SOUTH BEND

OPPORTUNITY ZONE PROSPECTUS | A Platform for Action

Prepared by
NEW LOCALISM ADVISORS

In Collaboration with
THE CITY OF SOUTH BEND

A Project of
ACCELERATOR FOR AMERICA

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SOUTH BEND'S COMEBACK

Strongest growth in over a generation, potential to build on momentum with robust assets and positioning

R&D Expenditures

- $200+ million annually
- 150% increase in last decade
- 13.9% annual growth rate

Talent

- Population growth after decades of decline
- 50,000 postsecondary students regionally
- 8,000 IT professionals regionally

Fundamentals

- Low cost of doing business and living
- Access to markets
- Densest Fiber Network

OPPORTUNITY ZONE TAX INCENTIVES

The Tax Cuts and Jobs Act has established
New Internal Revenue Code Section 1400Z – Opportunity Zones

- Temporary deferral of capital gains invested into a qualified Opportunity Fund through December 31, 2026
- Basis of deferred capital gains invested into Opportunity Funds increased by 10% after five years, an additional 5% if held 7 or more years for an exclusion of up to 15% of original gains from taxation
- Permanent exclusion of capital gains realized within an Opportunity Fund after 10 years
- Opportunity Funds are private investment vehicles that invest at least 90 percent of assets into Opportunity Zones (i.e. low income census tracts nominated by Governors)
- For more information, please visit:
  https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions

OPPORTUNITY ZONE TAX INCENTIVES

The Tax Cuts and Jobs Act has established
New Internal Revenue Code Section 1400Z – Opportunity Zones

Four Parties:

- TAXPAYER
- QUALIFIED ZONE
- OPPORTUNITY FUND
- PROJECTS (PROPERTY & BUSINESSES)

Different Than Other Tax Credits:

- ✓ More market-oriented
- ✓ Residential, commercial real estate, and business investments
- ✓ No benefit cap

THE URBAN INVESTMENT PROSPECTUS

GROWTH

Set economic context for city and metropolis, identifying key drivers/assets

CAPITAL DEMAND

Identify investable projects and propositions within each Opportunity Zone

INCLUSION

Focus on human capital, job connections, and wealth creation

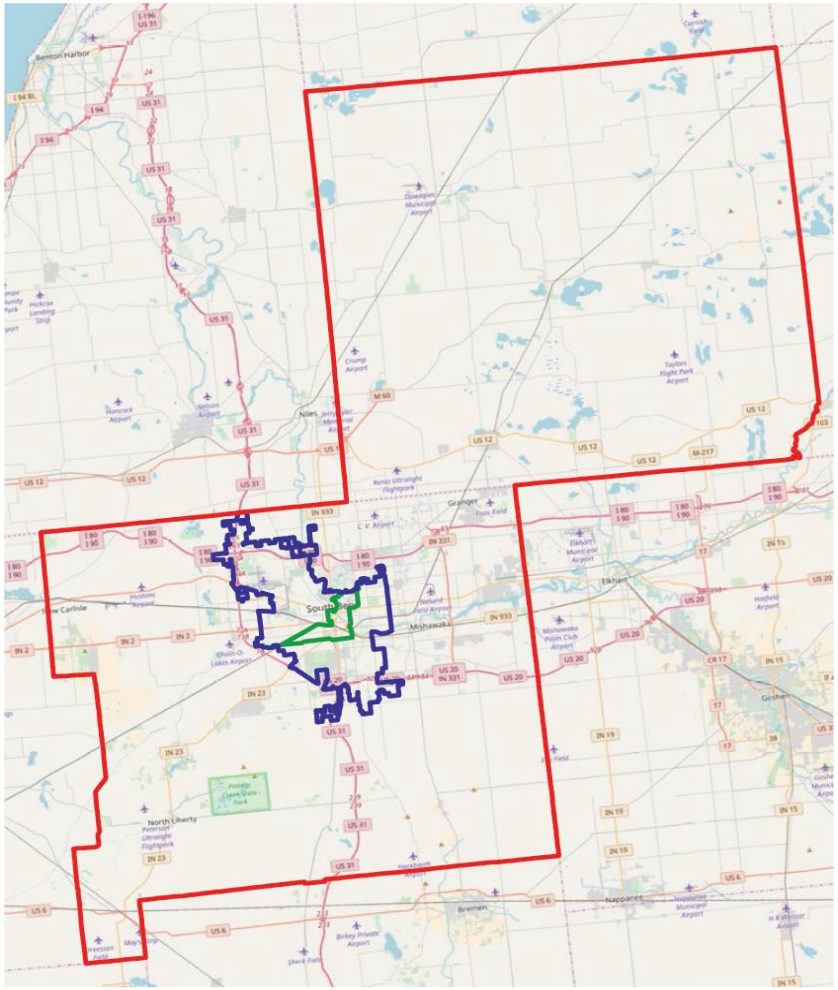
PLACE MAKING

Commentary on the essential must do's to re-knit spatial and social fabric

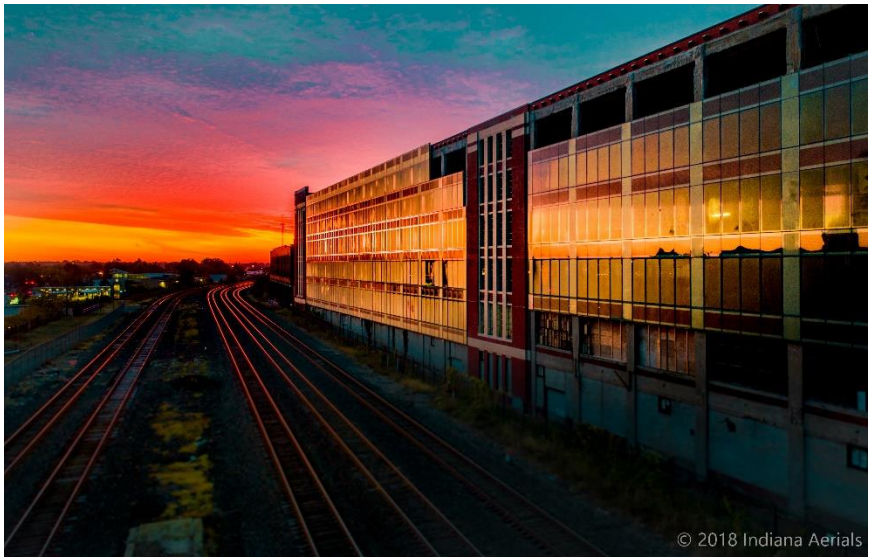
INSTITUTIONAL CAPACITY

Recommendations on institution building options to expediate growth and inclusion

GEOGRAPHY OF SOUTH BEND OPPORTUNITY ZONES



	POPULATION 2010	POPULATION 2016	% CHANGE	SQ. MILES
MSA	319,224	319,491	0.1%	970
City	101,168	101,735	1%	42
Zones	8,985	8,621	(4%)	4



SOUTH BEND MOMENTUM

BY THE NUMBERS

- City population growing to 101,735 (+1%) reversing decades of decline
- Over $800 million of building permit value over past four years
- Proximity to markets—80% of the U.S. and Canadian populations can be reached within a one-day drive, second busiest airport in Indiana, and second largest rail switching yard in the nation nearby
- $22 million Notre Dame Pit Road Fund formed in 2018 for early stage funding

BY THE ASSETS

- World class education and research institutions with over $200 million of university R&D and 1,500 peer-reviewed publications annually
- Dark fiber and legacy power capacity on former Studebaker sites
- Commuter rail service from South Bend to downtown Chicago
- Exceptional State and City leadership aligned with private sector, fiscally sound AAA/AA bond ratings

BY THE OPPORTUNITY ZONES

- Zones include densest urban areas and nearly all of the City's catalytic investments, including the state's Regional Cities projects
- Zones constitute a contiguous innovation district bookended by a dual-location, certified tech park
- University of Notre Dame's IDEA Center founded in 2017 to catalyze and de-risk commercialization and entrepreneurial activities
- City-Industry Technology Resource Center at Ignition Park

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SOUTH BEND OPPORTUNITY ZONE LEAD

- **City of South Bend** is an innovative, data-driven municipal government with a strong fiscal position, AA bond rating, proactive and diversified community investment portfolio, and nationally recognized leadership and practices, including becoming one of eight Champion Cities in the 2018 Bloomberg Mayor's Challenge
- **Lead agency:** The Department of Community Investment is the City's one-stop shop for economic and community development, investments in people and places, urban planning and strategy, zoning and land use administration, and building permitting

Community Investment Website:
southbendin.gov/department/community-investment

Opportunity Zone Website:
southbendin.gov/initiatives/opportunity-zones

- Community Investment has a strong track record of partnering on projects of all sizes with gap financing solutions and support navigating through public processes to avoid bureaucratic delays
- South Bend Opportunity Zone points of contact:

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jmueller@southbendin.gov

Daniel Buckenmeyer
Director of Business Development
dbuckenm@southbendin.gov

Brian Donoghue
Director of Civic Innovation
donoghue@southbendin.gov

SOUTH BEND BY THE NUMBERS

SOUTH BEND METRO ECONOMY

South Bend economy has performed well over the past decade

JOB GROWTH

2000-2010
-9%
2011-2018
3%

AVERAGE MONTHLY EARNINGS % CHANGE*

2000-2010
-4%
2011-2018
1%

TOTAL PAYROLL % CHANGE*

2000-2010
-16%
2011-2017
9%

EMPLOYEES UNDER AGE 29 % CHANGE

2002-2010
-18%
2011-2015
4%

UNEMPLOYMENT

January 2011
10%
January 2018
3%

*2017 Adjusted

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SOUTH BEND BY THE RANKINGS

Forbes

#14 Cost of Doing Business

SmartAsset

Top 5 Cities for Creatives

2017 US News and World Report

#1 State for Government Efficiency

Bloomberg

2018 Champion City

2015 John F. Kennedy New Frontier Award

Municipal Innovation and Smart Government

SOUTH BEND EMPLOYMENT PROFILE

Increases in Professional & Business Services & Accommodation/ Food Services Jobs as a share of the city workforce

	2015 COUNT	2015 SHARE	2002 COUNT	2002 SHARE	DIFFERENCE IN SHARE
Health Care, Social Assistance & Educational Services	13,653	26.3%	15,497	24.9%	1.4%
Trade, Transportation and Warehousing	9,179	17.7%	11,687	18.8%	(1.2%)
Manufacturing	7,360	14.2%	9,152	14.7%	(0.6%)
Professional & Business Services	7,061	13.6%	7,422	12.0%	1.6%
Accommodation and Food Services	4,015	7.7%	3,310	5.3%	2.4%
Public Administration	3,024	5.8%	3,478	5.6%	0.2%
Construction, Mining & Utilities	2,190	4.2%	3,238	5.2%	(1.0%)
Information	1,295	2.5%	1,493	2.4%	(0.1%)
Finance and Insurance	1,201	2.3%	3,073	5.0%	(2.6%)

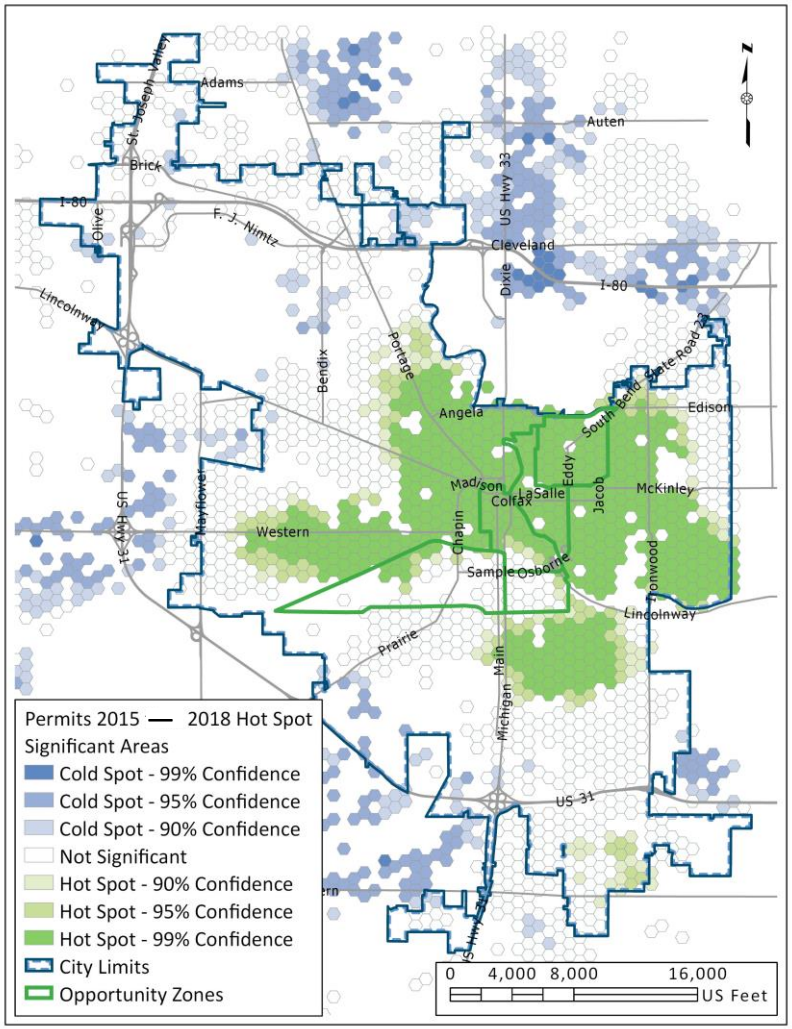
SOUTH BEND'S LARGEST NON-GOVERNMENT EMPLOYERS

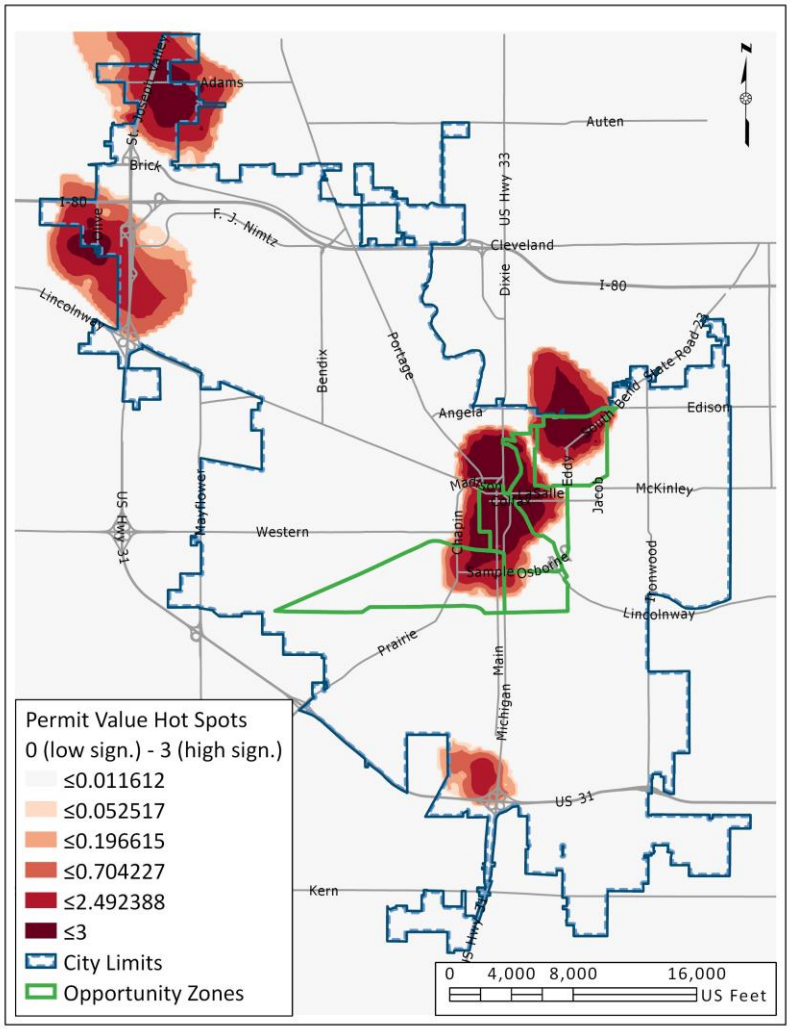
National leader in mobility, advanced manufacturing and logistics

EMPLOYER	TYPE OF BUSINESS	APPROXIMATE NUMBER OF EMPLOYEES
University of Notre Dame	Higher Education	5,802
Beacon Health System	Health Care	4,683
Saint Joseph Health System	Health Care	2,626
Indiana University South Bend	Higher Education	1,277
AM General	Manufacturing	800
Honeywell	Manufacturing	700
Press Ganey	Health Care Measurement	694
Liberty Mutual Insurance	Insurance	650

SOUTH BEND CONSTRUCTION ACTIVITY 2015-2018

Hot Spots in and Adjacent to Opportunity Zones, Anchor Institutions, and Density



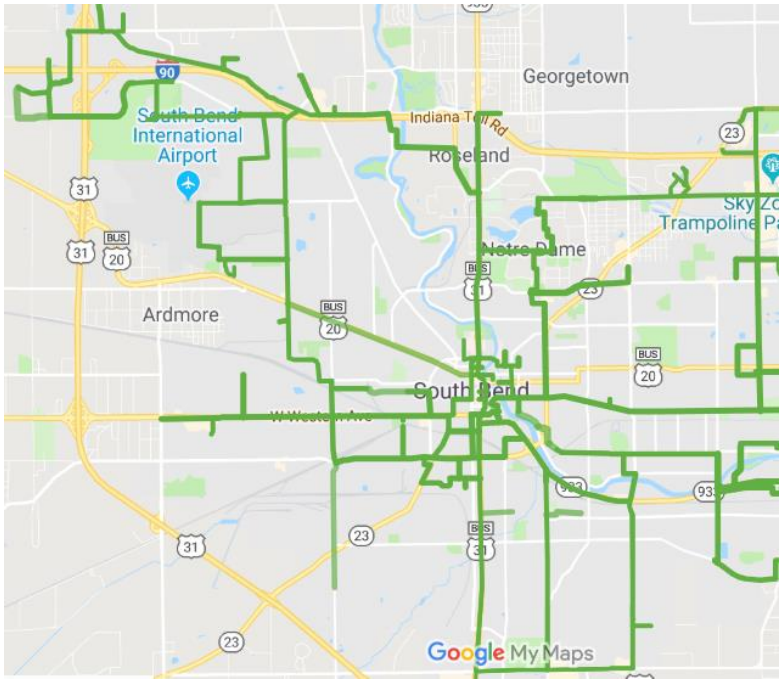


SOUTH BEND BY THE ASSETS

INFRASTRUCTURE ADVANTAGE: FIBER & POWER

Accessibility to interstate I-80/I-90, railroads, and fiberoptic networks that connect the country makes South Bend uniquely connected compared to similar cities

- South Bend is located at the **intersection of the majority of national fiberoptic long-haul routes with over 14 carries** passing through South Bend
- St Joseph Valley MetroNet: **100 mile network of dark fiber last-mile** for voice, data and video connectivity managed by non-profit and covering the entirety of South Bend's Opportunity Zones
- The area enjoys the benefit of power infrastructure built for the creation of millions of cars with over 6,000 MW of capacity at ~10 cents/kW-hour



ACCESS TO MARKETS

- On average, more than 1,600 airline passengers travel through South Bend International airport (SBN) every day
- South Bend International Airport has an $1.7 billion impact on the area's economy
- One of six Foreign-Trade Zones (#125) in Indiana

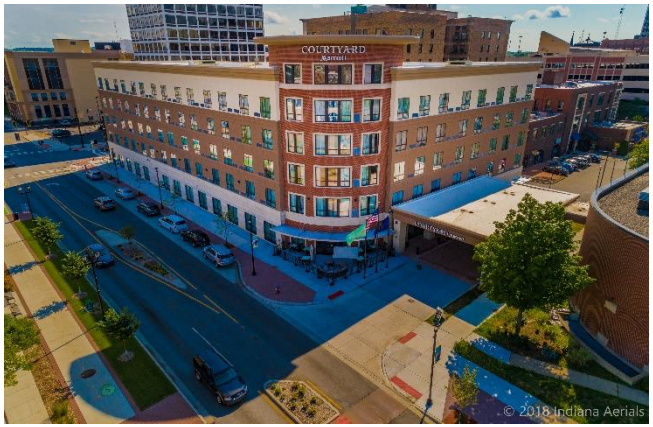
<u>Driving Distances and Times</u>

Chicago: 89 miles | 1.5 hours
Indianapolis: 150 miles | 2.5 hours
Detroit: 220 miles | 3.3 hours
Columbus: 254 miles | 4.3 hours
Atlanta: 679 miles | 10.3 hours
New York (City): 702 miles | 10.8 hours
Dallas: 1,023 miles | 14.8 hours

CENTRAL BUSINESS DISTRICT

A $25 Million Complete Streets Investment in 2016 Transformed Downtown and Already Spurred over $100 Million of Investment in Central Business District

- **270 new residential units** around downtown since 2016, 350+ more underway or announced
- **Tripling** of hotels 2016-2018
- $24M mixed-use development attached to the Class A Cubs Minor League stadium received Ballpark Digest's 2018 Editors Choice Award



UNIVERSITY OF NOTRE DAME

Top 20 Research University Continues to Expand Commercialization Activities with New $22 Million Early Stage Fund

Facts

- Between fiscal years 2006 and 2016 university research spending grew from $78 million to $202 million
- From 2011 through 2016 new patent applications grew by 160% with 16 startups emerging based on licensed technology
- Notre Dame is investing in Innovation Park, where 29 companies are currently operational, 15 companies have secured outside equity financing, and roughly 40 faculty working there
- Ignition Park is home to Notre Dame's Turbo Machinery Lab (a $36 million partnership with General Electric) drawing companies that support the aerospace industry

Strategy

- The Notre Dame business development and investment strategy consists of faculty research and commercialization; a strong alumni business and technology network, and an enterprise fund from alumni investors
- The Notre Dame strategy is to use its network and capital to import and build a local entrepreneurial ecosystem – adapting the successful University of Utah model

THE HEARTLAND VENTURES STRATEGY

Facts

- The Midwest is underrepresented in terms of early stage investing and startup company activity
- The Midwest is rich in terms of mature companies that are profitable and may use smaller, entrepreneurial companies as part of their supply chain or as an operations vendor

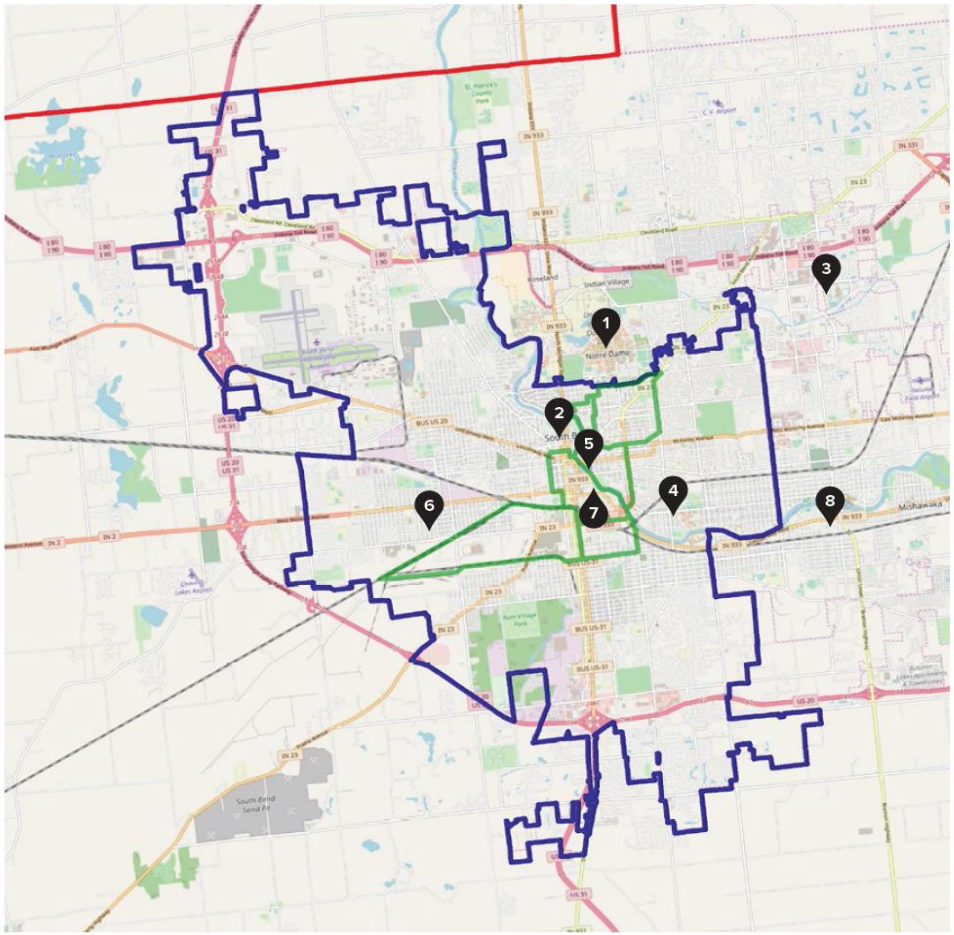
HEARTLAND
VENTURES

Strategy

- Heartland Ventures is a new venture capital fund that functions as a match maker between start up companies on the west coast that have received seed capital and have revenue and strong mature companies in the Midwest
- Heartland invests in companies that relocate to the Midwest (including South Bend) to gain significant customer relationships with local companies, building their revenue
- As with the Notre Dame strategy, Heartland is simultaneously importing and building a local ecosystem, functioning as a connector between mature companies and startups and between west coast capital and local capital

LOCATION OF LARGEST EMPLOYERS

Majority of the largest non-government employers are located in or proximate to the Opportunity Zones

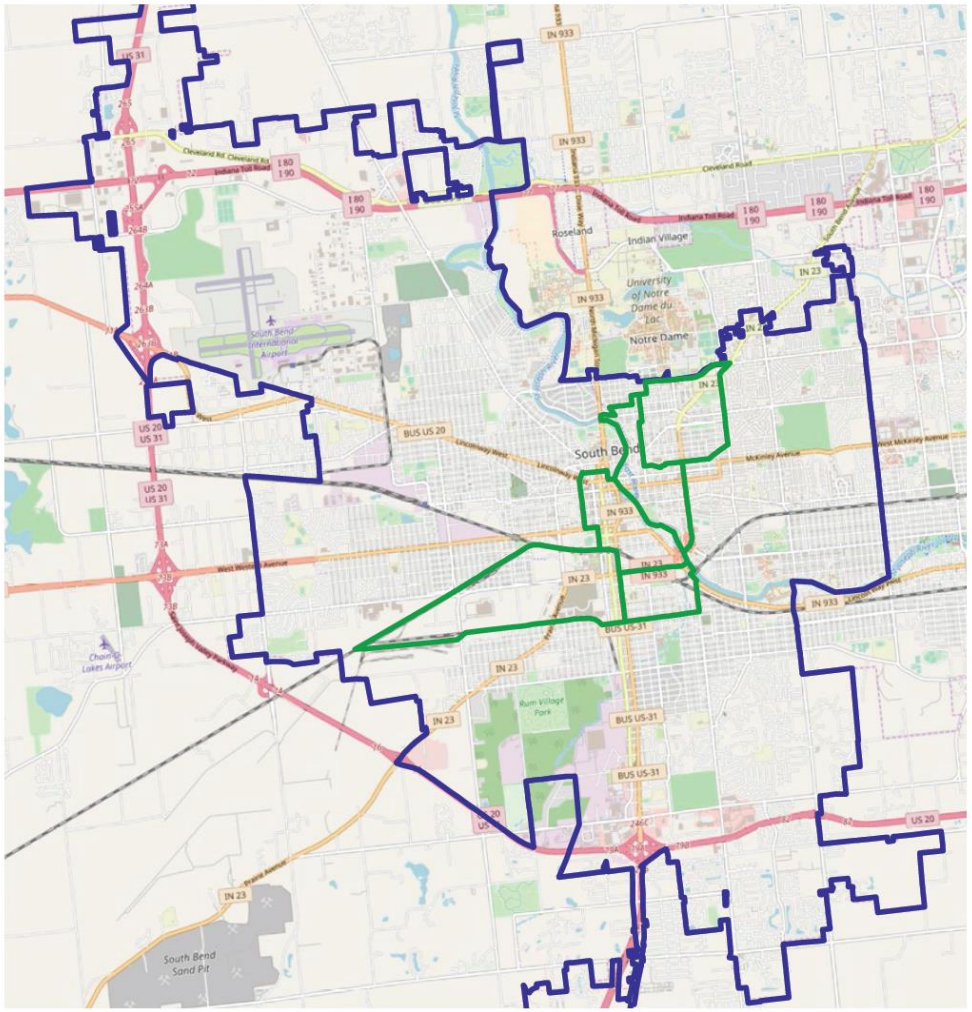


1. University of Notre Dame
2. Beacon Health System
3. Saint Joseph Health System
4. Indiana University South Bend
5. AM General
6. Honeywell
7. Press Ganey
8. Liberty Mutual Insurance

SOUTH BEND BY THE OPPORTUNITY ZONES

OPPORTUNITY ZONE OVERVIEW

Opportunity Zones are concentrated in the core of the city



5 O-ZONE TRACTS

37 SOUTH BEND TRACTS

14% OF ALL TRACTS

8,621 O-ZONE POPULATION

101,037 CITY POPULATION

9% OF THE POPULATION

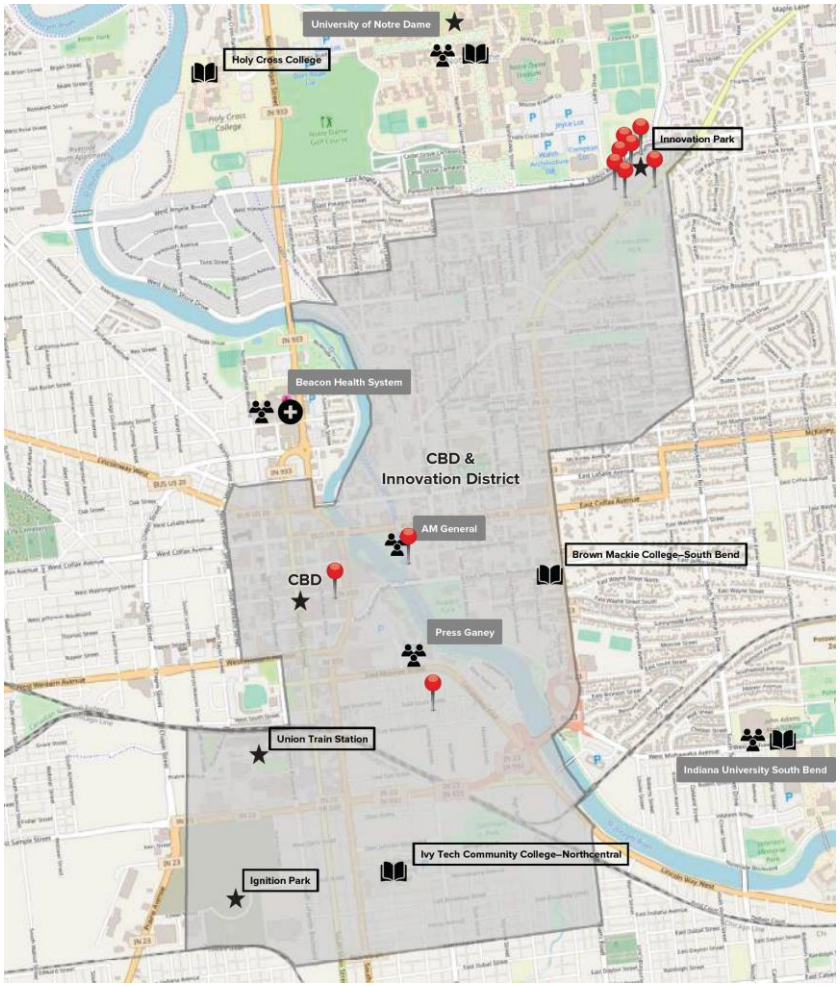
OPPORTUNITY ZONE SOCIO-ECONOMIC OVERVIEW

Opportunity Zones Largely Representative of City with Higher Share of Workforce Ages 18 to 65

	BLACK	HISPANIC	FOREIGN BORN	POVERTY	MEDIAN HOUSEHOLD INCOME	% ED BA+	% SOME COLLEGE	% NO HS DEGREE	% UNDER 18	% OVER 65	UNEMPLOY-MENT (MARCH 2018)
Metro	12%	7%	6%	17%	$46,489	26%	30%	12%	24%	15%	3.7%
City	27%	15%	9%	27%	$35,758	24%	24%	17%	28%	12%	3.9%
O-Zones	34%	18%	7%	27%	$32,147	25%	25%	21%	21%	11%	N/A
State (IN)	9%	7%	5%	15%	$50,433	25%	29%	12%	24%	14%	3.3%
US	13%	17%	13%	15%	$55,322	30%	29%	15%	23%	15%	4.1%

SOUTH BEND OPPORTUNITY ZONE

Revitalized Central Business District Bookended by Certified Tech Park: Innovation Park in the Northeast, Ignition Park in the Southwest



ZONE TYPOLOGY TYPE*

Mixed Jobs/Residential (NE and SE), Tier 1 Job Center (CBD), Tier 2 Job Center (SW)

TOP 3 INDUSTRIES

1. Educational Service (17%)
2. Public Administration (15%)
3. Health Care and Social Assistance (12%)

OPPORTUNITY ZONE RESIDENTS

2016: 8,621
2010: 8,985
-4% change

VACANT RESIDENTIAL PROPERTIES

Q42017: 407 (9%)

VACANT BUSINESS PROPERTIES

Q42017: 2,016 (18%)

*Typology methodology in Appendix

GREAT LAKES CAPITAL CASE STUDY

Established development firm partnering with City on catalytic projects

Example 1: $14.1 million renovation of historic JMS building for mixed use downtown

- $2.6 million investor equity
- $9.3 million developer debt
- $790,000 of City TIF
- $1.4 million Historic Tax Credit

Example 2: $16.6 million tech office build out at Ignition Park

- $1.6 million investor equity
- $11.5 million developer debt
- $1.8 million of City TIF
- $1.65 million Community Revitalization Enhancement District (CReED) Tax Credit

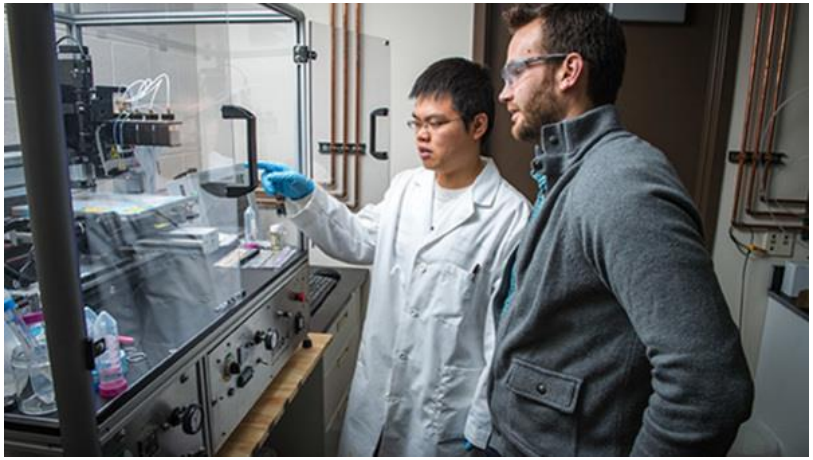
DATA REALTY & AUNALYTICS CASE STUDY: MOVING FROM INNOVATION PARK TO IGNITION PARK

Local Tech Firm expands to deliver Cloud Services and Big Data Solutions to Fortune 100s

- **2011:** Family of companies established at Innovation Park to deliver services across the entire data lifecycle — from building and running data centers in collaboration with top data scientists, to enabling advanced analytics solutions.
- **2012:** Grew out of Innovation Park to build flagship data center facility in 2012 as first tenant of Ignition Park
- **2018:** Expanded in Ignition Park (60,000 sq. ft.), hiring and acquiring 70+ additional employees
- **Employees:** 69% have advanced degrees, over half from outside the South Bend region, and 28% attribute their job for choosing South Bend

SOUTH BEND OPPORTUNITY ZONE CATALYTIC PROJECT – BUSINESS

INNOVATION PARK



Assets

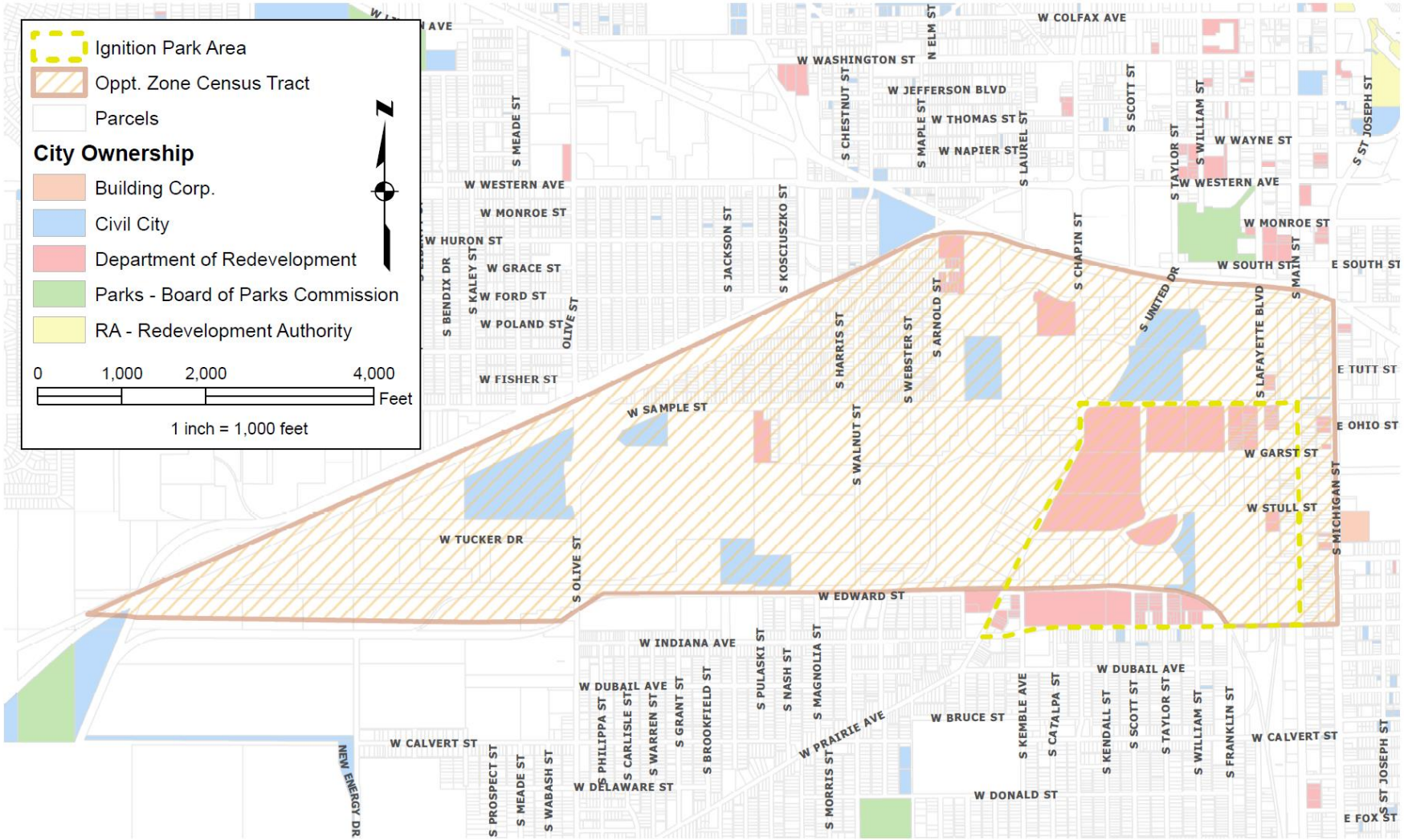
- 90,000-square foot technology and entrepreneurship facility located adjacent to Notre Dame Campus (north-end of South Bend's Innovation District)
- 59 new ventures have launched at the park since 2009, 15 have secured outside equity financing
- Currently home to 29 companies and 40+ Notre Dame faculty working at the facility

Your Opportunities

- Create funding vehicles for investment in ND entrepreneurial efforts, coordinated directly with the University's IDEA Center
- $50 million Early Stage Financing

IGNITION PARK – REAL ESTATE

Shovel-Ready Parcels for Tech Firm Expansions and Relocations



TECHNOLOGY RESOURCE CENTER AT IGNITION PARK

City partners with private sector and academia to expand regional capabilities

Assets

- 20,000 square foot space, co-located with Notre Dame Turbomachinery Lab
- IOT & Wireless Research Testbed
- City's proven track record of commercialization of Civic Tech (e.g. Emnet)
- Ongoing collaborations between city, university and industry to develop and test new IoT Technologies
- Local tech firm, Aunalytics, next door

Your Opportunities

- Leverage university's research infrastructure and city-as-a-testbed to develop new products and services (several ongoing, under NDA)
- Leverage existing public-private infrastructure to create a center for civic technology research and commercialization
- $100 million Growth Fund

SOUTH BEND OPPORTUNITY ZONE CATALYTIC PROJECT – REAL ESTATE

Linking Momentum around the University and Central Business District

Assets

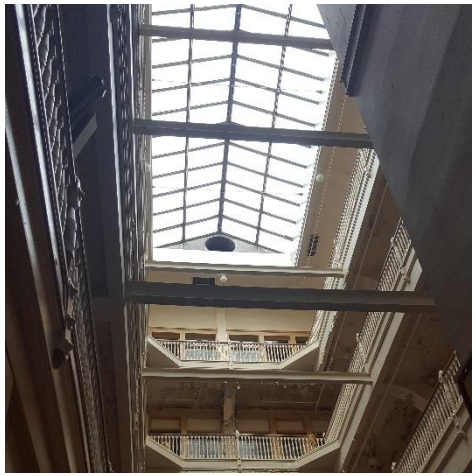
- Cascades: $43m mixed use development, adjacent to downtown, with views over St. Joseph River (top photo)
- Commerce Center: $35m mixed use development along downtown entry corridor
- Eddy Street Commons and $150m Phase II expansion underway (bottom photo)

Your Opportunities

- Implement Northeast Corridor master plan to connect Eddy Street (adjacent to Notre Dame) and Downtown
- Historic redevelopment, including former train station
- Multi-family housing and retail
- Eligible for TIF support and tax abatements

SOUTH BEND OPPORTUNITY ZONE CATALYTIC PROJECT – REAL ESTATE

Building on Momentum Downtown and near Cubs Stadium



Assets

- Transformed Downtown from 2016 Complete Streets infrastructure
- South Bend Cubs Stadium and adjacent $24m mixed use development
- $36m investment in former Union Station and Studebaker buildings just South of Stadium

Your Opportunities

- Redevelopment of historic, City-owned Lafayette Building (top photo)
- Historic redevelopment of the former Studebaker Administration Building (bottom photo)
- Additional infill downtown and near stadium
- Eligible for TIF support and tax abatements

Appendix
Typology Methodology and Credits

Methodology

- Utilized Longitudinal Employer-Household Dynamics (LEHD) data aggregated to the census tract level
- Calculated the ratio of jobs in the census tract to residents in the census tract
- Calculated the % of jobs in each tract that are construction, manufacturing, transportation, and warehouse. Tract>25% are flagged as industrial.
- Utilized national datasets of hospitals and colleges/universities. Flagged tracts with hospitals with 300+ beds and/or universities/colleges with 5,000+ students as anchor tracts.

Typologies

- Tier 1 Job Centers: Tracts with jobs to residents ratio >10
- Tier 2 Job Centers: Tracts with jobs to residents ratio 2-10
- Mixed Jobs/Residential: Tracts with jobs to residents ratio: 0.5 – 2
- Residential: Tracts with jobs to residents ratio < 0.5

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