

Metropolitan Pier and Exposition Authority

Economic Impact Study

February 2017

Acknowledgements

The Nathalie P. Voorhees Center for Neighborhood and Community Improvement (Voorhees Center) is an applied research and technical assistance unit in the College of Urban Planning and Public Affairs at the University of Illinois at Chicago (UIC). Its mission is to promote quality of life and wellbeing by assisting and working with local organizations, government entities and other stakeholders in efforts to understand and develop communities.

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We wish to thank everyone who contributed to the completion of this study. Special thanks to David Czechowski of Choose Chicago and Dao Ngo of the Metropolitan Pier and Exposition Authority for their efforts in collecting technical data and conveying it to us. We are particularly grateful to Mr. Czechowski for the clarifications he provided to our many inquiries about technical data and model assumptions. We thank Cynthia McCafferty, Michael Sykes, David Czechowski and others for giving feedback to us on the content and presentation of the report at various stages of the study.

We also acknowledge Joshua Drucker, associate professor of urban planning and planning policy at UIC, for his invaluable advice at different stages of the project.

Table of Contents

EXECUTIVE SUMMARY	x
I. INTRODUCTION	1
McCormick Square	1
Report Organization	2
II. MODEL DEVELOPMENT	3
Scenario Building.....	6
Study Area Designation and Local Expenditures	8
Economic Modeling.....	9
III. DATA ANALYSIS AND IMPACT ESTIMATION DECISIONS	13
Description of MPEA Data.....	13
McCormick Square and SMG	13
Hyatt Hotel	19
Energy Center.....	20
Parking.....	20
Marriott Marquis Chicago Hotel	21
Event Center.....	22
Hilton Hotel(s)	24
Infrastructure Improvements	25
IV. RESULTS ANALYSIS	26
Economic Impacts in 2014	26
Impacts on the State of Illinois	26
Total McCormick Square Impacts.....	26
Hyatt Hotel Impacts.....	31
Energy Center Impacts	32
Parking Impacts	32
Impacts on the City of Chicago	32
Total McCormick Square Impacts.....	32
Hyatt Hotel Impacts.....	37
Energy Center Impacts	38
Parking Impacts	38

Economic Impacts in 2015	38
Impacts on the State of Illinois	38
Total McCormick Square Impacts.....	38
Hyatt Hotel Impacts.....	43
Energy Center Impacts	44
Parking Impacts	44
Impacts on the City of Chicago	44
Total McCormick Square Impacts.....	44
Hyatt Hotel Impacts.....	49
Energy Center Impacts	50
Parking Impacts	50
Economic Impacts in 2018	51
Impacts on the State of Illinois	51
Total McCormick Square Impacts.....	51
Hotel Impacts.....	55
Energy Center Impacts	56
Event Center Impacts	56
Parking Impacts	57
Impacts on the City of Chicago	57
Total McCormick Square Impacts.....	57
Hotel Impacts.....	62
Energy Center Impacts	63
Event Center Impacts	63
Parking Impacts	64
Construction Impacts	64
Construction Impacts on the State of Illinois	64
Marriott Marquis Chicago Hotel.....	64
Event Center	65
Hilton Hotel.....	66
Infrastructure Improvements	67
McCormick Square Construction Impacts	68
Construction Impacts on the City of Chicago	69
Marriott Marquis Chicago Hotel.....	69
Event Center	70

Hilton Hotel..... 70

Infrastructure Improvements 71

McCormick Square Construction Impacts 72

REFERENCES 73

APPENDICES

Appendix A: Economic Modeling with IMPLAN 69

Appendix B: Individual Hotel Impacts 70

Appendix C: Impact Results for Different Events and Different Types of Visitors..... 70

Appendix D: Impact Results for the Event Center and Hilton Hotel Based on Alternative
Occupancy Projections
..... 71

Appendix E: Mutually Exclusive Impact Figures Segmented by Types of Impact..... 72

Appendix F: Breakdown of Total Impacts by Local and National Events..... 70

List of Tables

Table 1: Direct Spending Generated by McCormick Square Events, 2014 (in 2014 dollars).....	14
Table 2: Direct Spending Generated by McCormick Square Events, 2015 (in 2015 dollars).....	15
Table 3: Local / Public Event Attendees, 2014.....	16
Table 4: Local / Public Event Attendees, 2015.....	16
Table 5: Daily Spending Parameters for Overnight Visitors (in 2016 dollars)	17
Table 6: Daily Spending Parameters for Day Trippers (in 2016 dollars)	17
Table 7: Residential Location of McCormick Square/SMG Employees	19
Table 8: McCormick Square Capital Improvements (in 2016 dollars)	19
Table 9: Hyatt Hotel Operating Budget, 2014-2018 (in 2016 dollars).....	20
Table 10: Residential Location of Hyatt Hotel Employees	20
Table 11: Energy Center Operating Budget, 2014-2018 (in 2016 dollars).....	20
Table 12: Parking Operating Budget, 2014-2018 (in 2016 dollars).....	21
Table 13: Marriott Marquis Chicago Hotel Construction, (in 2016 dollars)	21
Table 14: Residential Location of Construction Employees, 2015.....	21
Table 15: Marriott Marquis Chicago Hotel Operating Budget, 2018 (in 2016 dollars)	22
Table 16: Event Center Construction, (in 2016 dollars)	22
Table 17: Residential Location of Construction Employees	22
Table 18: Hilton Hotel Construction, (in 2016 dollars)	24
Table 19: Hilton Hotel Estimated Revenue, 2018 (in 2016 dollars).....	25
Table 20: Infrastructure (in 2016 dollars)	25
Table 21: Summary of McCormick Square Impacts by Types of Impact, Illinois, 2014	27
Table 22: Summary of Hyatt Hotel Impacts by Types of Impact, Illinois, 2014	31
Table 23: Summary of Energy Center Impacts by Types of Impact, Illinois, 2014.....	32
Table 24: Summary of Parking Impacts by Types of Impact, Illinois, 2014	32
Table 25: Summary of McCormick Square Impacts by Types of Impact, Chicago, 2014.....	33
Table 26: Summary of Hyatt Hotel Impacts by Types of Impact, Chicago, 2014.....	37
Table 27: Summary of Energy Center Impacts by Types of Impact, Chicago, 2014	38
Table 28: Summary of Parking Impacts by Types of Impact, Chicago, 2014	38
Table 29: Summary of McCormick Square Impacts by Types of Impact, Illinois, 2015	39
Table 30: Summary of Hyatt Hotel Impacts by Types of Impact, Illinois, 2015	43
Table 31: Summary of Energy Center Impacts by Types of Impact, Illinois, 2015.....	44
Table 32: Summary of Parking Impacts by Types of Impact, Illinois, 2015	44
Table 33: Summary of McCormick Square Impacts by Types of Impact, Chicago, 2015.....	45
Table 34: Summary of Hyatt Hotel Impacts by Types of Impact, Chicago, 2015.....	49
Table 35: Summary of Energy Center Impacts by Types of Impact, Chicago, 2015	50

Table 36: Summary of Parking Impacts by Types of Impact, Chicago, 2015	50
Table 37: Summary of McCormick Square Impacts by Types of Impact, Illinois, 2018.....	51
Table 38: Summary of Hyatt Hotel Impacts by Types of Impact, Illinois, 2018.....	56
Table 39: Summary of Energy Center Impacts by Types of Impact, Illinois, 2018.....	56
Table 40: Summary of Event Center Impacts by Types of Impact, Illinois, 2018	57
Table 41: Summary of Parking Impacts by Types of Impact, Illinois, 2018	57
Table 42: Summary of McCormick Square Impacts by Types of Impact, Chicago, 2018.....	58
Table 43: Summary of Hotel Impacts by Types of Impact, Chicago, 2018	63
Table 44: Summary of Energy Center Impacts by Types of Impact, Chicago, 2018	63
Table 45: Summary of Event Center Impacts by Types of Impact, Chicago, 2018	64
Table 46: Summary of Parking Impacts by Types of Impact, Chicago, 2018	64
Table 47: Summary of Marriott Marquis Hotel Construction Impacts by Types of Impact, Illinois, 2015.....	65
Table 48: Summary of Marriott Marquis Hotel Construction Impacts by Types of Impact, Illinois, 2016.....	65
Table 49: Summary of Marriott Marquis Hotel Construction Impacts by Types of Impact, Illinois, 2017.....	65
Table 50: Summary of Event Center Construction Impacts by Types of Impact, Illinois, 2016.....	66
Table 51: Summary of Event Center Construction Impacts by Types of Impact, Illinois, 2017.....	66
Table 52: Summary of Hilton Hotel Construction Impacts by Types of Impact, Illinois, 2017	66
Table 53: Summary of Hilton Hotel Construction Impacts by Types of Impact, Illinois, 2018	67
Table 54: Summary of Infrastructure Improvement Impacts by Types of Impact, Illinois, 2015	67
Table 55: Summary of Infrastructure Improvement Impacts by Types of Impact, Illinois, 2016	67
Table 56: Summary of Infrastructure Improvement Impacts by Types of Impact, Illinois, 2017	68
Table 57: Summary of McCormick Square Construction Impacts by Types of Impact, Illinois, 2016 ..	68
Table 58: Summary of McCormick Square Construction Impacts by Types of Impact, Illinois, 2017 ..	68
Table 59: Summary of Marriott Marquis Hotel Construction Impacts by Types of Impact, Chicago, 2015.....	69
Table 60: Summary of Marriott Marquis Hotel Construction Impacts by Types of Impact, Chicago, 2016.....	69
Table 61: Summary of Marriott Marquis Hotel Construction Impacts by Types of Impact, Chicago, 2017.....	69
Table 62: Summary of Event Center Construction Impacts by Types of Impact, Chicago, 2016	70
Table 63: Summary of Event Center Construction Impacts by Types of Impact, Chicago, 2017	70
Table 64: Summary of Hilton Hotel Construction Impacts by Types of Impact, Chicago, 2017	70
Table 65: Summary of Hilton Hotel Construction Impacts by Types of Impact, Chicago, 2018.....	71
Table 66: Summary of Infrastructure Improvement Impacts by Types of Impact, Chicago, 2015.....	71

Table 67: Summary of Infrastructure Improvement Impacts by Types of Impact, Chicago, 2016..... 71
Table 68: Summary of Infrastructure Improvement Impacts by Types of Impact, Chicago, 2017..... 72
Table 69: Summary of McCormick Square Construction Impacts by Types of Impact, Chicago, 2016 72
Table 70: Summary of McCormick Square Construction Impacts by Types of Impact, Chicago, 2017.
..... 72

List of Figures

Figure 1: Direct, Indirect, and Induced and Total Economic Impacts	4
Figure 2: Economic Impact of the McCormick Square on Chicago	7
Figure 3: Impact Organization	11
Figure 4: Annual Spending by Overnight Visitors and Day Trippers, 2014	18
Figure 5: Annual Spending by Overnight Visitors and Day Trippers, 2015	18
Figure 6: Annual Spending Generated by Overnight Visitors and Day Trippers, 2018.....	24
Figure 7: Top 10 Most Impacted Industries by Employment, the State of Illinois	28
Figure 8: Top 10 Most Impacted Industries by Labor Income, the State of Illinois	29
Figure 9: Top 10 Most Impacted Industries by Value Added, the State of Illinois	30
Figure 10: Top 10 Most Impacted Industries by Output, the State of Illinois	31
Figure 11: Top 10 Most Impacted Industries by Employment, the City of Chicago	34
Figure 12: Top 10 Most Impacted Industries by Labor Income, the City of Chicago	35
Figure 13: Top 10 Most Impacted Industries by Value Added, the City of Chicago	36
Figure 14: Top 10 Most Impacted Industries by Output, the City of Chicago	37
Figure 15: Top 10 Most Impacted Industries by Employment, the State of Illinois	40
Figure 16: Top 10 Most Impacted Industries by Labor Income, the State of Illinois	41
Figure 17: Top 10 Most Impacted Industries by Value Added, the State of Illinois	42
Figure 18: Top 10 Most Impacted Industries by Output, the State of Illinois	43
Figure 19: Top 10 Most Impacted Industries by Employment, the City of Chicago	46
Figure 20: Top 10 Most Impacted Industries by Labor Income, the City of Chicago	47
Figure 21: Top 10 Most Impacted Industries by Value Added, the City of Chicago	48
Figure 22: Top 10 Most Impacted Industries by Output, the City of Chicago	49
Figure 23: Top 10 Most Impacted Industries by Employment, the State of Illinois	52
Figure 24: Top 10 Most Impacted Industries by Labor Income, the State of Illinois	53
Figure 25: Top 10 Most Impacted Industries by Value Added, the State of Illinois	54
Figure 26: Top 10 Most Impacted Industries by Output, the State of Illinois	55
Figure 27: Top 10 Most Impacted Industries by Employment, the City of Chicago	59
Figure 28: Top 10 Most Impacted Industries by Labor Income, the City of Chicago	60
Figure 29: Top 10 Most Impacted Industries by Value Added, the City of Chicago	61
Figure 30: Top 10 Most Impacted Industries by Output, the City of Chicago	62

Executive Summary

Purpose

This University of Illinois at Chicago study is an assessment the economic impacts of McCormick Square on Chicago and Illinois for the years 2014, 2015, and when development is completed in 2018. The assessment consists of two parts: The first part presents total McCormick Square impacts on Chicago and Illinois while the second part provides the estimation of impacts associated with each facility that comprise the McCormick Square campus. In addition to the McCormick Place convention facilities (Lakeside Center, North, South, and West building) , there are six additional existing and prospective facilities for which economic impacts are examined in this study: Energy Center; Parking Structure; Hyatt Hotel; Marriott Marquis Hotel; Wintrust Arena; and Hilton Hotel(s).

Governed by Metropolitan Pier and Exposition Authority (MPEA), McCormick Place opened in 1960 with a main exhibit area of 320,000 square feet, 23 meeting rooms and a 5,000-seat theater. Since then, McCormick Place has grown substantially. Today, the campus, known as McCormick Square, comprises four buildings: the West, South and North Buildings and Lakeside Center. These buildings have a combined total of 2.6 million square feet of exhibit space, making it the nation's largest convention center.

To address the increased demand for on-site lodging for convention and conference attendees, three major facilities are going to be added in the coming years. First is the Marriott Marquis Chicago with 1,205 rooms, two 25,000 square feet ballrooms, and more than 90,000 square feet of meeting space. Marriott is planned to open in 2017. Second is the 466-room capacity Hilton Hotel(s), which is expected to open in 2018. Similar to the Marriott Marquis Chicago, it will contribute to meet the demand for conference-site stays. With the addition of these hotels, on-site hotel rooms will increase from 1,256 to 2,927.

Third is the Wintrust Arena with 10,000-seat capacity. The Arena is designed to have the capacity to host general sessions for conventions and trade shows, concerts and other special events, as well as serve as the home court for DePaul University's women's and men's basketball teams. It is a key component of the MPEA's expanded portfolio that will improve Chicago's competitiveness in the convention and trade show industry and act as a major economic engine for Chicago; it is scheduled for completion in 2017.

Economic Impact

The conventions, conferences, meetings and events held on the McCormick Square campus drive significant economic impact for Chicago and the state - attracting millions of visitors each year and generating millions of dollars of spending. The scale and uniqueness of conventions and meetings held on the McCormick Square campus involves a significant amount of event organization, business services, and thousands of support workers. In addition, visitors spend billions of dollars annually in Chicago and Illinois at hotels and restaurants. The infusion of this external spending in the form of sales and labor income in turn supports thousands of additional

jobs and generates millions of dollars of state and local government tax revenues in Chicago and across the state.

In 2014 alone, McCormick Place hosted 55 events (including conventions, shows, meetings and others), which were attended by 911,699 exhibitors, visitors, and organizers. The total spending associated with these events was approximately \$839 million (in 2016 dollars). In addition to these 55 events, in the same year, McCormick Place hosted 92 local or public events, with a total attendance of 1,595,939. Total spending by all visitors including attendees at local/public events is estimated at over \$0.936 billion of direct economic impact to Illinois and \$1.081 in Chicago in 2014 (in 2016 dollars).

In 2015, McCormick Place built on 2014's momentum and hosted 57 events, which were attended by 983,105 exhibitors, visitors, and organizers. The total spending associated with these events was more than \$895 million (in 2016 dollars). In addition, in the same year McCormick Place hosted 106 local or public events with total attendance of 1,552,344. Total spending by all visitors, including attendees at local/public events, generated nearly \$0.99 billion of direct economic impact to Illinois in 2015. Total spending by all visitors, including attendees at local/public events, generated nearly \$1.132 billion of direct economic impact to Chicago in 2015 (in 2016 dollars).

The impact estimates reported in this study are the sum of three channels of economic impact: (1) the direct contribution of McCormick Square activities; (2) indirect activities that results from the purchases of goods and services by hotels and the MPEA as well as by the industries that supply them; and (3) the induced effect that results as employees and owners of business establishments that support and supply McCormick Square spend their wages and salaries in the wider consumer economy.

Highlights of the economic impacts that occur throughout the state and city economy from the activities of McCormick Square include:¹

Impacts on Illinois²

- **Labor income and economic output:** McCormick Square is responsible for \$613 million in labor income and \$1.615 billion in economic output.³

¹ Because of the modeling approach used, the state and city impact figures are not entirely inclusive or exclusive, but overlapping substantially. Mutually exclusive impact figures by different types of impacts are provided Appendix E.

² In 2016 dollars. Impacts are presented as an average for 2014 and 2015, the two most recent years for which complete visitation and direct spending data are available.

³ Labor income consists of employee compensation (wages and benefits) and proprietor income. Proprietor income consists of payments received by self-employed individuals and unincorporated business owners.

- **Employment and jobs created:** The total employment impact of McCormick Square in Illinois is nearly 14,284 jobs. For every job directly attributable to McCormick Square an additional 0.5 jobs are created in the state economy. McCormick Square's largest sectoral impact is on the hotels and motels industry, for which McCormick Square impacts constituted nearly 8% of employment in Illinois.
- **Value added to the economy:** The total value added impact of McCormick Square in the state is more than \$966 million annually. McCormick Square's largest sectoral impact is on the hotels and motels industry: In this sector, McCormick Square accounts for nearly 8% of value added created annually.
- **Tax revenue from operations:** McCormick Square creates more than \$123 million in state and local tax revenues in Illinois annually.⁴

Impacts on Chicago:

- **Labor income and economic output:** McCormick Square supports labor income of \$592 million per year and total economic output of \$1.406 billion annually. For each million dollars' worth of output produced by McCormick Square activities, an additional \$0.4 million of output - consisting of both intermediary inputs and consumption of goods and services - is produced throughout the city economy.
- **Employment and jobs:** The total amount of employment sustained by McCormick Square in Chicago is approximately 12,788 jobs.⁶ The hotels and motels industry is the most impacted industry in terms of employment. 2,803 jobs created or supported in this sector accounted for nearly 20% of total employment in the hotels and motels industry in Chicago.
- **Value added to the Economy:** The total value added impact, which measures contribution to gross regional product, is nearly \$890 million. McCormick Square's largest sectoral impact is on the hotels and motels industry, for which McCormick Square attributable impacts constituted 20% of value added.

Output represents the value of industry production. In IMPLAN these are annual production estimates for the year of the data set and are in producer prices. For manufacturers this would be sales plus/minus change in inventory. For service sectors production = sales. For Retail and wholesale trade, output = gross margin and not gross sales.

⁴ *Of this amount, \$60.5 million is in state tax revenues.*

⁵ *In 2016 dollars. Impacts are presented as an average for 2014 and 2015, the two most recent years for which complete visitation and direct spending data are available.*

⁶ *Jobs are reported as an annualized combination of full- and part-time jobs based on the average output per employee for a given industry.*

- **Tax revenue:** McCormick Square generates an estimated \$105 million in local tax revenues annually.⁷

2018 Impacts

In order to address the increased demand for on-site lodging for convention and conference attendees, three major facilities are going to be added to the existing McCormick Square campus in the coming years. The MPEA, which governs McCormick Square, expects that the new facilities will further enhance Chicago's position in the convention and meetings industry with the concentration of a substantial number of hotel rooms that offer the option of on-site convenience for attendees.

The first is the **Marriott Marquis Chicago**, with 1,205 rooms, two 25,000- square foot ballrooms, and more than 90,000 square feet of meeting space. The Marriott is scheduled to open in mid-2017. The second facility is the Wintrust Arena, with a 10,000 plus seat capacity.

The Wintrust Arena is designed to have the capacity to host general sessions for conventions and trade shows, concerts and other special events, as well as serve as the home court for DePaul University's women's and men's basketball teams.

The third is the 466-room **Hilton Hotel(s)**. Scheduled to open in late 2018, the project will place a full-service Hilton Garden Inn, a limited service Hampton Inn and an extended stay Home2Suites hotel all under one roof.

With the assumption that total McCormick attendance (defined as attendees to events) will increase by 10% from 2014 to 2018 as a result of these new amenities, highlights of the economic impacts that are projected to occur in 2018 throughout the city and state economy include:

Impacts on Illinois

- **Labor income and economic output:** McCormick Square is projected to generate approximately \$656 million in labor income, more than \$1.034 million in value added, and \$1.726 billion in economic output in the state economy.
- **Employment and jobs created:** The total employment impact in Illinois is estimated to be nearly 15,260 jobs in 2018. For every job directly supported at McCormick Square campus, an additional 0.5 jobs are created in the state economy.
- **Value added to economy:** The total value added impact, which measures contribution to gross state product, is projected to be nearly \$1.033 billion.

⁷ Of this amount, \$54.3 million is in city tax revenues.

⁸ In 2016 dollars.

- **Tax revenue:** McCormick Square activities directly and indirectly are estimated to result in more than \$131 million in state and local tax revenues in 2018.⁹

Impacts on Chicago

- **Labor income and economic output:** McCormick Square is estimated to support labor income of \$636 million per year and total economic output of \$1.510 billion in 2018.
- **Employment and jobs created:** The total amount of employment that is estimated to be sustained by McCormick Square in Chicago in 2018 is approximately 13,742 jobs. For every job directly created by McCormick Square activities, 0.3 additional jobs will be created or supported in the local economy. The hotels and motels industry is the most impacted industry by employment, followed by food and drinking places, restaurants, and business services.
- **Value added to economy:** The total value added impact, which measures contribution to gross regional product, is projected to be nearly \$957 million.
- **Tax revenue:** McCormick Square will generate an estimated \$112 million in state and local tax revenues in 2018.¹⁰

Short term Impacts Due to Construction

In addition to the economic impacts attributable to the ongoing operation of McCormick Square, there are temporary impacts due to construction activities of the Marriott Marquis Chicago, the Wintrust Arena, the Hilton hotel, and various facility/infrastructure improvements. Economic impacts attributable to construction are largely a function of direct construction spending occurring in each year.

Relative to the city, proportionally larger indirect and induced impacts are observed for the state due to the fact that a greater proportion of construction inputs (labor and materials) are procured from the larger and more diverse Illinois economy. In addition, a larger percentage of construction employees reside within the state but outside the city itself; this geographical distribution in turn results in greater spending impacts in Illinois.

Economic Impacts due to McCormick Square construction on Illinois

Construction activities are estimated to directly generate 361 jobs in 2015; 861 jobs in 2016; 1,268 in 2017; and 494 jobs in 2018. Total jobs to be created or supported are a total of 759 jobs in 2015; 1,916 jobs in 2016; 2,550 in 2017; and 821 jobs in 2018.

- **Total expenditure:** The total construction expenditure associated with the Marriott Marquis Chicago Hotel is nearly \$355 million.

⁹ Of this amount, \$64.7 million is in state tax revenues.

¹⁰ Of this amount, \$58.2 million is in city tax revenues.

- **Marriot Marquis Chicago job creation:** The construction of the Marriott Marquis Chicago Hotel is estimated to generate a total of 759 jobs in 2015; 1,301 jobs in 2016; and 976 jobs in 2017. The labor income associated with these job figures are respectively \$58 million, \$100 million, and \$75 million.
- **Wintrust Arena job creation:** Economic impacts to the state associated with the construction of the Wintrust Arena are 547 jobs in 2016 and 703 jobs in 2017. The corresponding labor income figures are respectively \$44 million and \$56 million.
- **Hilton Hotel(s) job creation:** Construction of the Hilton hotel is estimated to generate 821 jobs in both construction years (2017 and 2018). The labor income associated with these employment figures is approximately \$48 million in each year.
- **Additional construction job creation:** McCormick Square construction activities are projected to generate relatively small, but still notable economic impacts. In 2016, construction spending is estimated to generate 68 jobs with a corresponding labor income of \$3.7 million in Illinois. In 2017, a total of 50 jobs are projected to be generated with a corresponding labor income of \$2.7 million.

Economic Impacts due to McCormick Square construction on Chicago

Construction activities are estimated to directly generate 361 jobs in 2015; 861 jobs in 2016; 1,236 in 2017; and 462 jobs in 2018. Construction activities are estimated to generate a total of 531 jobs in 2015; 1,313 jobs in 2016; 1,774 in 2017; and 592 jobs in 2018.

- **Marriott Marquis Chicago job creation:** The construction of the Marriott Marquis Chicago is estimated to produce 531 jobs in 2015, 891 jobs in 2016, and 668 jobs in 2017. The corresponding labor income is respectively \$50 million, \$85 million, and \$64 million.
- **Wintrust Arena job creation:** The total construction spending associated with the Wintrust Arena is approximately \$152 million. This construction activity is projected to generate 370 jobs in 2016 and 476 jobs in 2017. The corresponding labor income is approximately \$38 million and \$48 million respectively.
- **Hilton Hotel(s) job creation:** The total construction expenditure associated with Hilton is projected to be nearly \$146 million. The construction activity is projected to span two years with spending assumed to occur in 2017 and 2018 evenly. Construction activity is estimated to create 592 jobs both in 2017 and 2018. The labor income associated with these employment estimates is nearly \$41 million in each year.
- **Additional construction job creation:** McCormick Square construction activities are estimated to generate relatively small, but still substantial economic impacts. The construction spending in 2016 is estimated to generate approximately 52 jobs with a corresponding labor income of \$3.2 million. In 2017, a total of 38 jobs are going to be generated with a corresponding labor income of \$2.4 million.

Conclusion

This study demonstrates that McCormick Square activities and planned McCormick Square expansion translate into significant impact on the economies of Chicago as well as that of the state of Illinois:

- McCormick Square currently supports labor income of \$592 million per year and total economic output of \$1.406 billion annually in Chicago.
- The total employment sustained by McCormick Square in Chicago is approximately 12,788 jobs. McCormick Square has a slightly larger impact to the state economy.
- McCormick Square is also responsible for \$613 million in state labor income, \$1.615 billion in state economic output, and more than \$123 million in state and local tax revenues in Illinois each year.
- The total employment impact in the state is nearly 14,284 jobs. For every 2 jobs directly created at McCormick Square campus, an additional 1 job is created in the state economy.

This economic impact will also continue into the future, according to projections outlined in this study.

- In 2018, McCormick Square is estimated to support labor income of \$636 million per year and total economic output of \$1.510 billion in Chicago (in 2016 dollars).
- Total employment that is estimated to be sustained by the McCormick Square in Chicago in 2018 is approximately 13,742 jobs through direct, indirect, and induced effects.
- In Illinois, McCormick Square is projected to generate approximately \$656 million in labor income, more than \$1.034 million in value added, and \$1.726 billion in economic output.
- The total employment impact in Illinois is estimated to be nearly 15,260 jobs in 2018. For every job directly supported at McCormick Square campus, an additional 0.5 jobs are created in the state economy.

This study examined current and future operations, specifically 2014, 2015, and 2018. To look at the cumulative impact of the operations and construction, for the period of 2014 -2018, keeping the 2016 and 2017 economic impact at the 2015 levels, the total economic output is estimated at \$9.43 billion for Illinois.

With its vast foot-print and capacity, McCormick Square supports and facilitates a myriad of activities and is a major economic driver with significant impact on the state of Illinois and city of Chicago economies. Conventions and conferences held at McCormick Square attract millions of visitors each year and generate millions of dollars of spending and tax revenues, and the addition of two new hotels and event center significantly enhances the economic impact generated by McCormick Place and other facilities on the McCormick Square campus both at the state and city level.