



MEMORANDUM

To: CMAP Economic Development Committee

From: CMAP Staff

Date: November 6, 2014

Re: Regional economic strategy in the next long range plan

CMAP staff have begun laying the groundwork to develop the successor to GO TO 2040, which is due to be complete in 2018. This plan will involve substantially more outreach, research, and analysis efforts as compared to the recently-completed GO TO 2040 Plan Update.

While limited work on plan development will occur in FY 15, staff are scoping priorities and needs to prepare CMAP to begin plan development in earnest in FY 16. To accomplish this, staff will catalogue CMAP work since GO TO 2040, generalize findings from these activities, identify how those findings can best be addressed in a long range plan, determine whether current knowledge base and analytical tools are adequate, and indicate whether additional research, analytical methods, or stakeholder discussions need to be conducted. This memo summarizes the initial findings of the Economic Strategy Development Team.

Regional economy analyses since GO TO 2040

CMAP staff have completed significant work related to human capital and the regional economy since GO TO 2040. Major work products include:

Industry clusters

- CMAP's [Freight Cluster Drill-Down](#) report (July 2012) identifies key trends and developments in regional and global trade, infrastructure, and workforce. It examines challenges and opportunities to the cluster in the Chicago region and concludes with a set of regional strategies to better align resources and investments with the needs of the freight cluster.
- The [Manufacturing Drill-Down](#) report (February 2013) considers how manufacturing in metropolitan Chicago has transformed in response to a globalized economy. The report identifies infrastructure, workforce, and innovation challenges and opportunities central to future cluster growth and concludes with clear steps the region can take to support manufacturing in the region. As also described in the freight drill-down, the report finds

that the region has a strong freight network with domestic and international access, which support the necessary regional and international supply chains, but that congestion and uncertain funding threaten the ongoing benefits of the network.

- The [Freight-Manufacturing Nexus](#) report (August 2013) explores how the convergence of the national freight system in metropolitan Chicago offers distinct competitive advantages to the region's resurgent manufacturing cluster. The region's manufacturing cluster depends on timeliness of freight delivery/services, and the freight cluster benefits from manufacturers shipping their goods within and out of the region. Co-location helps firms minimize shipping costs. Within the region, the report identified that co-location happens to the largest extent around O'Hare and Midway airports and recommended further analysis of these areas.
- The [O'Hare Subregional Freight-Manufacturing Drill Down](#) (March 2014) assessed how local conditions support the subregion's freight and manufacturing cluster and describes opportunities to ensure its continued success. The report outlines collaborative, multijurisdictional initiatives that can improve the competitiveness of the cluster, including workforce development, stormwater management, redevelopment planning, and improved truck freight routing and infrastructure. Building on the report's recommendations, eleven municipalities in the O'Hare subregion have coordinated with Cook and DuPage Counties to submit a successful application to CMAP's technical assistance program, requesting a plan for coordinated truck routing and related infrastructure improvements across municipalities.

Reorienting state and regional economic development

- The first phase of this work, [Reorienting State and Regional Economic Development: Lessons Learned from National Examples](#), explored regions that have already begun developing innovative strategies to reorient economic development practices. The examples include broad-based state policies; the implementation of regional collaboration and cluster support; and improvements to transparency and accountability. Some of these examples could prove instructive for Illinois and metropolitan Chicago.
- The second phase of the reorienting economic development work is nearing completion. Like many other states and regions, Illinois and metropolitan Chicago have begun to reorient their economic development practices for greater efficiency and results. Informed by challenges and opportunities in other parts of the country, this upcoming report uses case studies to explore how the State of Illinois and Chicago region are moving forward.

Regional Economic Indicators

CMAP has developed a series of 15 [economic indicators](#) that track key trends in the region and provide insight into the health of our economy. These indicators provide information on national and regional economic trends, workforce, industry clusters, and innovation. As part of this project, CMAP provides an ongoing series of [policy updates](#) to expand upon the data, and continues to assess improved data resources for the indicators project.

Tax policy and regional economic development

CMAP has completed a number of tax policy projects that also address issues relating to the regional economy. Following the publication of GO TO 2040, CMAP convened [a Regional Tax Policy Task Force](#) (RTPTF). The group included representatives from the state, counties, municipal government, academia, civic organizations, and businesses, and provided a [final report](#) to the CMAP Board in February 2012. The report recommended that CMAP should continue to play a leadership role in facilitating a regional perspective on tax policy with regard to a number of topics, including state revenue sharing, the property tax classification system, and the state sales and income tax bases and rates. CMAP has completed a number of projects since RTPTF:

- A CMAP microsite explains [property tax classification](#) and its impact on commercial and industrial business tax rates.
- A [series of tax policy updates](#) address a number of issues, such as [municipal tax capacity](#), [tax efficiency](#) in the state and region, and prevalence and [use of sales tax rebates](#) in the region.
- The [Local Economic Development Incentives Report](#) assessed the use of local incentives in the region. Evaluation focused on prevalence, structure, community goals for incentive use, types of firms receiving assistance, and the extent to which incentive use supports the overall economic, livability, and sustainability goals of GO TO 2040.
- The [Fiscal and Economic Impacts of Local Development Decisions](#) report analyzed local fiscal impacts and regional economic and market impacts of 31 land use change case studies in ten communities as well as assessing potential regional oversupply of various land use types. Similarly to prior CMAP work, this analysis indicated that industrial and office developments provide a more moderate local fiscal benefit but a stronger regional economic benefit.

Economic development in CMAP's Local Technical Assistance program

Approximately twenty completed Local Technical Assistance (LTA) plans address the economic development strategies of GO TO 2040. The plans associated with supporting economic innovation typically included recommendations for physically maintaining and upgrading existing industrial areas in communities, often accompanied by recommendations for marketing the municipality to businesses seeking new locations. LTA plans often share the conceptual human capital goals of GO TO 2040 but not the specific recommended actions. While some LTA plans focused on workforce development, the recommendations in these plans more often deal with physical planning and improvements.

CMAP continues to work to improve connections between its regional economy and LTA program work. A number of currently underway LTA plans are capitalizing on the freight-manufacturing concentrations identified in the freight-manufacturing nexus, making recommendations related to advanced manufacturing, and/or emphasizing creation of workforce development partnerships.

Potential regional economy topic areas

Staff are exploring a number of potential topic areas for further evaluation during development of the next comprehensive regional plan. These have been grouped into five topic areas as outlined below:

- 1) Demographic drivers of regional economic success
 - a. Impact of diversity, education, and other demographic factors on regional economic success
 - b. Emerging topics such as equity
- 2) Regional coordination of economic development
 - a. Potential for coordination around federal designations
 - b. Lessons learned from other regions
 - c. Existing resources and case studies in the state and region
- 3) Economic indicators
 - a. Potential for improvement of existing measures
 - b. Expansion to other topic areas (building stock, land use)
 - c. Trends requiring further analysis
- 4) Industry clusters
 - a. New regional industry cluster analysis
 - b. Assessment of regional strengths and needs
 - c. Geographic concentrations of particular clusters
- 5) Mobility and the regional economy
 - a. Understanding opportunities and challenges related to movement of goods
 - b. Economic impact of and needs for the region's freight system
 - c. Movement of workers overall, by industry type
 - d. Geographic concentrations of particular workers

Staff requests committee discussion on the scope of these topic areas, key regional stakeholders to engage, and potential literature, studies, data, and analytical tools to utilize.