

Chapter 1

Economic Development & Land Use

DEVELOPMENT GROWTH AND BENCHMARKS

The 2003 Central Area Plan combined an economic sector analysis with a comprehensive physical plan. It included an analysis of annual demand for land by market sector through 2020 under both a current-trend (base-case) scenario and an opportunity (best-case) scenario. The base-case scenario accounts for the current downturn in the economy and assumes moderate levels of public and private investment. The opportunity scenario envisions the growth potential of the Central Area if the goals and projects of the CAAP are implemented through increased public and private investments.

Continuing that approach, the Central Area Action Plan examines the performance of the Central Area since 2000

and sets new economic benchmarks under the two scenarios (see Table 1-1 below for a comparison between the projections and actual trends). The potential growth could be slowed if current economic conditions persist.

- Office growth projections were on target as of 2007, although not primarily driven by job growth. New space additions came from changing office technology and user space needs as well as funding availability.
- Retail development exceeded projections as a result of stronger than anticipated residential growth.
- Educational facility development surpassed projections, with student housing emerging as a growth sector supporting new levels of

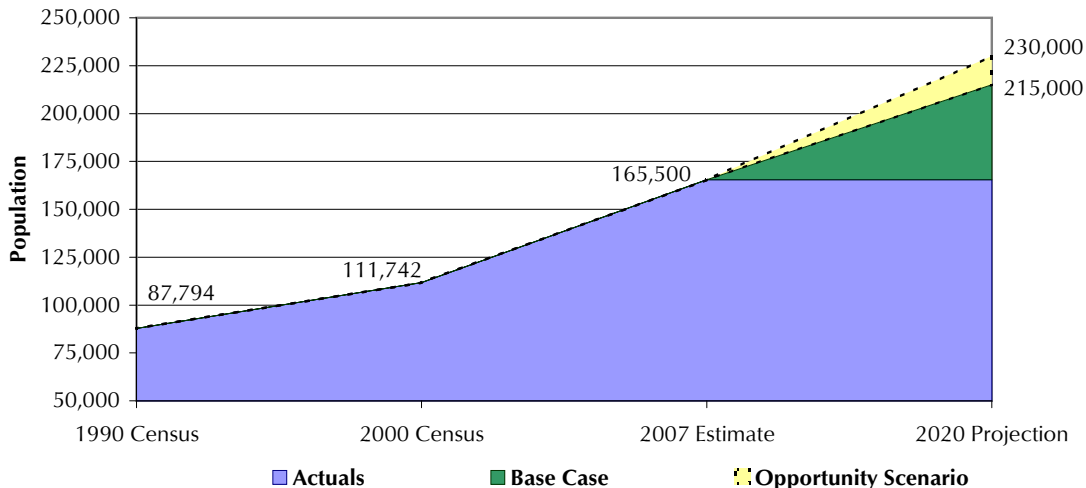
full-time student enrollments.

- Hotel development was also close to projections, with the market recovering in 2005-2006. The 9/11/2001 terrorist attacks brought about a prolonged decline in tourism, and the “jobless” economic recovery hurt convention activity and business travel. Millennium Park was the foremost factor in bringing tourists back after the downturn.
- Residential growth between 2000 and 2007 far exceeded the projections in the 2003 Plan, reflecting the low interest rate environment, the draw of a new generation of residential projects and the growing appeal of the Central Area to empty nesters as well as younger owners and renters.

Table 1-1: Central Area Growth Trends and Forecasts

	Annual Projections 2003 Central Area Plan Opportunity		Actual Development 2000-2007 Annual		Annual Growth Benchmarks 2008-2020 Opportunity	
	Base Case	Scenario	Total	Average	Base Case	Scenario
	Office (SF)	1,600,000	2,200,000	15,135,000	1,892,000	700,000
Retail (SF)	250,000	350,000	3,160,000	395,000	200,000	300,000
Residential (Units)	1,800	2,200	33,464	4,183	2,600	3,300
Student Housing (Beds)	150	180	4,206	526	200	400
Hotel (Rooms)	600	700	4,323	540	500	700

Figure 1-1: Central Area Population Trends and Projections, 1990-2020



DEVELOPMENT GROWTH AND BENCHMARKS

New Development Benchmarks

In light of development trends over the past eight years, updated demographic data, input from Task Force members and market analyses, 2020 benchmarks have been revised (see Table 1-1). While projections for retail and hotel rooms are similar to the 2003 Plan, the growth benchmarks have been adjusted upward for student housing and downward for the office sector. Residential benchmarks are higher than the 2003 Plan, but lower than the housing boom years of 2005 - 2007.

Employment Trends and Projections

Highlights of economic trends and projections include the following:

- The Chicago metro area has a distribution of jobs similar to the U.S. but, with its strong economic ties to the Midwest, has been growing more slowly.
- Over 40% of exports from the Chicago metropolitan area are to the “rest of the Midwest”, which suffers from a continuing turn-down in manufacturing, particularly in the auto industry.
- During the national recession of 2001 and the jobless recovery through 2005, the Central Area lost 45,000 private-sector jobs. This downward trend was mirrored in the Chicago metropolitan statistical area (MSA) level and across multiple large MSAs, including New York City, Boston and San Francisco.
- In the Central Area, the four employment sectors experiencing growth were: management of companies, education services, healthcare, and accommodations/food service.

- The Central Area’s economic recovery was evidenced by an increase of 16,333 private-sector jobs in 2006.

Total private- and public-sector employment in the Central Area is estimated to reach between 600,000 (base case) and 630,000 (opportunity scenario) by 2020. These employment estimates represent an average growth rate of 3,500 to 5,000 jobs per year.

The opportunity scenario, which envisions high growth in office-using employment, reaffirms the Central Area’s continued role as the hub of the regional job market. It also assumes investment in infrastructure as recommended in this Plan.

Population Trends and Projections

Highlights of population trends and projections include the following:

- The 2007 population in the Central Area is estimated to have reached 165,500 persons (based on the growth in completed residential units and typical household sizes). Since the 2000 Census count of 111,742, the population has grown by nearly 54,000—an increase of 48%.
- From 2000 to 2007, the Central Area grew at an annual average rate of 5.8%. This compares with an annual growth rate for the Chicago MSA of 0.7% and for the U.S. of 1.0% over the same period.

By 2020, the Central Area population is projected to range from 215,000 to 230,000. This represents an average growth of 4,200 to 5,300 per year.

Work Process

The Economic Development and Land Use (EDLU) Task Force was one of three Task Forces charged with making recommendations to the Steering Committee. At six meetings and numerous work sessions over six months, the EDLU Task Force followed a three step process to review and refine strategies and projects.

First, the Task Force reviewed land use and economic development trends in the Central Area since 2000. The original economic framework was updated with recent trends, current conditions and new 2020 benchmarks.

Second, the Task Force confirmed land use and economic development goals for the Central Area and its twelve planning districts. To help establish priorities, planning districts were ranked according to the degree and intensity of current and projected development and growth, and strategies were created for each. The updated economic framework and visions guided the other two Task Forces (Urban Design and Transportation) in identifying and prioritizing projects.

Finally, with consideration of the work of the other two Task Forces, the EDLU Task Force recommended actions and projects to attain nine land use and economic development policy goals. While the Plan looks toward 2020, most of the actions and projects could be implemented in a shorter time frame.

DEVELOPMENT TRENDS & PROJECTIONS

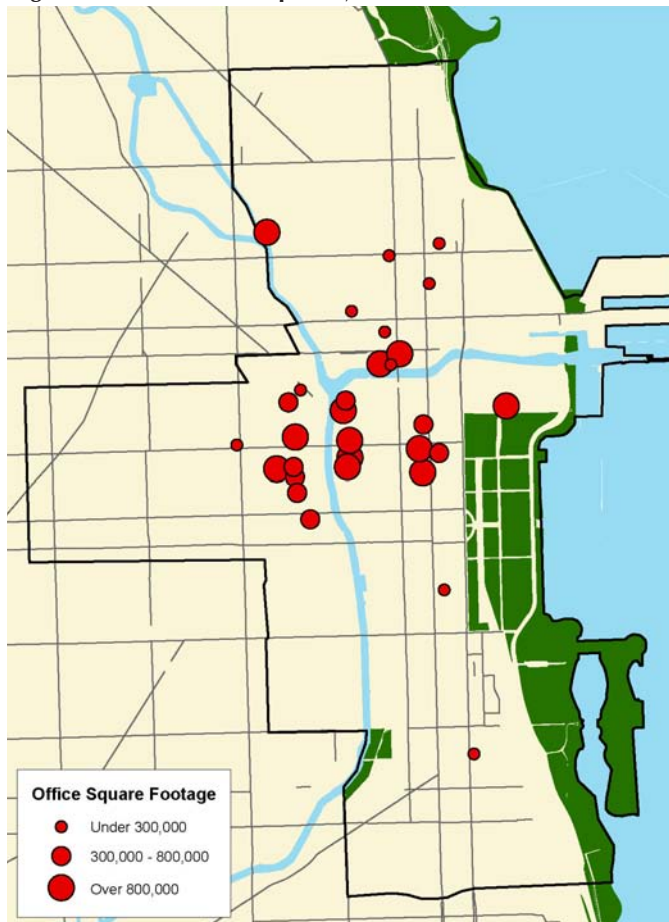


Image 1-1: The ABN/Amro Building on Madison was one of numerous new mid-rise office buildings constructed in the West Loop.



Image 1-2: Infill sites in the Central Loop are being developed as Class A office space.

Figure 1-2: Office Development, 2000-2007



Current Office Trends

As of 2007, there were approximately 120 million SF of office space in the Central Area. Highlighted office market trends and conditions include the following:

- As of year-end 2007, the Central Area inventory represented 53.3% of all office space in the Chicago metro area. The Central Area has maintained its office market share in the range of 53% to 55% since 2000.
- The office sector added 15.1 million SF of new space from 2000 to 2007, for an average of 1.9 million SF per year, in line with the 2003 Central Area Plan projections.
- New office development has continued to shift to the west, along Wacker Drive (high density) and to the West Loop (medium density) in proximity to train stations.
- Class C office buildings, particularly on the east side of the Loop, are being converted to residential, hotel and institutional uses.

Office Projections

Office demand between 2000 and 2007 was driven largely by changing technology and user space needs. These trends plus moderate projected increases in business services and other types of office-using employment will generate demand for 700,000 to 1.0 million SF of new office space annually through 2020.

DEVELOPMENT TRENDS & PROJECTIONS

Current Residential Trends

As of 2007, there were approximately 102,000 housing units in the Central Area. Highlights of the residential market from 2000 to 2007 include the following:

- An average of 4,180 units were added per year from 2000 to 2007, significantly above the projections in the 2003 Central Area Plan.
- Near South represented the largest share (23%) of residential growth, followed by River North with 22%.
- Near South, with its large remaining inventory of development sites, is expected to capture the largest share of growth through 2020.
- Central Loop is becoming a significant residential area, offering proximity to Millennium Park and Grant Park.
- Developers have responded to increased demand for high-end condominiums, often second homes, from suburban empty-nesters and frequent national and international visitors.
- The conversion of some condominium projects to rental will help more downtown office workers afford walk-to-work housing in the Central Area.

Residential Projections

Even with the onset of a development slowdown, the demand from workers, students, empty-nesters, and others seeking the lifestyle of the Central Area results in projections through 2020 of 2,600 to 3,300 new units per year.

Figure 1-3: Residential Development, 2000-2007 (plus planned)

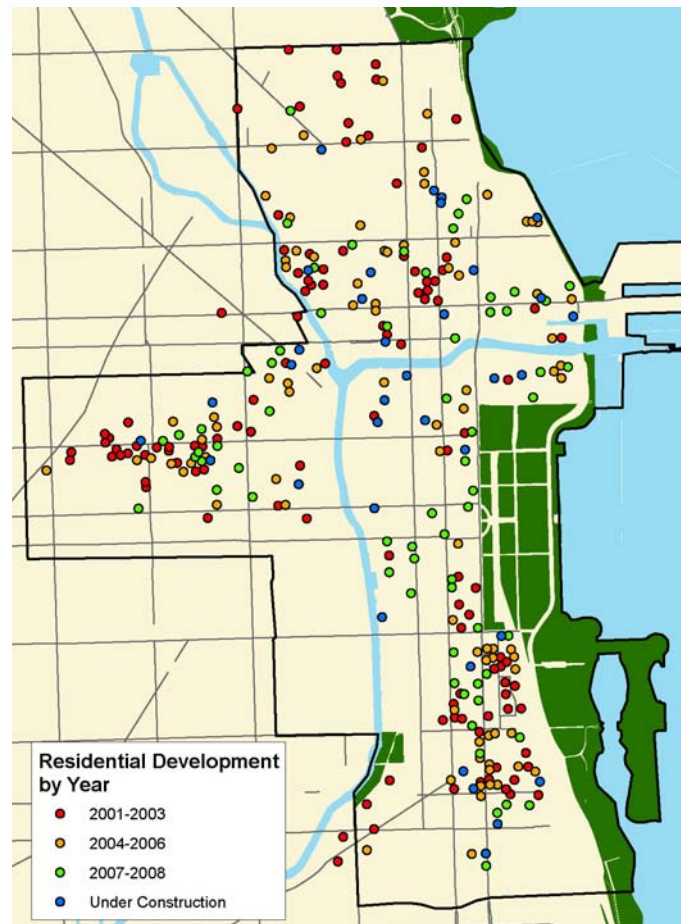


Image 1-3: The Near South is expected to remain the most active Central Area sub-district for residential development.



Image 1-4: The eastern bank of the North Branch has become a focal point for residential population growth.

DEVELOPMENT TRENDS & PROJECTIONS

Figure 1-4: Retail Development, 2000-2007

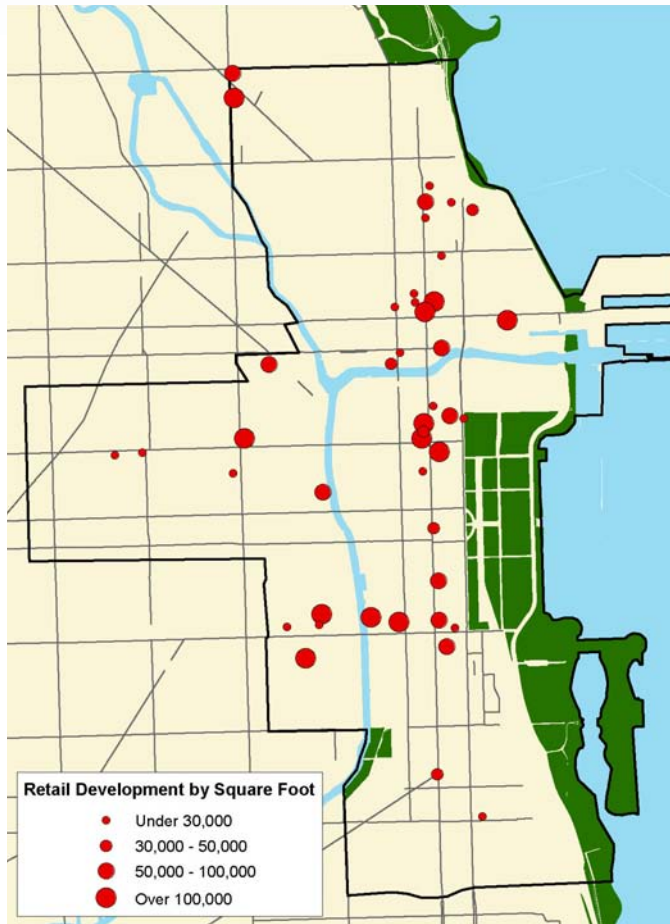


Image 1-5: River East in Streeterville is an example of how new commercial and entertainment venues are being added along side new residential development.



Image 1-6: The new Target store at Clark Street is part of a growing Roosevelt Road commercial district which feature numerous national retailers.

Current Retail Trends

As of 2007, there were more than 10 million SF of retail space in the Central Area. Retail market trends and conditions include the following:

- New retail development exceeded the 2003 projections due to sustained residential growth, increased tourism traffic since the opening of Millennium Park and heightened interest in Central Area locations by retailers.
- Retail centers added nearly 3.2 million SF from 2000 to 2007, or an annual average of 395,000 SF per year.
- In addition, 75,000 SF per year was added in ground floor non-retail projects, providing neighborhood and convenience retail for residents and workers.
- Residential demand has driven big box retail development along Roosevelt Road and at infill sites in the North and Clybourn area.
- Eight new grocery stores have opened since 2000, with more under construction and in planning to serve the growing residential population.
- Tourists now account for over 50% of retail demand on North Michigan Avenue.
- Millennium Park tourism and an expanding student population have strengthened State Street. Completion of the 108 North State (Block 37) retail and entertainment complex, along with growth in the downtown workforce, will further bolster State Street.

Retail Projections

Retail demand will be driven by increased numbers of residents, visitors, students and workers. The Central Area is projected to add between 200,000 and 300,000 SF annually for all types of retail space.

DEVELOPMENT TRENDS & PROJECTIONS

Current Hotel/Tourism Trends

As of 2007, there were nearly 31,000 hotel rooms in the Central Area. Hotel market trends include the following:

- The hotel market made a robust recovery from the impact of 9/11, with reinvestment in existing properties, adaptive reuse projects, and new construction.
- The improved performance of the hotel market is indicated by a 75.5% occupancy rate in 2007, up from 67.4% in 2006
- With Millennium Park's success as an attraction, hotel development is shifting south of the River.
- More than 4,000 hotel rooms were added between 2000 and 2007, an average of 540 per year.
- In the current downturn, additional rooms are under construction, but several planned projects have been cancelled or put on hold.

Hotel/Tourism Projections

The forecast going forward shows 500 to 700 new rooms per year to accommodate business travel, the new McCormick Place West and increased weekend visitation. Significant new hotel development is anticipated in the vicinity of the McCormick Place campus, particularly along Cermak Road.

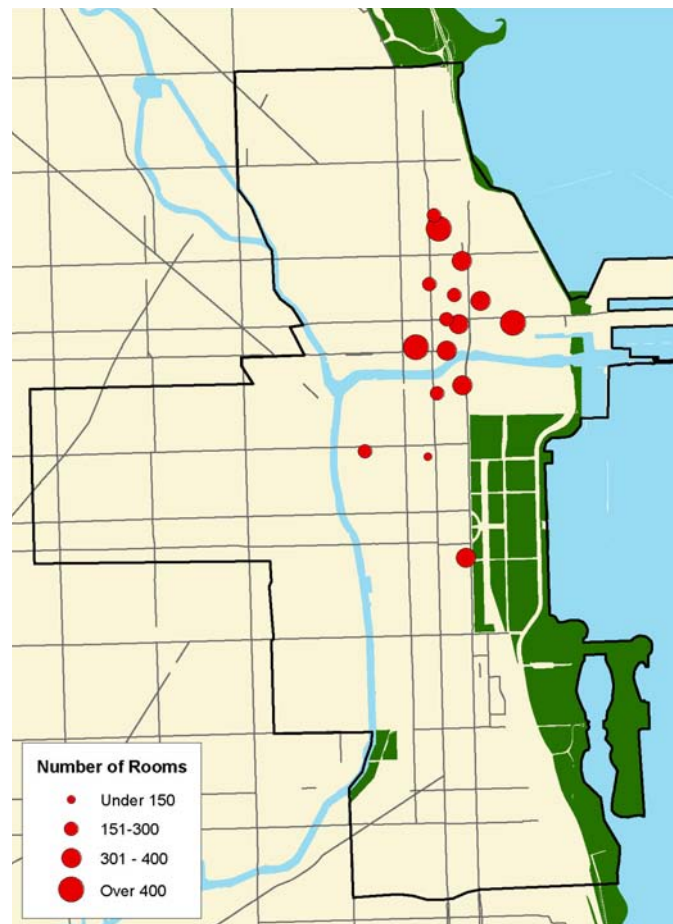


Image 1-7: Millennium Park continues to have a strong impact on residential and hotel development in the Central Area.



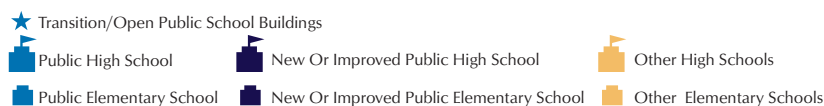
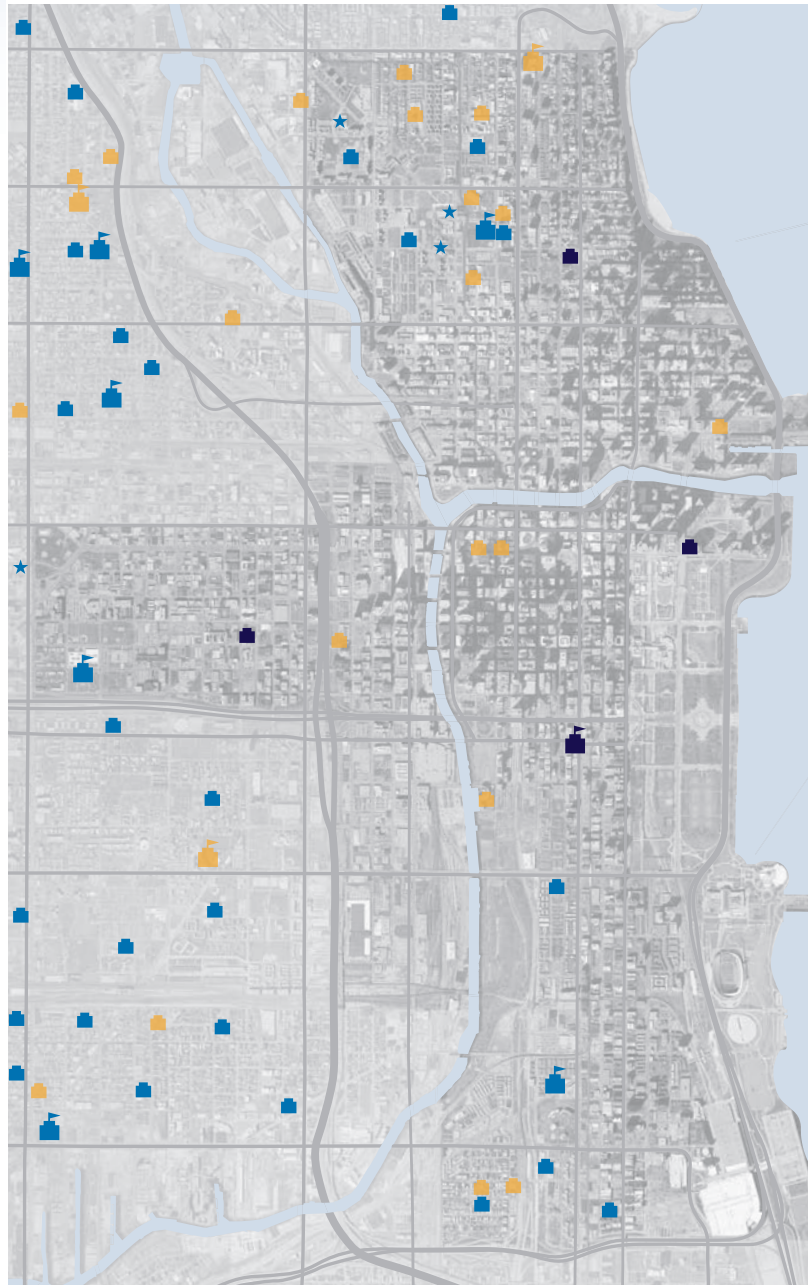
Image 1-8: New hotel chains, such as Sofitel, are entering the Chicago market for the first time due to an increase in tourist visits.

Figure 1-5: Hotel Development, 2000-2007



DEVELOPMENT TRENDS & PROJECTIONS

Figure 1-6: Central Area Schools (Planned and Existing)



Current Institutional Trends

The institutional market, with its sub-categories of education, arts/culture and healthcare, was a strong contributor to growth in the Central Area from 2000 to 2007. Major institutional trends include the following:

- The healthcare sector, particularly at the Northwestern Campus in Streeterville, continued to expand with the opening of major facilities such as the Lurie Research Center and Prentice Women's Hospital.
- Numerous university-related facilities opened, including new classrooms and dormitory developments for Columbia College, DePaul University, and Roosevelt University in the South Loop.
- Elementary and high schools also invested in new or upgraded facilities across the Central Area. These included new public school facilities such as the National Teacher's Academy on Cermak.
- The Theater District expanded with the addition of the new Goodman Theater and the renovation of the former Schubert Theater, which reopened as the Bank of America Theater.
- The Art Institute of Chicago is completing a major addition.

Institutional Projections

The institutional sector is projected to continue its steady expansion. Particular areas for continued growth include the medical concentration in Streeterville (including the new Children's Memorial Hospital) and new schools to serve the Central Area's growing population.

ECONOMIC DEVELOPMENT AND LAND USE GOALS

The land use and economic development recommendations are summarized under nine comprehensive goals below. For each of these goals, specific projects and regulatory actions are presented. Together, they create a strategy for a multi-year implementation program.

The result is a multi-year public and private investment program of \$15.55 billion, organized around the following implementation policies.

Maintain Chicago's Position as the Economic Engine of the Region and State

- Maintain the Central Area's majority share of regional office growth by continued investment in transit.
- Consider changes to zoning ordinances to enhance the distinction between the Downtown Core (DC) and Mixed Use (DX) districts to more strongly support the City's preference for office development in the Central Loop and West Loop, such as designating residential as a special use in DC and increasing residential minimum lot area (MLA) requirements.
- Expedite upgrades in the information and communication infrastructure (such as wireless broadband) that are essential to compete in the global marketplace.
- Leverage the CBOT/CME merger and the new LaSalle Central TIF to revitalize south LaSalle Street and expand Chicago's role in national and international finance.
- Focus investments toward cultural, healthcare and educational institutions that enhance the business environment, promote visitation and expand the job base.
- Protect existing Downtown Service (DS) areas to ensure a place for back office and service functions

that support downtown business.

- Assist and collaborate on public/private ventures that support educational institutions, such as links between businesses and schools.

Support Dense Residential Growth to Enhance Urban Vibrancy and Utilize the Urban Infrastructure

- Protect existing densities, affirming the 2004 Chicago Zoning Ordinance that developed Downtown Districts in support of the 2003 Central Area Plan.
- Maintain the supply and building capacity of remaining sites to enable the growth projections upon which the Plan is premised.
- Implement performance standards addressing factors such as noise and waste management to mitigate conflicts from mixes of residential with other uses.
- Encourage a range of housing choices, including workforce housing, to serve a diverse employment base.
- Build and improve schools and recreation facilities to support residential growth, using significant TIF contributions as needed.
- Pursue the highest standards of urban design, continuing streetscape, park, trail and public art projects in recognition of their contribution to quality of life.

Implement Cutting-Edge Environmental Practices and Green Building Techniques

- Employ Smart Growth principles in land use and transportation planning in the Central Area—the strongest location in the region to demonstrate their efficacy.
- Maximize densities in high-use corridors and around transit lines to create a walkable environment,



Image 1-9: Key sites in the Central Loop and West Loop should be reserved for employment-supporting office development.



Image 1-10: The Central Area will maintain its position as the primary cultural, recreational and tourism district for the region.

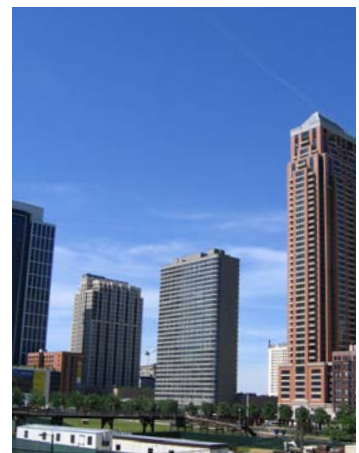


Image 1-11: The Central Area will continue to add dense, urban-scale residential units.

ECONOMIC DEVELOPMENT AND LAND USE GOALS



Image 1-12: The Riverfront and Lakefront areas will become continuous pedestrian and open space corridors.

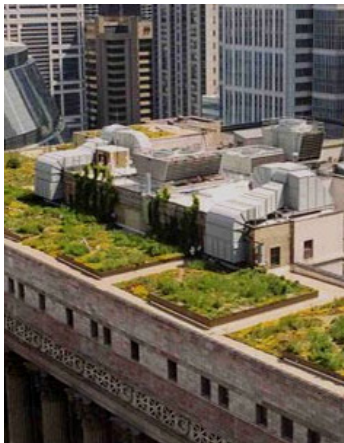


Image 1-13: Programs that strengthen green building practices will be encouraged in the Central Area.



Image 1-14: Improvements at Union Station will reinforce its role as a major gateway to the Central Area.

promote public transit use and leverage public investment.

- Increase energy efficiency and conservation by upgrading building codes incrementally to reach LEED Silver and Gold standards.
- Make infrastructure development sustainable by reducing material consumption through the use of recycled materials and by minimizing negative environmental impacts, such as stormwater runoff.
- Transition the CTA and other public vehicles to low-emission standards and alternative fuels.

Enhance Parks, Corridors and Waterfronts for Residents, Workers, Students, and Visitors

- Set the highest standards for urban design as an essential ingredient in “bonding people to a place.”
- Expand the park impact fee program to create sufficient park space for new residents.
- Implement the park, waterfront and streetscape/corridor recommendations of the Urban Design Task Force.
- Prioritize completion of the Riverwalk system as an amenity to support Central Area shopping, employment, and cultural facilities, beginning with the Main Branch (Lake Shore Drive to Franklin Avenue).
- Expand the Lakefront Trail and parkland between Navy Pier and North Avenue to fill missing gap in Lakefront park system.

Better Connect to the World through O’Hare and Midway Airports as well as the Regional Rail Network

- Connect the Central Area to O’Hare and Midway regional airports with direct, express train service, building on investments

by the City and CTA, and attracting private involvement.

- Continue O’Hare expansion and Midway improvement programs.
- Reaffirm Chicago Union Station’s status as a prime gateway into the Central Area by reinvesting in intermodal facilities; improving station access and wayfinding; and supporting expansion and enhancements to Amtrak service.

Strengthen Chicago’s ties to the North American Economy through Efficient Freight Delivery

- Protect Chicago’s role as the largest inland international container port in North America.
- Fully support all state and federal initiatives to implement the Chicago Region Environmental and Transportation Efficiency Program (CREATE), a menu of railroad enhancements to maintain Chicago’s global freight competitiveness.
- Reduce conflicts with Metra trains to ensure rush-hour passenger capacity and efficient freight movement.
- Channel freight rail traffic to corridors outside the Central Area.
- Continue viaduct and roadway improvements to rail, truck and intermodal locations.
- Improve the efficiency and minimize impacts of freight delivery by requiring off-peak hours, encouraging loading zone management and implementing other recommendations of CDOT’s Downtown Freight Study (2007).

ECONOMIC DEVELOPMENT AND LAND USE GOALS

Invest in Transit to Support the Growth Envisioned by the Plan

- Invest in transit to support the growth projections in the Plan, particularly for employment and office space.
- Implement the transit, roadway, and related improvement recommendations of the Action Plan.
- Give first priority to Metra and CTA rush-hour/commuter capacity enhancements. For CTA, this includes upgrading information systems; modernizing stations; adding stations in growing residential areas; and extending rail lines to allow more workers to commute to the Central Area via public transit. For Metra, this includes expanding service capacity, including lengthening platforms at the downtown stations and expanding parking and transit-oriented development at suburban stations; assisting intermodal upgrades at LaSalle and Union Stations; and continuing improvements along the Electric Line.
- Create a new system of dedicated Transitways to serve high growth and high density centers.

Frame a City/State/Federal Capital Investment Plan Supplemented by Private Participation

- Launch a campaign to educate residents and business leaders on the benefits of a long-term capital investment in the Central Area as the driver of the region's growth.
- The established TIF districts will remain essential and should be protected, coordinated, expanded, extended as feasible and otherwise creatively and aggressively utilized to insure a secure funding base and redevelopment framework.
- Dedicate the majority of TIF and related funding to the long-term

capital projects identified in the Action Plan.

- Use TIF immediately as seed capital to initiate plans for key transportation and corridor improvements.
- Although market conditions support most development projects, selectively use site-specific incentives where there are significant public benefits.
- Pool tax increment income from all the contiguous TIF districts for significant area-wide projects.
- Update revenue projections of all TIFs using the base growth projections of this Plan.
- Issue general obligation bonds pledged against future TIF revenues to fund capital projects.
- Enable improvement districts in neighborhoods and commercial districts that will fund new services and capital projects.
- Identify the local match requirements for key transportation projects and ensure it is designated.
- Present the prioritized project list to RTA, Metra and CTA to be included in state and federal transportation budgets.
- Support increased capital spending from the federal and state governments, and utilize public-private partnerships as appropriate to leverage public dollars to achieve capital projects.

Incorporate the Central Area Action Plan into the Regional Transportation Plan, McCormick Place Planning and State and Federal Capital Programs

- Hold to the principles of sustainable development, compact growth, transit oriented design and smart growth by maintaining the Central Area as the economic core of the region.
- Facilitate funding with a regional



Image 1-15: Better use of existing transportation infrastructure, such as the Lakefront busway, will improve mobility within the Central Area.



Image 1-16: Recent expansion of McCormick Place will drive the need for improved facilities for business visitors.

approach that coordinates the efforts of the City, Counties and the State of Illinois, with the Action Plan as a core element.

- Join with long-term planning efforts for McCormick Place and the surrounding district to support those projects that would provide long-term benefits to the City.

