

Metropolitan Pier and Exposition Authority

Economic Impact Study

February 2017



**Nathalie P. Voorhees Center
for Neighborhood and
Community Improvement**

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.

Project Team:

Yittayih Zelalem, Voorhees Center Co-Director and Research Assistant Professor
Zafer Sonmez, Research Associate

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Executive Summary

Purpose

This University of Illinois at Chicago study is an assessment of the economic impact 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 Chicago Hotel; Wintrust Arena; and Hilton Hotel(s).

Governed by the 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 Hotel with 1,205 rooms, two 25,000 square foot 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 Hotel, it will contribute to meeting 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 Chicago⁵

- **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 hotel and motel 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 Impacts⁸

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 Hotel**, 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 Hotel, 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.*

- **Marriott Marquis Chicago Hotel 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 Hotel job creation:** The construction of the Marriott Marquis Chicago Hotel 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.

