and ramp up operations over time, tenant employment estimates are also estimated for Calendar Year 2019.

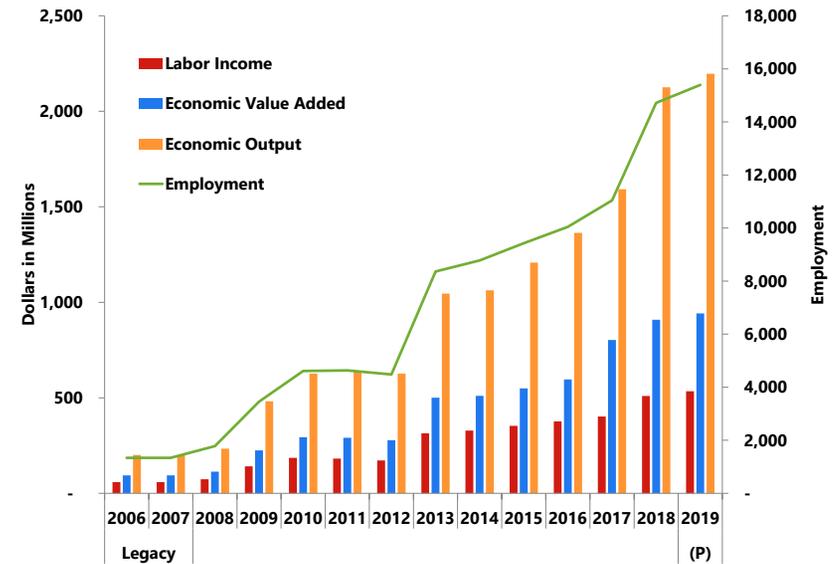
Impact of Ongoing Operations - Projected 2019

Dollars in Millions

	Econ Output	Value Added	Labor Income	Jobs
Direct Effect	\$1,479.5	\$542.7	\$317.2	9,739
Indirect Effect	\$447.2	\$244.1	\$136.6	3,438
Induced Effect	\$270.1	\$154.9	\$80.6	2,217
Total Effect	\$2,196.7	\$941.8	\$534.4	15,395

Businesses and governmental enterprises located within River Ridge will employ an estimated 9,739 workers in calendar year 2019. Once supply chain and household purchasing effects are included, this economic activity supports more than 15,000 regional jobs. This translates into nearly \$2.2 billion of economic output, and more than \$500 million in labor income for workers within the region. The average wage for all jobs supported by business operations at River Ridge is estimated to be \$32,310.

Economic Impact of Ongoing Operations



Ongoing Operations Employment - Projected 2019

Total Employment; including direct, indirect and induced impacts

Top 10 Industries	Jobs	Avg. Wage
Nonstore Retailers/Warehousing	4,321	\$28,465
Manufacturing	1,930	\$36,466
Technical and Research Services	878	\$29,640
Federal Government Enterprises	800	\$46,556
Business Support Services	579	\$34,459
Truck Transportation	446	\$43,474
Restaurants and Food Service	388	\$16,775
Employment Services	384	\$28,256
Custom Millwork	256	\$22,161
Wholesale Trade	219	\$59,343
Total - All Industries	15,395	\$32,310

Combined River Ridge Impact: 2018

The combination of RRDA development, private investment, and business operations make up the total economic impact of the River Ridge Commerce Center. The momentum from prior years continued in 2018 with the construction of new commercial facilities and major public infrastructure capital upgrades. Growth in the on-site employment base coupled with the attraction of Medline, Niagara and Gray Construction position the Commerce Center for additional growth in the future.

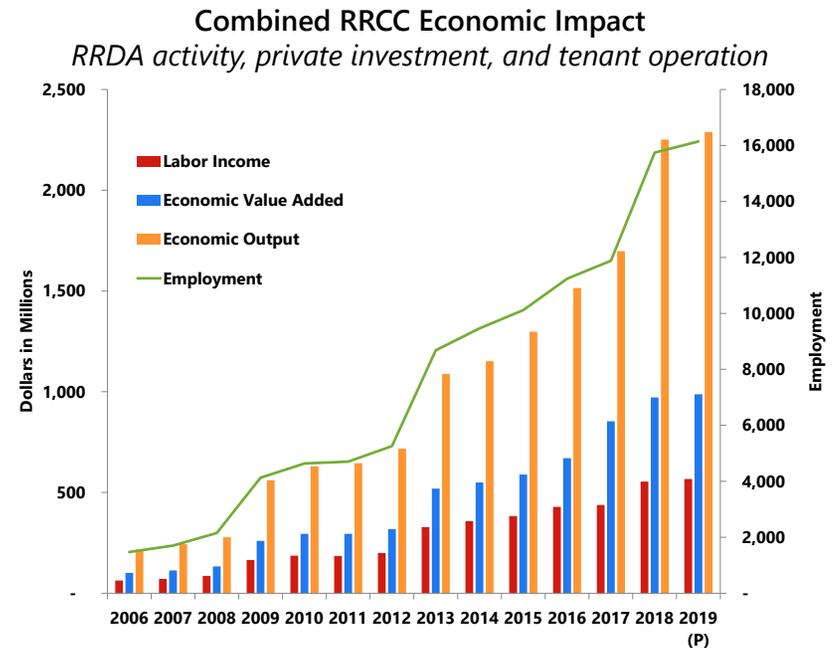
Combined RRCC Economic Impact - Projected 2019

Dollars in Millions

	Econ Output	Value Added	Labor Income	Jobs
Direct Effect	\$1,540.0	\$571.7	\$340.3	10,262
Indirect Effect	\$461.3	\$251.2	\$140.9	3,522
Induced Effect	\$287.1	\$164.7	\$85.6	2,359
Total Effect	\$2,288.4	\$987.6	\$566.8	16,142

In 2013, employment at River Ridge was dominated by Amazon. While logistics and warehousing industries are still the largest River Ridge employers, the employment base has diversified into other sectors such as manufacturing and technical services. The development taking place near the Lewis and Clark Bridge is intended to set the stage for even further diversification.

Combined together, the three phases of economic activity are projected to total over \$2.3 billion in economic output as the 2019 calendar year begins. This level of output supports more than 16,000 jobs throughout the region and \$566.8 million in labor income. The two largest industry sectors represented are non-store retailers (like Amazon) and manufacturing related producers (Autoneum, Tenneco, Enjoy Life Foods). The construction activity (both public and privately funded) within the park supports an estimated 670 employees. The economic impact of the Commerce Center is not limited to on-site employees. Employment in supply chain and service sector industries throughout the region also benefit from the construction and economic activity at River Ridge.



Combined RRCC Economic Impact - Estimated 2019

Top 10 Industries	Jobs	Avg. Wage
Nonstore Retailers/Warehousing	4,322	\$28,472
Manufacturing	1,930	\$36,468
Technical and Research Services	880	\$29,606
Federal Government Enterprises	800	\$46,556
Construction	670	\$28,082
Business Support Services	581	\$34,460
Truck Transportation	455	\$43,523
Restaurants and Food Service	410	\$16,758
Employment Services	392	\$28,256
Custom Millwork	256	\$22,161
Total - All Industries	16,142	\$32,581

Total River Ridge Economic Impact

Total Economic Impact of the River Ridge Commerce Center

Combined Economic Impact of RRDA Spending, Private Capital Investment and Ongoing Operations

	2015			2016			2017			2018			Projected 2019		
	Direct	Indirect/ Induced	Total	Direct	Indirect/ Induced	Total	Direct	Indirect/ Induced	Total	Direct	Indirect/ Induced	Total	Direct	Indirect/ Induced	Total
Labor Income (dollars in millions)															
RRDA Activities	\$4.7	\$3.4	\$8.1	\$8.3	\$5.3	\$13.6	\$8.2	\$5.4	\$13.6	\$3.3	\$2.7	\$6.0	\$3.3	\$2.7	\$6.0
Private Investment	13.3	8.6	21.9	29.3	9.8	39.1	16.7	5.6	22.3	29.3	9.8	39.1	19.8	6.6	26.5
Business Operations	218.9	134.1	353.0	226.9	149.6	376.5	247.4	154.9	402.3	297.2	212.4	509.6	317.2	217.2	534.4
Total Labor Income	236.9	146.1	383.0	264.5	164.7	429.2	272.4	165.8	438.2	329.8	224.9	554.6	340.3	226.5	566.8
Economic Value Added (dollars in millions)															
RRDA Activities	\$4.9	\$6.0	\$10.9	\$10.6	\$9.4	\$20.0	\$10.6	\$9.5	\$20.1	\$4.2	\$4.8	\$9.0	\$4.2	\$4.8	\$9.0
Private Investment	13.9	14.8	28.7	36.7	17.8	54.5	20.9	10.1	31.0	36.6	17.7	54.4	24.8	12.0	36.8
Business Operations	314.3	235.1	549.5	335.5	260.8	596.2	517.2	285.5	802.8	518.2	390.3	908.5	542.7	399.1	941.8
Total Value Added	333.2	255.9	589.1	382.7	287.9	670.6	548.7	305.1	853.8	559.0	412.9	971.9	571.7	415.9	987.6
Economic Output (dollars in millions)															
RRDA Activities	\$13.3	\$10.1	\$23.4	\$28.3	\$17.6	\$45.9	\$28.3	\$17.8	\$46.1	\$12.0	\$9.0	\$21.0	\$12.0	\$9.0	\$21.0
Private Investment	41.3	25.4	66.7	72.7	32.9	105.5	40.9	18.7	59.6	71.7	32.7	104.4	48.5	22.2	70.7
Business Operations	813.5	394.2	1,207.8	917.5	445.7	1,363.2	1,069.9	522.0	1,591.9	1,424.1	701.9	2,126.0	1,479.5	717.3	2,196.7
Total Economic Output	868.2	429.7	1,297.9	1,018.5	496.2	1,514.7	1,139.1	558.5	1,697.6	1,507.8	743.6	2,251.4	1,540.0	748.4	2,288.4
Employment (individuals)															
RRDA Activities	103	84	187	212	125	338	212	127	339	93	64	157	93	64	157
Private Investment	291	210	501	619	236	856	362	136	498	634	239	873	430	162	591
Business Operations	6,177	3,249	9,427	6,469	3,577	10,046	7,177	3,864	11,041	9,189	5,524	14,713	9,739	5,655	15,395
Total Employment	6,571	3,544	10,115	7,301	3,939	11,239	7,751	4,127	11,878	9,917	5,827	15,743	10,262	5,881	16,142

The 2019 projections assume 2018 investment levels plus projected operational employment in 2018.

Fiscal Impact Analysis: 2018 Impact

The economic impact of the development at River Ridge generates fiscal benefits for both state and local governmental entities. The attraction of capital investment benefits the property tax base over the long term, and increased incomes will benefit state and local income tax, and state sales tax revenue streams. This analysis quantifies the fiscal benefits of River Ridge Development - to both state and local governmental entities. The RRDA utilizes local tax incentives and economic development mechanisms to fund investments. These tools are the outcomes of policy decisions made by local leaders to defer short-term tax base benefits to local units in order to generate employment and economic activity at River Ridge. This analysis estimates the implication of these mechanisms on local taxing units in detail.

River Ridge Incentives

The River Ridge Commerce Center is designated as both a Tax Increment Financing (TIF) district, and an Urban Enterprise Zone (UEZ). The mechanisms associated with these designations are the two primary economic development tools used by the RRDA. Tax increment financing



Local Area Labor Income

Labor Income Impacts Estimated at the Local Level (2018)

Entity	Labor Income
City of Charlestown	\$12,122,294
City of Jeffersonville	82,194,949
Town of Utica	1,415,058
Remainder of Clark Co.	104,927,410
Clark County Total	\$200,659,711

is a very common economic development tool used in virtually all Indiana counties with densely populated areas. TIF works by setting the tax base (or assessed value) of a defined area as the "base AV" and attributing tax base growth within that area to the "incremental AV". Property taxes derived from the base are allocated to local taxing units. While property taxes derived from the increment are allocated to a redevelopment commission (the River Ridge Development Authority in this case) to fund capital investment. The River Ridge TIF district captures growth in real estate assessed value, but does not capture growth in personal property (or business equipment) assessed value.

An Urban Enterprise Zone is a designation that allows a range of economic development tools and incentives. At River Ridge, the UEZ qualifies taxpayers (or new investors) to receive a 10-year, 100% investment deduction on real and personal property. The taxpayer then pays a participation fee to the Urban Enterprise Association (which in this case is the RRDA) equal to 49% of property tax liability had the incentive no been in place (a fee of 1% of the incentive value is paid to the Indiana Economic Development Corporation). After the 10-year term of the investment deduction expires, taxpayers begin paying the full property tax liability. Because River Ridge is also a TIF district, taxes paid on real estate will be allocated to the TIF increment, while taxes paid on personal property will be allocated to taxing units.

Fiscal Impact Analysis

Local Income Tax Impacts

Local income taxes in Indiana are paid in the county of residence. So, the wages and income paid for River Ridge jobs to Southern Indiana residents bolsters the local income tax base. HEA 1485-2015 resulted in significant changes to Indiana’s local income tax statutes. Clark County imposes a local income tax of 2.0%. Of this total rate, 1.5% is considered the “expenditure rate”. The revenue produced by this rate is distributed to taxing units proportionally, based on certified property tax levies, and is spendable income tax revenue.

Clark County also has a property tax relief rate of 0.5% that is used to offset property tax bills for taxpayers. This rate provides indirect revenue to local taxing units by mitigating the impact of the property tax rate controls known as “circuit breaker caps.”

Additional Income Tax Revenue from River Ridge

Distribution to Clark County Units; Projected for 2018

Unit	Spendable Income Tax Rev ¹	CB Relief due to LIT ²	Total Income Tax Impact
Clark County	752,750	89,151	841,901
Jeffersonville	1,122,096	178,812	1,300,908
Charlestown	95,760	10,241	106,001
Utica	3,790	5	3,795
All Other Units	904,546	239,478	1,144,024
Total Fiscal Impact	2,878,942	517,686	3,396,628
	<i>Prop. Tax Relief to Taxpayers</i>		<u>328,276</u>
	Total Income Tax Revenue		3,724,904

¹Spendable income tax revenue is derived from the Local Income Tax (LIT) Expenditure Rate

²Circuit breaker relief is derived from LIT Property Tax Relief Rate

Due to rounding, numbers may not add precisely to totals



The investment activity at River Ridge is projected to generate \$3.7M in annual tax revenue for local units within Clark County. Of this, \$3.4 million results in revenue supplements to taxing units, and approximately \$328 thousand provides property tax relief to taxpayers. River Ridge economic activity provides income tax benefits of \$1.3 million to Jeffersonville and \$842 thousand to the Clark County taxing unit.

Local Property Tax Impacts

The capital investment that takes place at River Ridge translates into additional taxable assessed value. Because of the incentive structure utilized by the RRDA, most tax base impacts to governmental units are deferred. Investments that qualify for a UEZ deduction receive a 10-year, 100% property tax deduction (both real and personal property).

Once the term of the UEZ deduction expires, personal property assessed value will accrue to the tax base, while real property assessed value will be captured in the River Ridge TIF district. For investment that is not included

Fiscal Impact Analysis

in the UEZ, real property AV is automatically captured in the TIF increment, while personal property AV increases the tax base of governmental units.

The use of TIF and UEZ by the RRDA diverts funds that, absent the Commerce Center, would be partially allocated to local taxing units subject to the constraints detailed below. These "forgone revenues" are quantified for each appointing entity in this analysis.

1. In the absence of the RRDA, and its incentive structure, local municipalities would be compelled by competitive pressures to offer similar types and levels of incentives as those provided by the RRDA in order to successfully attract the companies operating at River Ridge.
2. The following estimates are the result of a hypothetical scenario modeled to determine the revenues that would accrue to taxing units if the TIF and UEZ incentives were eliminated. Because incentives were negotiated items, it is unlikely that the investment deductions granted to taxpayers could be revoked prior to their expiration.
3. As part of the attraction of these investments, the RRDA has made significant capital investments, including site preparation, road construction, and sewer drainage installations. In some cases, these investments were negotiated terms in location agreements. The RRDA has funded these investments in part by TIF and UEZ revenues. If TIF and UEZ funds were eliminated, the obligation to fund these improvements may be shifted to the capital budgets of the appointing municipalities, imposing a cost to those taxing units.



4. It is likely that in the absence of the types of investments made and incentives offered by the RRDA, the businesses currently operating at the RRCC would have chosen to locate at others sites, including out of state, where these investments and incentives were made available. Thus, Clark County civil units would forgo the income tax benefit that these property tax incentives provide.
5. The following revenue estimates do not incorporate any of the above costs/considerations. These results are not a calculation of net fiscal impact, but are a calculation of property tax revenue forgone under current circumstances. In fact, when considering the transfer of costs and probability of location elsewhere described above, there is likely no quantifiable, negative property tax impact to taxing units.

Fiscal Impact Analysis

The adjacent table shows the hypothetical impacts to taxing units if River Ridge incentives were to be eliminated. As noted earlier, this estimate does not include the impact of any cost transfers. It also does not include the likely possibility that companies would locate elsewhere if incentives were not made available. If incentives were eliminated, River Ridge would forgo approximately \$6.6 million in TIF and UEZ revenue. Taxpayers that currently qualify for a UEZ deduction would pay an additional \$3.1 million if the deduction was removed.

The hypothetical elimination of the TIF and UEZ provisions would theoretically increase the property tax base, and reduce tax rates. This would lead to a reduction in revenue losses to the circuit breaker credit governmental units, and reductions in property tax liabilities paid by taxpayers. The City of Jeffersonville would receive an additional \$2.3 million in property tax revenues, while the Clark County taxing unit would receive an additional \$871 thousand. Other taxing units, including schools, would receive a total of \$1.8 million. In total, property tax liabilities for taxpayers non-River Ridge taxpayers would be reduced by \$4.6 million.

This analysis shows that for an opportunity cost of \$9.7 million in 2018, the River Ridge Commerce Center produced \$2.3 billion in economic output and \$567 million in labor income for the Southern Indiana region.

The calculations provided here demonstrate the theoretical opportunity cost of River Ridge incentives. In reality, without those incentives, and in the absence of other public funding sources, the development at River Ridge, and corresponding economic and fiscal impacts would likely not take place.

Opportunity Cost of RRDA Property Tax Incentives

Sources and Uses Analysis: Projected for 2018

Sources

Funds made available if RRDA property tax incentives are eliminated

	Revenue
TIF and UEZ revenue forgone by River Ridge	6,575,789
Liability increase for UEZ taxpayers	3,100,115
Total Sources	9,675,904

Uses

Distribution of available funds under current law

	Revenue
Revenue Increase For Units via Circuit Breaker Relief:	
Clark County	871,370
Jeffersonville	2,322,904
Charlestown	91,013
Utica	-
All Other Units	1,830,001
Total Revenue to Units	5,115,288
Property tax relief to taxpayers	4,560,616
Total Uses	9,675,904

If the River Ridge TIF and UEZ provisions were to be eliminated, and the incentives for current participants revoked, then the AV currently captured in the TIF and UEZ would revert to the general tax base. This would, in turn, reduce property tax rates, resulting in the following two outcomes:

1. Reduce circuit breaker credit losses to taxing units for taxpayers that are at or above their maximum property tax liability.
2. Reduce property tax liabilities that are below their circuit breaker capped tax rate.

It is important to note that due to Indiana's system of property tax controls, there is not a one-to-one relationship between the amount of TIF and UEZ revenue that River Ridge receives, and the amount of revenue that could be theoretically allocated to taxing units if the TIF and UEZ were eliminated.

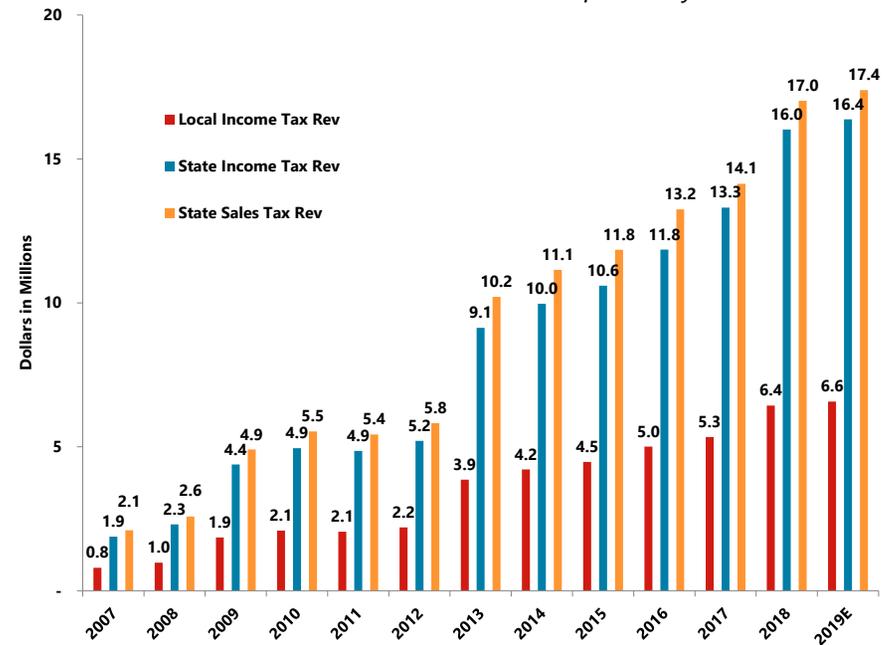
Fiscal Impact Analysis

State Fiscal Impacts

The income from jobs at River Ridge produces a fiscal impact to both State and Local taxing units. The wages paid by companies operating at River Ridge translate into income tax revenue for the State. The discretionary household income produced by River Ridge jobs provides more spending power for employees, which in turn increases sales tax revenue to Indiana. In this case fiscal impacts to the State of Indiana only accrue from River Ridge employees who reside in Indiana. Therefore, employers who commute to River Ridge from Kentucky are excluded from the labor income in this part of the analysis.

By 2019, once the firms new to River Ridge are fully operational, River Ridge activity is projected to generate \$16.4M in state income tax and \$17.4M in state sales tax annually.

River Ridge State and Local Fiscal Impact
Income and Sales Tax-Indiana Impact Only



Appendix A: History and Overview

The River Ridge Commerce Center began its life in 1998 when the US Army declared the former Indiana Army Ammunition Plant to be surplus, and conveyed the property to the River Ridge Development Authority. The multi-jurisdictional Authority was created by the Clark County Commissioners to oversee and redevelop the 6,000 acre site for the benefit of the region's citizens. The INAAP had been a manufacturing site producing propellant for the military beginning in World War II and extending through the Viet Nam era.

The River Ridge Development Authority is comprised of 5 board members representing the following jurisdictions:

1. Clark County Commissioners
2. City of Jeffersonville
3. Indiana Port Commission
4. City of Charlestown
5. Town of Utica

The RRDA's mission of transforming the site of a former munitions manufacturing facility into a modern commerce center entails a number of apparent and some hidden challenges. The remains of the army's processes require significant environmental clean-up related expenditures. Numerous abandoned Army buildings remain on the site. The demolition of existing structures plus reconstruction of modern physical infrastructure will be required for development to take place.



Appendix A: History and Overview

Overcoming these challenges and creating an exceptionally attractive location for new business and industry has been the focus of the RRDA's efforts since its inception.

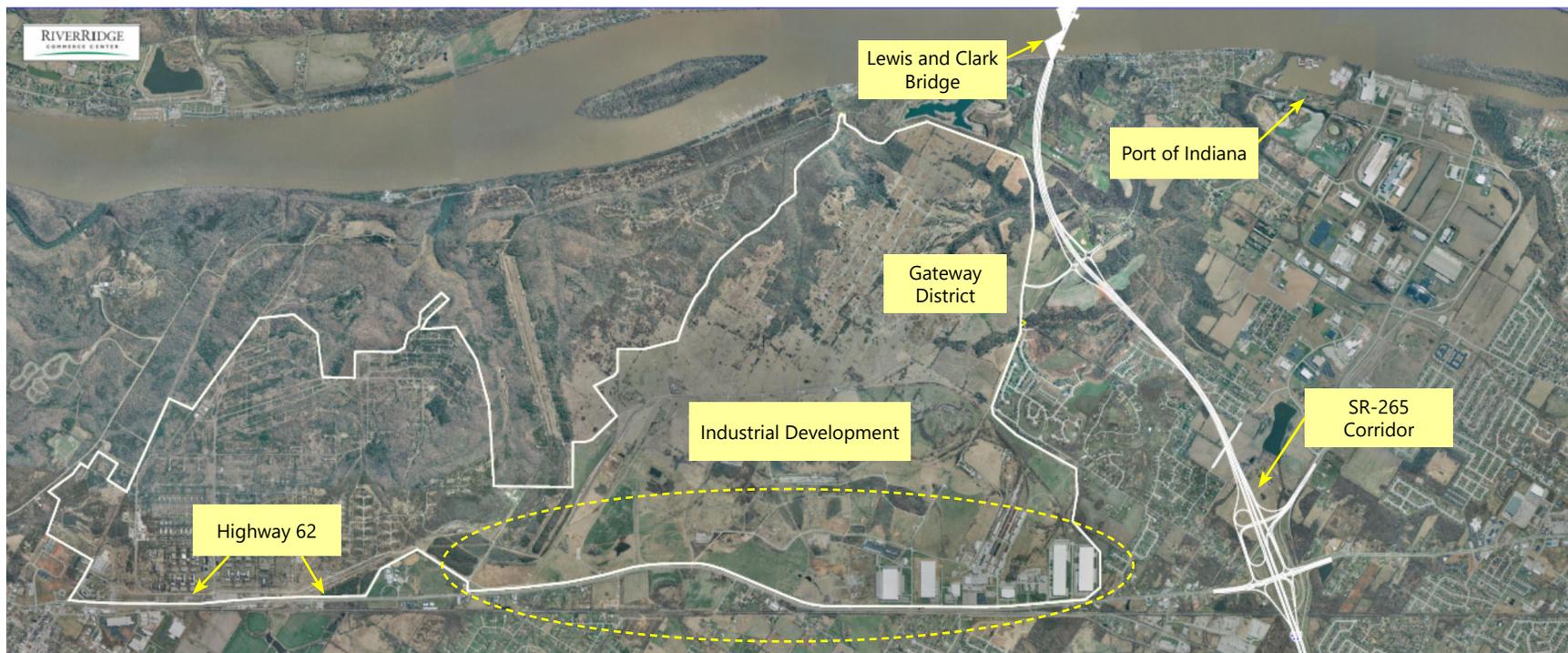
The Authority has spent more than \$110 million in public funds on installing new infrastructure, including streets, site preparation, amenities, and a new commercial grade transportation corridor. State and local funds have been used to build a new water facility and to upgrade electrical and sewer utilities. First phase areas of the site have been cleared and environmental clean-up has taken place to create areas for new investment. The RRDA is in the process of completing its "Gateway" strategic plan to develop the portion of the Commerce Center nearest to the newly constructed Lewis and Clark Bridge.



Appendix A: History and Overview

The location of River Ridge in southeastern Indiana, within the Louisville, Kentucky metro region provides a number of advantages and economic growth opportunities. The site overlooks the Ohio River and is near Interstates 65 and 64 and State Highway 62. In late 2016, the Lewis and Clark Bridge, connecting River Ridge to the Kentucky side of the Louisville Metro areas was completed. The Ports of Indiana facility at Jeffersonville and rail access to the CSX system make the site ideal for inter-modal business operations. The nearby Louisville International Airport provides accessibility to air transport, and the UPS hub at the facility provides internationally accessible logistics support.

Since 2010, the RRCC has experienced rapid growth in the number of its on-site tenants. There are currently more than 50 businesses operating at River Ridge, and the number employed in those enterprises has increased from 600 to approximately 9,000. The Amazon Fulfillment center began operations in 2013 and now employs approximately 3,000 full time workers, and additional seasonal part time workers, which exceeds its original employment projections. New business additions to River Ridge include Ingram Micro, Niagara, and Medline.



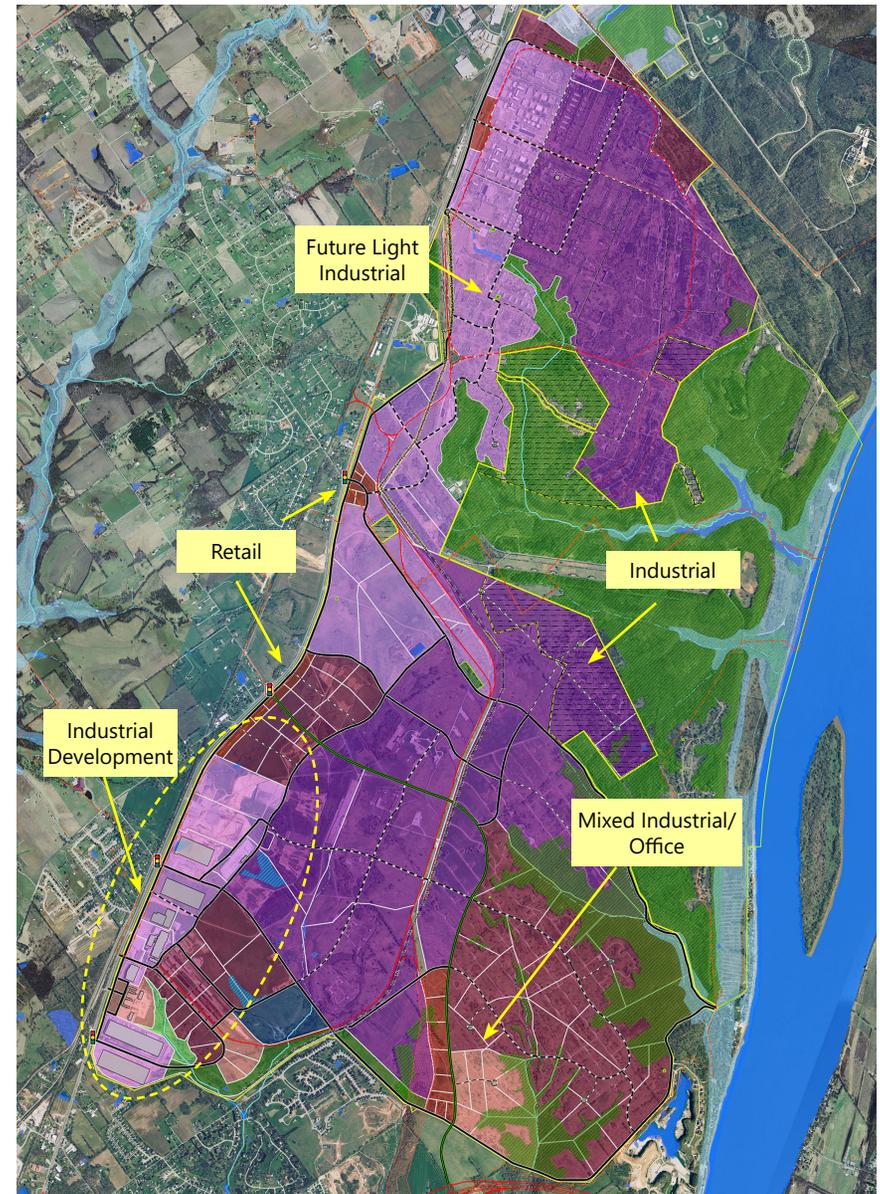
Appendix A: History and Overview

The River Ridge site is comprised of approximately 6,000 acres of converted military use land. Of this, approximately 3,000 acres is currently ready for development. Most redevelopment to date has been concentrated in the southwest corner of the site. Current redevelopment efforts have included utility installation, site preparation, and road construction. Private developers have constructed several new industrial structures on the site that house companies such as Parker Hannifin Corporation HVAC Filtration Division, Mister P Express, Pegatron/Asus, and Collins Aerospace, and the Amazon Fulfillment Center. In 2013, the America Place Building 1 was constructed, facilities were built to house operations for BrioRx and American Fuji Seal. In 2014, the operations of Autoneum and Tenneco were added. In 2015, a number of new commercial facilities were constructed including those for Genpak and Magnolia. In 2016, the RRDA completed the first phase of its Gateway Master Plan, which connects River Ridge to the SR-265 corridor. Progress in 2018 included the development of additional structures and roads and amenities within the Gateway development.

The RRDA still must redevelop thousands of acres before the Commerce Center can be fully built out. The remnants of River Ridge's prior governmental use require extensive demolition and redevelopment. The River Ridge site contains one 45-acre hazardous waste landfill, five solid waste landfills, and other unknowns that result from the munitions manufacturing on site. In addition, hundreds of abandoned army buildings must be removed from the site.

The RRDA's long-term land use plan is shown on the adjacent map. The plan calls for approximately 5,000 acres of commercial and industrial uses, that include light industrial and warehousing space. The long-term plan also includes consideration for retail and commercial office space. In order to execute this land use plan, the RRDA must first extend utilities and road access throughout the Commerce Center to open tracts for development.

River Ridge Commerce Center Long Term Land Use Plan



Appendix B: Economic Impact Methodology

The economic impact estimates in this analysis were modeled using IMPLAN, a professionally accepted input-output model originally developed and maintained by researchers at the University of Minnesota. IMPLAN uses industry linkages derived from current economic data to simulate the effect of increased spending on all sectors of the local economy. This economic impact is measured and quantified in terms of economic output, jobs, labor income, or economic value added (or gross regional product). The impact of increased spending or investment is not limited to the first transaction within the community. Once increased spending enters the local economy, it circulates within, providing multiple iterations of economic impact. The economic impact of an investment is classified in three ways: direct impact, indirect impact and induced impact.

The study area for the economic impacts includes Clark, Floyd, Harrison, Jefferson, Scott and Washington Counties in Indiana, and Jefferson and Oldham Counties in Kentucky. This study region includes Clark County and adjacent counties, and comprises a large portion of the Louisville-Jefferson County MSA, including the Louisville commercial core. The direct economic impacts modeled herein occur in Clark County IN, where the River Ridge Commerce Center is located. The indirect and induced impacts

measured in this analysis occur throughout the study area, in both the Indiana and Kentucky counties.

Not all goods and services used at the River Ridge Commerce Center are purchased locally. The IMPLAN model uses industry trade flows to estimate the extent to which commodities are purchased locally or non-locally. These IMPLAN assumptions have been used in this analysis to separate out non-local purchases.

Economic Impact Analysis Study Area



Economic Impact Terminology

Measures of Economic Impact

Economic Output

The total value of industry production, or total sales for an industry. For retail and wholesale sectors, output equals gross margin.

Labor Income

All forms of employment income, including employee compensation (wages + benefits), and proprietor income.

Value Added

Gross regional product. Equals total output less intermediate impacts.

Employment

Either full-time or part time depending on industry norms. In this report, employment is place-of-work based, not residence based.

Components of Economic Impact

Direct Effect

A series of production changes or expenditures made by producers and consumers as a result of an economic activity.

Indirect Effect

The impact of industry-to-industry purchases resulting from a change in final demand.

Induced Effect

The impact of increased household spending stemming from the direct and indirect effects.

Appendix B: Economic Impact Methodology

The objective of this analysis is to quantify the economic impact of the RRDA and firms that are currently operating at the River Ridge Commerce Center. The assumptions used in this analysis do not differentiate between the incentives provided by River Ridge and other economic forces that would bring new investment to the region. The River Ridge Commerce Center operates as a unique business environment within the many attributes of its economic region. The attraction of businesses to the River Ridge site largely comes from incentives provided to business operations from outside this region.

This analysis builds on the 2012, 2013, 2014, 2015, 2016 and 2017 Economic Impact Analysis reports produced previously by Policy Analytics by extending the period of analysis to include the investments and business activity that took place at River Ridge in CY 2018. Impacts for construction and investment activities are modeled for the 2018 calendar year. Impacts that include ongoing business operations are estimated for CY 2019 to capture the ramp-up period for employment efforts.

The economic impact calculations for RRDA operating and capital activities are based on financial statements and other budgetary information provided by the RRDA. Due to the timing of this report, unaudited preliminary financial statements are used for 2018. Private capital expenditures were estimated using assessment records from the Clark County Assessor's Office and information provided by the RRDA.

Employment and payroll estimates for firms operating at River Ridge were based on a survey River Ridge staff completed with on site companies. The seasonal employees hired by Amazon are modeled using IMPLAN on a part time, prorated basis.

The estimates contained in this report rely on financial and economic data provided by the RRDA. Policy Analytics has not made an attempt to audit or validate the data provided, or survey the companies operating at River Ridge.

