



## Chicago Metropolitan Agency for Planning

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### MEMORANDUM

**To:** CMAP Economic Development Committee

**From:** CMAP staff

**Date:** March 26, 2018

**Re:** Outline of proposed recommendations for the ON TO 2050 chapter on the economy

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This memo contains the proposed recommendations of the ON TO 2050 chapter regarding the economy. Since 2016, CMAP staff have conducted extensive research and collaborated with partners to develop ON TO 2050. The recommendations described in this memo were refined through numerous [strategy papers](#) and [snapshots](#), including the Inclusive Growth strategy paper and the Regional Economic Development, Human Capital, and Innovative Capacity strategy memos. These proposals build on GO TO 2040's focus on regional industry clusters, creating a culture of innovation, increasing research commercialization, and improving workforce services. This memorandum introduces the core concepts of ON TO 2050 and how its principles of prioritized investment, inclusive growth, and resilience relate to the regional economy. Staff seeks feedback from CMAP committees and stakeholders.

RECOMMENDED ACTION: Discussion

## ON TO 2050 outline

ON TO 2050 will be conveyed primarily on the web. The structure assumes that readers will not approach the document linearly. The plan will be organized around five topical areas, each containing a set of recommendations that may repeat across chapters, as will some strategies within those recommendations. Each recommendation will describe its support for the three principles of the plan: Inclusive Growth, Resilience, and Prioritized Investment. The following lists the plan sections to provide context for the chapter regarding the regional economy:

- Introduction
- Principles to move the region forward
  - State of the region
  - The three principles
- Engagement
- Land Use
- Environment
- Economy: *Proposed recommendations provided below*
- Governance
- Mobility
- Indicators and Layers
- Moving Forward
- Appendices

Within each chapter, ON TO 2050 will put forth numerous policies and programs that will help to advance the region's quality of life and economic vitality. The following outlines the structure in which these policies and programs are organized across ON TO 2050:

# ON TO 2050

## ○ Chapter

### ▪ Goal

#### • **Recommendation**

##### ○ *Strategy*

##### ▪ Action

To guide the reader, the first occurrence of each level (goal, recommendation, strategy, and action) are indicated in **blue** below. The plan's online format will allow flexible navigation of these levels, as well as new CMAP web content and data resources.



## Proposed approach to the economy

The region is endowed with enormous assets in people, industries, educational and research institutions, infrastructure, and location. Yet, during 2001-16, metropolitan Chicago grew on average by just 0.8 percent annually in overall economic productivity, and just 0.2 percent annually in employment.<sup>1</sup> Across numerous metrics, the region has consistently lagged behind peers and national averages, as prolonged slow growth gives way to rising global competition. Sustaining broad economic growth requires improving the region's business environment to enable both industries and workers to compete globally and prosper locally.

The region's goals – economic opportunity and growth – are inextricably linked. Human capital remains one of the most important determinates of regional economic vitality. Yet, economic opportunity and prosperity remain out of reach for many residents, particularly for black and Hispanic residents. New research underscores the role of economic inequality in impeding metropolitan Chicago's ability to start and sustain stronger growth. Human capital strategies in this chapter seek to ensure that the region's residents have the skills necessary to remain and thrive in the workforce. While these recommendations are geared towards addressing the needs of the working-age population, the importance of equitable access to high quality pre-school through secondary education cannot be overstated.

Advancing the region's economic goals requires action now to integrate a range of private and public initiatives already underway on a regional level. In short, state and local governments, the private sector, and educators need to pursue continuous improvements to excel in a modern economy. Smart, inclusive, coordinated strategies can ensure that metropolitan Chicago remains a destination for business activity, innovation and invention, and diverse human capital. The recommendations in this chapter address the initial steps necessary to achieving broad-based economic prosperity.

*The following outlines the initial recommendations and strategies proposed for ON TO 2050 regarding the regional economy. Stakeholder feedback will inform revisions in preparation for the June release of the draft plan for public comment.*

### **Goal: Robust economic growth that reduces inequality**

#### **Recommendation: Pursue regional economic development**

**Summary:** Global economic changes are opening new market opportunities for the region's well-educated workforce and diverse industries. Yet, global trends are also interacting with troubling regional trends in demographics and fiscal uncertainty to severely hamper economic growth for metropolitan Chicago. Economic indicators reveal prolonged slow growth, a widening gap in performance between the region and its peers, and a significant share of

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<sup>1</sup> CMAP analysis of Bureau of Economic Analysis data on GDP per metropolitan area, 1-year estimates, 2001-16 and Economic Modeling Specialists International data (2018.1).



residents with limited economic opportunities. Fostering and sustaining robust growth requires a coalition of political, civic, and business leaders to implement strategies that will raise the region's global competitiveness and ultimately promote the region's economic vitality. Coordination at the regional level can enhance traditional economic development services like business expansion, retention, and attraction. Initial success under the Chicago Regional Growth Corporation (CRGC) will help to demonstrate the potential of collaboration among the region's political and economic development leaders to pursue truly regional economic development opportunities.

*The following outlines strategies to implement this recommendation.*

**Strategy:** *Support the formation of a regional entity with the mandate and resources to implement a regional growth strategy*

- **Action:** *CMAP and partners* should continue to support CRGC's initial endeavors by assisting in convening regional stakeholders, providing research and data, and securing financial support, as appropriate.
- *County and municipal EDOs* should develop a shared vision for the regional economy, including an articulation of economic assets to support regional marketing and branding.
- *CRGC or a similar entity* should assist county and municipal officials pursue shared goals across jurisdictional boundaries that complement their competitive interests.
- *CMAP* should continue to research and articulate the benefits of intergovernmental collaboration through responsive data and analysis on the regional economy's performance.

*Expand global market reach*

- *CRGC or a similar entity* should facilitate ongoing analysis and strategy development for reaching global markets that builds consensus among the region's many stakeholders.
- *CRGC or a similar entity* should support the development of a comprehensive foreign trade and investment strategy for the region, including leveraging existing export relationships and positioning the region strategically for foreign direct investments, mergers, and acquisitions.
- *CRGC or a similar entity – in partnership with economic development organizations* – should coordinate efforts to market the region and convey the region's dynamic economy, infrastructure and institutional assets, diverse and skilled workforce, and other assets that offer the region a competitive advantage.
- *CRGC or a similar entity – in partnership with counties and municipalities* – should expand technical assistance and other supports for export activity by small- and medium-sized businesses, such as assistance in navigating the customs process, identifying and accessing global customers, and advance export financing.



*The State of Illinois should collaborate with regional stakeholders to implement a strategy for the region's economic growth*

- *The State of Illinois* should identify and plan for the distinct needs of its regional economies, allocating resources and developing policies to reflect their unique scale, opportunities, and challenges.
- *The State of Illinois* should coordinate the delivery of its direct services, programs, and financial assistance for economic development with regional organizations and stakeholders.
- *The State of Illinois* should pursue transparent, accountable practices that ensure investments for economic development produce improved results.

*The State of Illinois should provide a stable fiscal environment to improve the overall business environment*

### **Support the region's traded clusters**

**Summary:** Specialized industry clusters embedded in metropolitan regions worldwide spur significant economic activity that forges broad economic opportunity and growth. Even in uncertain economic conditions, the competitive advantages of clusters – including deeper labor pools, better access to customers and suppliers, and knowledge spillovers – make the case for why a business must operate in the Chicago region. To build their productivity and resilience, many regions have begun forming cluster initiatives that more deliberately bring together resources to tackle common concerns. Doing so requires a more detailed understanding of specialized clusters present in northeastern Illinois, and their unique, often-multijurisdictional needs. Economic development organizations and partners should take an active role in cluster initiatives, in part to ensure clusters organizations implement strategies to support inclusive growth and enhance the region's innovative capacity.

*The following outlines strategies to implement this recommendation.*

*Convene industry leadership and support the coordination of cluster initiatives*

*Conduct additional analysis of the region's globally traded clusters*

- *CMAP* should continue to analyze globally traded clusters and research the unique transportation, land use, innovation, and human capital needs of specialized clusters.
- *CMAP* should assess the spatial concentration of the region's traded clusters and identify sub-regional strategies for pursuing cluster-oriented economic development.
- *CMAP* should provide guidance to local partners on best practices for zoning, development, transportation investments, and other tactics that effect traded cluster growth.



- CMAP should explore the use of innovative analytical techniques and planning tools for traded cluster-oriented economic development in local and sub-regional plans.

*Pursue inclusive growth by prioritizing clusters that support regional economic opportunity*

*Analyze the planning needs and opportunities of local clusters*

*Analyze and plan for the human capital needs of specialized clusters*

- *Cluster organizations, trade associations, chambers of commerce, and other industry groups* should prioritize strategies that support the accumulation of human capital in the region, such as cooperation among firms and interaction with education and research institutions.
- *Adult education and workforce training providers* should coordinate training programs informed by or in close collaboration with industry.
- *CMAP, cluster organizations, and regional EDOs* should assist in the articulation of career pathways in key traded clusters.
- *CMAP* should provide data and analysis on job market dynamics in traded clusters.

*Leverage existing resources, relationships, and institutions to support industry innovators*

- *Economic development organizations* should develop tools to support and foster dense, specialized networks for sourcing supplies, talent, customers, early-stage financing, ideas, services, and other business inputs.
- *CRGC or a similar entity -- in partnership with county and municipal EDOs --* should lead efforts to connect regional businesses to their respective innovation ecosystems and assist the dissemination of new technologies and processes.
- *CRGC, county and municipal EDOs, and trade organizations* should provide technical assistance to regional businesses on implementing new advances and reaching global markets.

### ***Prioritize pathways for upward mobility***

**Summary:** Numerous measures of economic well-being by race and ethnicity show how metropolitan Chicago falls short of ensuring equitable opportunity for all residents, and thus falls short of performing to its full potential. Over time, these disparities limit the pace and durability of the region’s economic growth, as well as the effect of any efforts to lower poverty or spread opportunity. As both inequality and global economic changes play out, workers must increasingly guide their own preparation for workforce readiness -- that is, how they plan to pursue, progress through, and complete the education and training required to attain relevant skills. Yet, many students must make costly, self-directed decisions with limited information. A career pathways approach can help to coordinate public and private resources around programs that connect target populations with supportive, progressive opportunities in



growing occupations. These sector-based programs provide learning and employment as a series of manageable steps leading to eventual completion of industry-recognized credentials and career advancement. This model can drive higher completion rates among participants and helps workforce partners enhance the delivery of career counseling, job-placement assistance, and support services.

*The following outlines strategies to implement this recommendation.*

*Invest in continued development and implementation of career pathway programs*

*Implement a shared vision and strategy to improve, scale, and sustain a regional career pathway system*

*Embed career pathway programs in cluster-oriented economic development strategies*

- *Economic development organizations -- in partnership with cluster organizations -- should fully incorporate strategies to develop and implement high-quality career pathways into efforts aimed at supporting the region's traded industry clusters.*
- *Education and training providers should make the program-related decisions that align curricula with skills demand and broaden students' career opportunities in the region's growing and emerging traded clusters.*
- *Career pathway program providers and system administrators should articulate career pathways where knowledge, skills, abilities, and work values can be transferrable across multiple occupations and industries within industry clusters.*

*Develop mechanisms to adapt career pathway programs according to labor market demand*

### **Enhance economic innovation**

**Summary:** As the global economy evolves, sustainable and resilient growth increasingly depends on metropolitan Chicago's capacity to develop new ideas into higher productivity and greater competitiveness. Despite being endowed with market-leading economic assets, available data indicates the region lags behind peer regions in terms of research, commercial development, and entrepreneurial activity. Because the private sector is a key driver of innovation and commercialization, the role of the public sector is to find ways to help spur innovation by supporting institutions, relationships, and the essential components of a modern economy. In particular, innovation necessarily begins with strong investments in human capital, which will always be the source of next-generation ideas and the region's strongest competitive advantage. Policy and programs aimed at spurring innovation should focus primarily on supporting dense, dynamic economic activity in the Chicago region. CMAP and partners should emphasize objectives that draw connections among the region's industry innovators, institutions of higher education and research, and different and diverse communities.

*The following outlines strategies to implement this recommendation.*





*Leverage institutions of higher education and research for economic development*

- *CRGC or a similar entity – in partnership with local EDOs and the innovation ecosystem – should pursue strategies to connect the region’s national labs, universities, and other research institutions to market opportunities with regional firms and investors.*
- *CRGC or a similar entity – in partnership with local EDOs – should support institutions and relationships that provide services to small and medium-sized enterprises lacking access to their innovation ecosystems and financing.*
- *The State of Illinois should provide robust and reliable public funding for higher education, which is crucial for cultivating, retaining, and attracting innovative talent and businesses to northeastern Illinois.*
- *CRGC or a similar entity – in partnership with local EDOs and the innovation ecosystem – should leverage economic and research assets in the transportation, distribution, and logistics industry cluster to remain a destination for related innovative activity.*

*Diversify the entrepreneurial voices engaged in problem and solution development*

- *The innovation ecosystem should proactively improve access to capital, STEM education, and training opportunities such as for residents of economically disconnected areas.*
- *The innovation ecosystem should provide mentorship, internship, apprenticeship, and other opportunities that ensure all residents with an aptitude for invention are exposed to a culture of innovation.*

*Reorient resources to better support innovation and entrepreneurship*

*Identify and communicate stronger metrics for tracking innovative performance*

## **Goal: Responsive, strategic workforce and economic development**

### ***Conduct regional planning for human capital***

**Summary:** Economic growth necessarily hinges on addressing common obstacles to residents’ ability to enter the workforce and remain employed long-term. Metropolitan Chicago is home to a well-educated and diverse workforce of over 5 million workers, and many businesses choose to operate here in order to access their knowledge and ingenuity. Yet the region must overcome challenges in bridging the gaps between adults seeking to build a career and employers looking to enhance their workforce. Employment and demographic trends, technological advancements, demand for skills, and economic inequality are changing the demands placed on the region’s workers, as well as adult education and training programs. In many ways, metropolitan Chicago has been a national leader in the implementation of recent legislative reforms to the public workforce system. The region should continue to should build on related local and state efforts to improve unified workforce and educational planning, partnership development, and integrated data systems in pursuit of continuous improvement.





*The following outlines strategies to implement this recommendation.*

*Enhance coordination between industry and the workforce development system*

*Enhance coordination among the region's community colleges*

*Incorporate human capital priorities into sub-regional planning*

*Improve access to education and employment opportunities that promote upward economic mobility*

- *Transit agencies, local communities, and the private sector* should work together to develop pilot projects that explore new methods of providing targeted, flexible, or on-demand services that connect EDAs to suburban job centers.
- *Transit agencies* should expand upon policies that minimize the impact of increased fares and new procedures on low-income residents.
- *Transit agencies* should continue to make progress toward universal accessibility of stations.
- *CMAP* should take a leadership role in identifying gaps in the transportation system for economically disconnected communities, articulating the individual, local, and regional growth benefits of making such transportation connections.

### ***Align local economic development planning with regional goals***

**Summary:** ON TO 2050 encourages all of the region's communities to make efficient use of limited fiscal resources by supporting industries that connect us to the global economy. Through their role in planning for and regulating local development, municipalities support small pieces of regional markets for retail, office, industrial, and other development types, many of which house industries that make up the region's economic base. Likewise, the economic assets that comprise community's core competitive advantage often extend across jurisdictional boundaries. These cumulative local decisions can have broad impacts on infrastructure needs, commute patterns, goods movement, and overall regional economic success. At the same time, the economic assets that comprise communities' core competitive advantage often extend across jurisdictional boundaries. Cooperation across communities on economic development and market-driven planning can improve outcomes at the local and regional scales. *Note: This recommendation will also appear in the Land Use chapter.*

*The following outlines strategies to implement this recommendation.*

*Proactively coordinate local economic development efforts*

- *Municipalities and counties* should implement best practices for sub-regional economic development to reduce costs as well as implement regional and local goals.



- *Cook County* should phase out the property tax classification system to reduce the higher tax burden on commercial and industrial property taxpayers relative to residential properties and mitigate distortions created by the ad hoc use of incentives.
- *CMAP and partners* like ULI and CRGC should research case studies and best practices for sub-regional coordination of economic development. Examples include non-compete agreements, joint economic development initiatives, infrastructure and service sharing, tax base sharing, boundary agreements, and other initiatives.
- *CMAP and partners* should assist municipal coalitions in planning for local economic development, focusing on sub-regions that have common planning needs and goals for business expansion, human capital, freight movement, and similar issues with strong relevance to the region's economy.
- *CMAP* should assist municipalities in planning and investing in multijurisdictional transportation investments that support economic productivity.
- *CMAP, MPC, counties, and COGs* should facilitate new partnerships between municipalities and develop materials illustrating the benefits of coordinating on shared economic development priorities.

*Enhance economic development expertise of municipal staff and officials*

- *CMAP and partners* such as ULI should provide tools to help municipalities effectively use incentives, taking into account the full public costs of related public services, initial infrastructure improvements, and future infrastructure maintenance.
- *CMAP and partners* should provide guidance to local partners on best practices for zoning, permitting, development regulation, market analysis, tax incentives, and transportation funding that support economic productivity and reduce market barriers.
- *CMAP and partners* should establish regular trainings, networking events, and other resources to promote best practices on joint economic development initiatives, economic development planning, incentive policies, market analysis, business attraction and retention, and related topics.
- *CMAP and MMC* should explore partnerships like the Southern Illinois University Edwardsville team that leads the Illinois Basic Economic Development Course to create course offerings specifically tailored to staff and elected officials.

***Improve the provision of tax incentives for economic development***

**Summary:** State and local governments offer economic development incentives, such as tax abatements and credits, to subsidize revenue-generating development or compensate for weak spots in their broader business environment. Businesses then capitalize on competition among neighboring jurisdictions while drawing on the same labor pool, supply chain, natural resources, and other assets that actually underpin their profitability. Such activity can result in



public expenditures for limited economic gain. Performance-based approaches help make the best use of limited resources by drawing on a synthesis of data and stakeholder feedback. However, the State of Illinois and many local governments provide tax incentives without adequately monitoring their performance over time in achieving planning and economic goals over time. State and local governments should base decisions to extend, improve, or terminate incentives on rigorous analysis and prioritize public investments that meaningfully contribute to the region's economic competitiveness.

*The following outlines strategies to implement this recommendation.*

*Promulgate stronger standards for the transparency and accountability of tax incentives for economic development*

- *The State and local governments* should require a regular audit of all tax abatements, diversions, and credits for economic development.
- *The State and local governments* should make comprehensive data on incentives for economic development available and ensure that relevant and accurate data can be reliably located, integrated, manipulated, and analyzed.
- *The State and local governments* should implement and maintain sunsets on all tax abatements, diversions, and credits for economic development, to allow for periodic reevaluation.

*Align incentives with local and regional goals, anticipated outcomes, and tradeoffs*

- *Local governments* should establish criteria to ensure that economic development incentives fit with local and regional economic goals. The policies should maximize broad benefits and eschew the use of incentives that are only for fiscal gain to the community.
- *Local governments* should proactively establish economic development agreements with neighboring communities to reduce intraregional competition via incentives, and reduce public costs.
- *The State of Illinois and local governments* should enhance data on tax credits and incentives provided at all levels of government and consistently evaluate the expenditures and outcomes of incentive programs such as sales tax rebates, EDGE, TIF, property tax abatements, Enterprise Zones, and others.
- *The State of Illinois* should incorporate regional priorities into its strategic economic development planning and provide only assistance or incentives that align with those priorities.
- *CMAP and partners* such as ULI and MPC should provide best practices and model economic incentive policies for communities.



### ***Expand data-driven approaches in the workforce and education systems***

**Summary:** In a more competitive economy, capturing opportunities for regional economic growth requires well-informed analysis, diligent forecasting, and timely response to shifts in the labor market. Given its slowed growth, metropolitan Chicago must capitalize on the full potential and productivity of its human capital. The frontlines of this work occur in the region's complex adult education and training systems. Yet demographic trends suggest the region faces a number of challenges in sustaining a diverse, skilled workforce. At the same time, recent research has called the transferability and economic value of many sub-baccalaureate certificates into question. In many ways, the Chicago region has been a national leader in integrating workforce and education data, and these initiatives provide a foundation for expanding data-driven approaches. Such tools are especially important given a renewed national focus on evidence that workforce investments properly serve populations who face barriers to accessing or sustaining employment. In pursuing these goals, CMAP and partners should emphasize the need for relevant and accurate data that can be reliably located, integrated, manipulated, and analyzed.

*The following outlines strategies to implement this recommendation.*

*Develop and improve integrated workforce and education data systems*

- *Workforce funders* should build on lessons learned from the development of the Illinois Longitudinal Data System and Chicago Cook Workforce Partnership's Career Connect to expand integrated data systems and provide better data.
- *Education and training providers* should identify appropriate opportunities to address gaps, scale cooperation, and leverage data to inform programming and decision-making.
- *Education and training providers* should track additional metrics that connect their programs to business performance and show potential employers and trainees their investments pay off. Such metrics could include time to job placement, speed to job promotion, length of continued employment, cost of recruitment and training, or employer productivity and quality outcomes.
- *The federal government* should improve the availability of workforce and education data that informs state and local decisions.
- *Government, business and civic leaders, and other regional actors* should develop and implement a shared vision for inclusive growth in northeastern Illinois, as well as define key metrics to track regional progress towards inclusive growth goals.

*Maintain adequate data on sub-baccalaureate credential and adult basic education programs*

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