

Introduction

In 2005, the City of Chicago's Department of Planning and Development retained Goodman Williams Group and URS Corporation to perform an analysis of the economic impacts of Millennium Park on the City. The goal of this Study is to obtain an understanding of how Millennium Park contributes to the City of Chicago and Cook County's economy, and how businesses in the Study Area benefit from the amenities of the Park.

The Study contains the following components:

- Analysis of the real estate market in the project Study Area;
- Analysis of visitor, hotel and restaurant spending;
- Model of economic impacts from visitor hotel, restaurant, retail and entertainment spending, in terms of sales, taxes, jobs, earnings, and contribution to GDP.

The Study Area for the project is bounded on the north by the Chicago River, on the west by State Street, on the south by Roosevelt Road, and on the east by Lake Shore Drive. Determination of the Study Area boundaries was based on an assessment of activity patterns most attributable to the Park, and an understanding of sub-areas within the Central Business District (CBD) and the East Loop.

The data collection approach for the project is to conduct primary research through key person and key business interviews, supplemented by secondary data from real estate, hospitality, tourism and economic research organizations.



The Real Estate Market

A measure of the potential impact of Millennium Park on the City of Chicago can also be observed through the performance of the real estate market in the area around the Park. The residential and retail real estate sectors have experienced positive growth as a result of Millennium Park. Goodman Williams Group interviewed developers and operators of selected real estate developments in the Study Area to obtain first-hand feedback on real estate performance, and supplemented this information with trend data from secondary research sources.

Residential Development

Millennium Park is a major factor in the identity of the East Loop as a neighborhood and is considered the source of its emergence as a competitive submarket for residential development. Other factors include the Museum Campus improvements, increased presence and new awareness of the student population, the growing residential population, new developments on State Street, and historic designations. The anticipation of the Trump Tower across the Chicago River, new amenities in Lakeshore East, and the Block 37 mixed-use development have also contributed to the boom in residential development in the Millennium Park area.

The table below presents two approaches for estimating the impact of Millennium Park on residential development in the Study Area. A key assumption in the first model is “the Millennium Park Factor,” which captures the role of the Park in generating demand for new residential development. A second approach is the calculation of the per-square-foot price premium, or boost in achievable sales prices that might be linked to the Millennium Park and the market’s perception of the location. In both scenarios, the impact of Millennium Park is estimated at \$1.4 billion.

Estimated Impact of Millennium Park on Residential Development

| Model 1 | |
|---|------------------------|
| Units completed in the 3-year period 2005-2007 | 3,696 |
| Forecast over 10 years 2005-2014 (units) | 10,000 |
| Millennium Park Factor | 25% |
| Units attributable to Millennium Park (10 years) | 2,500 |
| Average price per square foot | \$400 |
| Average unit size (square feet) | 1,400 |
| Total Value of Residential Development Attributable to Millennium Park | \$1,400,000,000 |

| | |
|---|------------------------|
| Model 2 | |
| Increased value per square foot attributable to Millennium Park | \$100 |
| Average unit size (square feet) | 1,400 |
| Number of units | 10,000 |
| Total Additional Housing Value Attributable to Millennium Park | \$1,400,000,000 |

Source: Goodman Williams Group analysis

Retail Space

Several new retail facilities have opened in the Study Area in the last year and will add significantly to retail sales in the Study Area. These premium spaces are expected to draw tenants and shoppers in part because of proximity to Millennium Park. Local real estate analysts such as the Baum Realty Group state that “overall demand will remain strong during 2005 for Loop retail space and, as a result, rents should increase. The opening of Millennium Park has attracted a great amount of pedestrian traffic and should help generate sales for retailers.”

Visitor Spending

A measure of the potential impact of Millennium Park on the City of Chicago and the local economy can also be observed through the analysis of visitor spending in and around the Park. URS conducted a series of interviews with selected cultural and hospitality-related businesses located in the Study Area to obtain first-hand qualitative and quantitative feedback on the impact of visitor spending. The estimated impact from the Park in terms of sales, tax revenues, employment, employee earnings, and the contribution to GDP was quantified using an economic impact model.

Hotels

Hotels in the Millennium Park area have capitalized on the excitement of Millennium Park to attract guests. The hotels are using the Park as a marketing device, mentioning it in their internet websites, sales brochures, telephone recordings, and guest materials. Hotels interviewed saw an increase in weekend occupancy rates from leisure travelers, and in some cases, were able to command higher room rates after the Park opened.

Restaurants

A diverse range of restaurant options are present in the area near Millennium Park, including from fast food, coffee shops, fast casual, and fine dining options. Many restaurants experienced increases in customer volumes and sales revenues during the summer months after Millennium Park opened. Some of the more casual restaurants noticed a change in

their customer profile to include more families with children. The opening of the Harris Theater at the north end of the Park contributed to growth during the early evening pre-theater time period, which had previously been a slower business segment for some restaurants.

Cultural and Entertainment Facilities

Millennium Park offers something for every visitor to the Park, whether one desires music, theater, contemplative gardens, cutting-edge architecture, or interactive public art. The Millennium Park Bike Station experienced such demand for their rental bicycles that they are increasing their fleet size by 300%. The McCormick Ice Rink, which opened in the winter of 2001, has maintained a steady visitor base, and was able to support revenue growth through a fee increase. The Harris Theater has become the resident home of thirty-eight music and dance troupes, bringing in diverse audiences for a broad range of performances. The Park's lawn and Rooftop Terrace have become glamorous locations for special events.

Civic Organizations

The Greater State Street Council has recently merged with the Central Michigan Avenue Association to enable a more collaborative economic development approach for the East Loop area. Together, they have worked to improve and enliven the pedestrian experience on State Street, Michigan Avenue, Wabash Avenue, and the east-west connector streets by pursuing streetscaping improvements, cross-promotion of programming and events, and branding/marketing efforts. Millennium Park features prominently in their *Great Time Chicago* "Loop the Loop" promotional materials.

Visitor Spending Conclusions

Economic impacts have been estimated for two scenarios related to the volume of visitors to Millennium Park over the next ten years. A *Base Case* scenario estimates the impacts of tourism at Millennium Park if visitor volumes grow at the rate that tourism to Chicago has grown since the late 1990s. An *Opportunity Case* scenario estimates the impacts of tourism at Millennium Park if visitor volumes grow at a higher-than-historic rate of Chicago tourism growth, due to increased marketing, programming and/or attractions at the Park.

The table below illustrates the projected volumes of tourism at key points during the ten-year analysis period:

| Scenario | Annual Visitor Growth ¹ | Number of Annual Visitors | | | |
|------------------|------------------------------------|-----------------------------|----------------|----------------|---------------|
| | | Baseline: 2005 ² | Estimate: 2010 | Estimate: 2015 | 10-Year Total |
| Base Case | 2.0% | 3,000,000 | 3,312,000 | 3,657,000 | 36,504,000 |
| Opportunity Case | 4.0% | 3,000,000 | 3,650,000 | 4,441,000 | 40,461,000 |

¹ Base case annual growth reflects average historical growth in Chicago tourism since the late 1990s, according to the Chicago Convention & Tourism Bureau.

² Baseline based on estimates by Arthur Andersen, Central Area Plan (1999-2000) and confirmed by Ed Uhler, pro-rated actual attendance (2004).

The length of time spent by visitors to Chicago ranges from one day for day-trip visitors from the Chicago metropolitan area to an average of 6.6 days for international travelers vacationing in the United States. The portions of hotel, restaurant, shopping and entertainment spending estimated to be caused by a visit to Millennium Park are shown in the table below. These factors adjust total estimated visitor spending benchmarks to isolate the “Millennium Park impact.”

| Visitor Segment | % of Total Visitors ¹ | Average Length of Trip | % of Trip Spending Assumed Attributable to Millennium Park | |
|------------------------|----------------------------------|------------------------|--|---------------------------|
| | | | Base Case Scenario | Opportunity Case Scenario |
| Day-Trip Visitor | 46% | 1.0 day | 70% | 75% |
| Domestic Traveler | 45% | 2.0 days ² | 25% | 30% |
| International Traveler | 9% | 6.6 days ³ | 10% | 15% |

¹ DK Shifflet, International Trade Administration, Chicago Convention & Tourism Bureau, and Arthur Andersen.

² Used actual experience from local hotels in lieu of higher metric (3.8 days) from Chicago Convention & Tourism Bureau.

³ Chicago Convention & Tourism Bureau.

The rates of visitor growth and amounts of spending attributable to Millennium Park differentiate the *Base Case* and *Opportunity Case* scenarios. All other spending assumptions and economic statistical factors are consistent between the two scenarios.

Highlights of the estimated direct and induced impacts from visits to Millennium Park are presented below. All figures are calculated as ten-year totals in 2005 dollars and are rounded to the nearest thousand. Employment figures are presented on annual basis, and are rounded to the nearest ten. More details on summary impact estimates and subtotals of the impacts from each of the four visitor spending sources analyzed (hotel, restaurant, shopping, and entertainment) follow in the Appendix.

| Measurement | Economic Activity Assumed Attributable to Millennium Park | |
|---|---|---------------------------|
| | Base Case Scenario | Opportunity Case Scenario |
| Gross Sales Revenues from Visitor Spending ¹ | \$1.9 billion | \$2.6 billion |
| Tax Revenues on Visitor Spending ¹ | \$180.3 million | \$240.2 million |
| Direct Employment due to Visitor Spending ² | 575 to 740 FTEs | 740 to 1,070 FTEs |
| Direct Earnings due to Visitor Spending ¹ | \$152.7 million | \$204.7 million |
| Direct Output ³ | \$530.3 million | \$713.5 million |
| Induced Employment due to Visitor Spending and Supply Chain Growth ² | 250 to 320 FTEs | 310 to 460 FTEs |
| Induced Earnings due to Visitor Spending and Supply Chain Growth ¹ | \$101.8 million | \$136.6 million |
| Induced Output due to Visitor Spending and Supply Chain Growth ³ | \$471 million | \$631.9 million |

Source: URS Corporation Analysis.

¹Ten-year total for period 2005-2015.

²Full time equivalents (FTEs) per year, ranging over period 2005-2015.

³Contribution to GDP: ten-year total for period 2005-2015.