

Illiana Expressway Economic Opportunities Analysis

final report

prepared for

Illinois Department of Transportation

prepared by

Cambridge Systematics, Inc.

with

Globetrotters Engineering Corporation

final report

Illiana Expressway Economic Opportunities Analysis

prepared for

Illinois Department of Transportation

prepared by

Cambridge Systematics, Inc.
115 South LaSalle Street, Suite 2200
Chicago, IL 60603

with

Globetrotters Engineering Corporation

date

April 30, 2010

Table of Contents

Executive Summary	ES-1
1.0 Introduction	1-1
2.0 The Region’s Multimodal Transportation System.....	2-1
2.1 Highways.....	2-1
2.2 Rail	2-5
2.3 Water	2-9
2.4 Air (Proposed South Suburban Airport)	2-10
2.5 Summary.....	2-12
3.0 The Region’s Competitive Position	3-1
3.1 Geographic Location and Market Access.....	3-3
3.2 Labor.....	3-6
3.3 Land.....	3-12
3.4 Business Climate.....	3-16
3.5 Communications Infrastructure	3-18
3.6 Summary.....	3-21
4.0 Economic Benefits and Opportunities.....	4-1
4.1 Construction Benefits.....	4-1
4.2 Travel and Transportation Cost Benefits.....	4-3
4.3 Strategic Development Opportunities in the Illiana Study Area.....	4-7
4.4 Funding and Governance Issues	4-13
4.5 Summary.....	4-13
5.0 Conclusion	5-1

List of Tables

Table ES.1	Summary of Economic Benefits and Opportunities Resulting from Illiana.....	ES-2
Table 2.1	Inaugural South Suburban Airport Annual Activity Forecasts	2-11
Table 3.1	Business Site Selection Factors	3-2
Table 3.2	Chicago Area Industrial Property, Vacancies, and Leasing Rates.....	3-15
Table 4.1	Illiana Capital Cost Estimates, I-55 to State Line	4-1
Table 4.2	Summary of Estimated Economic Impact of Constructing the Illinois Portion of the Illiana Expressway.....	4-2
Table 4.3	Distribution of the Economic Impacts of Constructing the Illinois Portion of the Illiana Expressway.....	4-2
Table 4.4	Daily Changes in Regional VMT and VHT with Illiana 2030.....	4-4
Table 4.5	Total Annual Direct User Benefits with Illiana 2030 (Millions)	4-4
Table 4.6	Annual Direct User Benefits with Illiana by Region 2030 (Millions)	4-4
Table 4.7	Regional Economic Impacts of Direct User Benefits Resulting from Illiana over 30 Years 2010 Dollars	4-6
Table 4.8	Distribution of Economic Impacts due to Transportation Cost Savings.....	4-6
Table 4.9	Economic Impacts of Direct User Benefits Resulting from Illiana over 30 Years Outside of Chicago Region 2010 Dollars	4-7
Table 4.10	Other System Changes with Illiana, 2030 (millions).....	4-7
Table 4.11	Land Use Summary for Illiana Study Area	4-9
Table 4.12	Forecasted Land Demand and Capacity in Will County.....	4-10
Table 4.13	Forecasted Land Use in Kankakee County	4-11
Table 4.14	Economic Impacts from Strategic Development Opportunities Over 30 Years.....	4-12
Table 4.15	Summary of Quantifiable Economic Benefits and Opportunities Resulting from Illiana.....	4-13

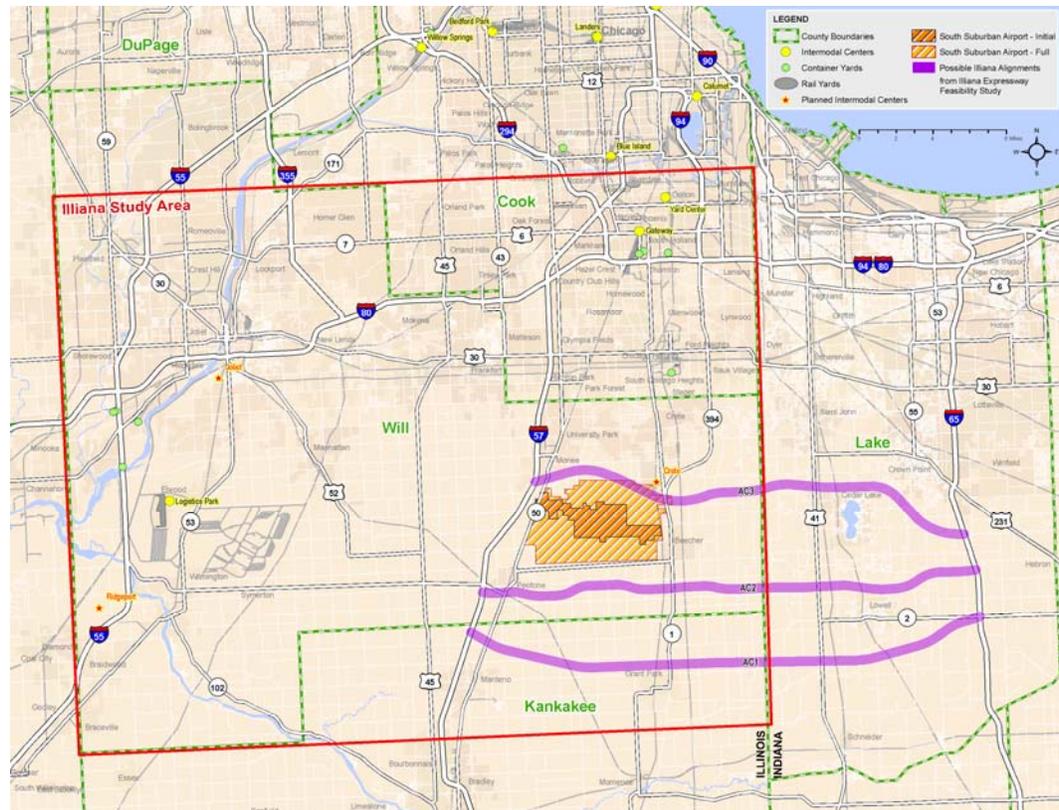
List of Figures

Figure ES.1 Illiana Economic Opportunities Analysis Study Area.....	ES-1
Figure 1.1 Illiana Study Area	1-2
Figure 2.1 Illiana Study Area Existing Roadway Level of Service 2005	2-2
Figure 2.2 Major Freight Bottlenecks on U.S. Highways	2-3
Figure 2.3 Illiana Study Area Projected Roadway Level of Service 2035	2-4
Figure 2.4 Access to Transcontinental Rail Lines.....	2-6
Figure 2.5 Regional Rail Volumes	2-7
Figure 2.6 Intermodal and Industrial Facilities in Relation to Transportation Network	2-8
Figure 3.1 Size of Chicago Economy Compared to Nearby States	3-4
Figure 3.2 Chicago Retail Gas Prices Compared to USA Average	3-6
Figure 3.3 Chicago Suburban County Population Growth	3-7
Figure 3.4 Age Distribution for Will and Kankakee Counties	3-8
Figure 3.5 Educational Attainment in Will and Kankakee Counties	3-9
Figure 3.6 Employment Trends in Will County	3-10
Figure 3.7 Employment Trends in Kankakee County	3-10
Figure 3.8 Employment Distribution in Southern Cook County	3-11
Figure 3.9 Available Land Sites for Sale.....	3-13
Figure 3.10 Will County Business Parks.....	3-14
Figure 3.11 Illinois Tax Rates Compared to Other Midwest States.....	3-17
Figure 3.12 South Suburban Illinois Data Connectivity	3-19
Figure 4.1 Current Land Use in Will and Southern Cook Counties.....	4-8
Figure 4.2 Current Land Use in Kankakee County.....	4-9
Figure 4.3 Projected Land Use in Kankakee County	4-11

Executive Summary

The Illiana Expressway Economic Opportunities Analysis addresses the economic benefits and synergistic opportunities that could result from the proposed Illiana Expressway and other major transportation infrastructure investments in the south and southwestern portions of the Chicago region (the Southland). These transportation investments will result in decreased travel time and cost, enhanced safety, increased reliability and enhanced accessibility, all of which can be expected to result in increased productivity, labor and market access. These combined benefits and opportunities can be expected to accrue at the regional, state and national levels. The purpose of the analysis is to quantify these potential benefits and assess the extent to which they may lead to additional business attraction opportunities for the region.

Figure ES.1 Illiana Economic Opportunities Analysis Study Area



developed multimodal transportation system in place that continues to attract substantial private sector investment. The Illiana Expressway could however fill an east-west connectivity void that currently exists, while relieving existing and future congestion on parallel highways, and at the same time connecting the region more efficiently to national and global markets.

In addition to its transportation assets, the Southland region possesses a number of other competitive advantages that provide opportunities for economic growth. It is in a strategic location within a one-day drive of over 82 million people. There is available and affordable land for development, a diverse and skilled labor force, and a favorable business climate supported by significant economic development resources. The proposed Illiana Expressway, by providing enhanced connectivity and reduced congestion, could build on these assets and serve as a significant catalyst for economic growth in the region.

The economic benefits identified in this analysis that would be afforded by the Illiana Expressway can be classified in three general categories: benefits that result from construction activity for the new highway (construction benefits); transportation cost savings for existing users of the region’s transportation system (direct user benefits); and economic development opportunities resulting from increased business attraction potential (strategic development opportunity benefits). These three categories of economic benefits that could be expected in the region from constructing the Illiana Expressway are summarized in Table ES.1 below, along with the benefits that could be expected for the rest of Illinois and the rest of the country. To summarize, construction of the Illiana Expressway could result in the creation of as many as 4300 short-term construction jobs and up to 13,800 long-term jobs in northeastern Illinois in the 30 years following construction.

Table ES.1 Summary of Economic Benefits and Opportunities Resulting from Illiana

Economic Benefit Category	Benefit Period	Employment Benefit Range (Jobs)	Personal Income Benefit Range (Millions of 2010 \$)	GRP Benefit Range (Millions of 2000 fixed \$)	2030 Annual Direct User Benefits (Millions of 2010 \$)
Construction Benefits	3 years	2,600 - 4,300	\$850 - \$1,579	\$469 - \$875	-
Economic Impacts from Direct User Benefits	30 years	510 - 1,140	\$474 - \$1,072	\$529 - \$1,235	\$149 - \$169
Strategic Development Opportunity Benefits	30 years	8,680 - 12,670	\$2,152 - \$3,165	\$2,763 - \$4,051	-
Rest of Illinois Economic Impacts from Direct User Benefits	30 years	40 – 70	\$36 - \$67	\$40 - \$77	\$7 - \$10
Rest of Country Economic Impacts from Direct User Benefits	30 years	260 – 450	\$240 - \$429	\$273 - \$494	\$47 - \$68

Source: Cambridge Systematics

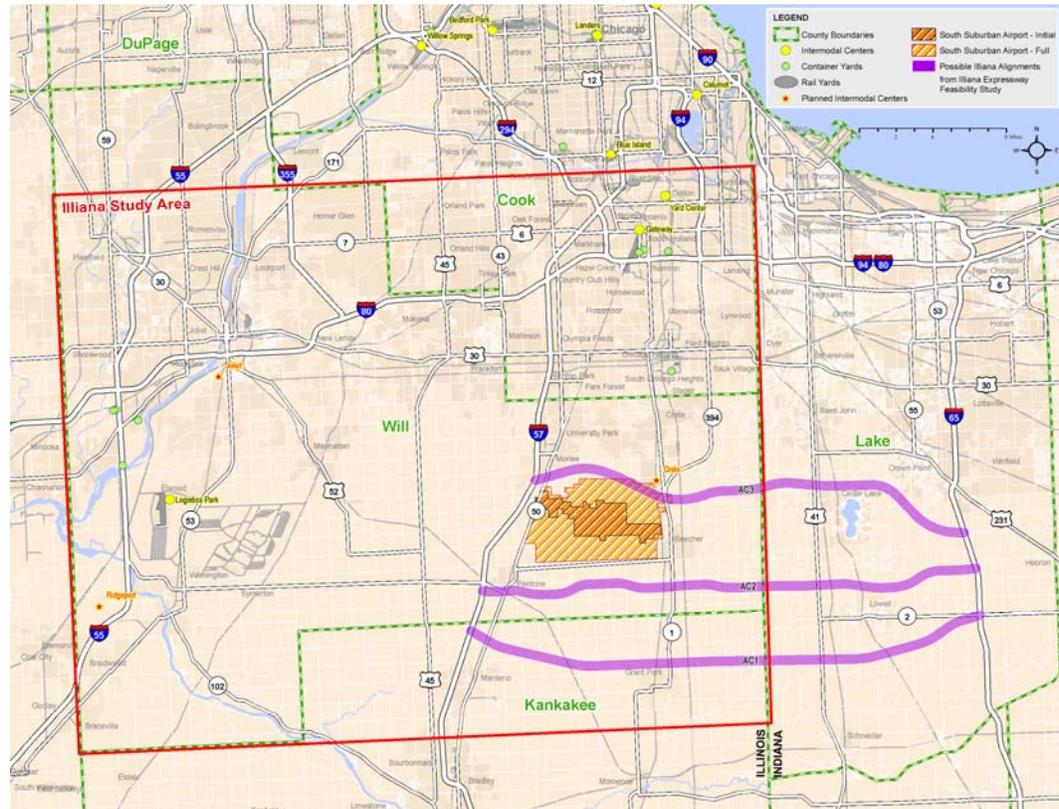
1.0 Introduction

The Illiana Expressway has been a part of long-range plans for northeast Illinois and northwest Indiana (the bistate region) since the early 1900s, originally envisioned as the southern leg of an outer circumferential roadway encircling the Chicago metropolitan area. Some segments of this outer beltway have been completed in recent years, the most recent being the I-355 extension between I-55 and I-80 which opened in 2007. The concept of providing a linkage between the south and southwest suburbs of Chicago and northwest Indiana has however become more critical over the years as increasing traffic volumes on alternative east-west routes have resulted in congestion and delays to both passenger and commercial traffic. This has led to economic impacts to industries that depend on the ability to move freight within and through the region. This mobility issue not only impacts commerce at the regional level, but at the national level, as well. The Chicago region is a national transportation hub, and therefore this has a major impact on national commerce.

With heightened interest in a potential Illiana Expressway in both Illinois and Indiana, a Bistate Agreement was signed by the respective state DOTs in 2006, laying the groundwork for further development of the corridor. Shortly thereafter, work began on the recently completed Illiana Expressway Feasibility Study. The purpose of this study was to determine the overall viability of developing, financing, constructing, operating, maintaining, and placing into service a new Interstate quality highway connecting I-57 in Illinois with I-65 in Indiana. The study resulted in the identification of three potential bistate alignment corridors, as well as cross-section alternatives, tolling and financing options. Following completion of the Illiana Expressway Feasibility Study, interest was generated in both Illinois and Indiana in extending the western terminus of the proposed corridor from I-57 to I-55.

The Illiana Expressway Economic Opportunities Analysis contained herein is a follow-up to the Illiana Expressway Feasibility Study to address the economic benefits and synergistic opportunities that could result from the proposed Illiana Expressway being extended to I-55 and other major transportation infrastructure investments in the south and southwestern portions of the Chicago region. The Illiana Expressway Economic Opportunities Analysis study area includes parts of Will, Cook, and Kankakee counties in northeastern Illinois (Figure 1.1). The study area is located in the southern portion of the Chicago metropolitan area and includes many of the south and southwest suburbs of Chicago. Numerous freight, intercity, and commuter rail lines; waterways; expressways; and major highways are present in the study area.

Figure 1.1 Illiana Study Area



The Illiana Expressway will result in decreased travel time and cost, enhanced safety, increased reliability for existing businesses, and enhanced connectivity and access for undeveloped and underdeveloped lands in the Chicago Southland. These impacts will result in increased productivity, labor, and market access for all businesses in the region.

The purpose of this study is to identify and quantify the potential economic development benefits and assess the extent to which they may lead to additional business attraction opportunities for the region. To ensure that the analysis is grounded in the reality of business location decisions, the study examines the potential for the proposed Illiana Expressway to be a catalyst for economic growth. Because highway access is recognized as one of many critical conditions for business attraction potential, the region must meet requirements in other key areas, as well. These conditions also include market access, labor supply, land availability and cost, business climate, and infrastructure. To facilitate this approach, the remainder of the report is organized as follows:

- Section 2 provides an assessment of the region’s multimodal transportation network and how the proposed Illiana would provide connection between modes and facilities;

- Section 3 discusses the opportunities and constraints which impact the region's competitive position;
- Section 4 presents the potential benefits of the Illiana Expressway for both existing users and as a catalyst for new business attraction; and
- Section 5 concludes the report with a summary of opportunity costs and potential benefits.

2.0 The Region’s Multimodal Transportation System

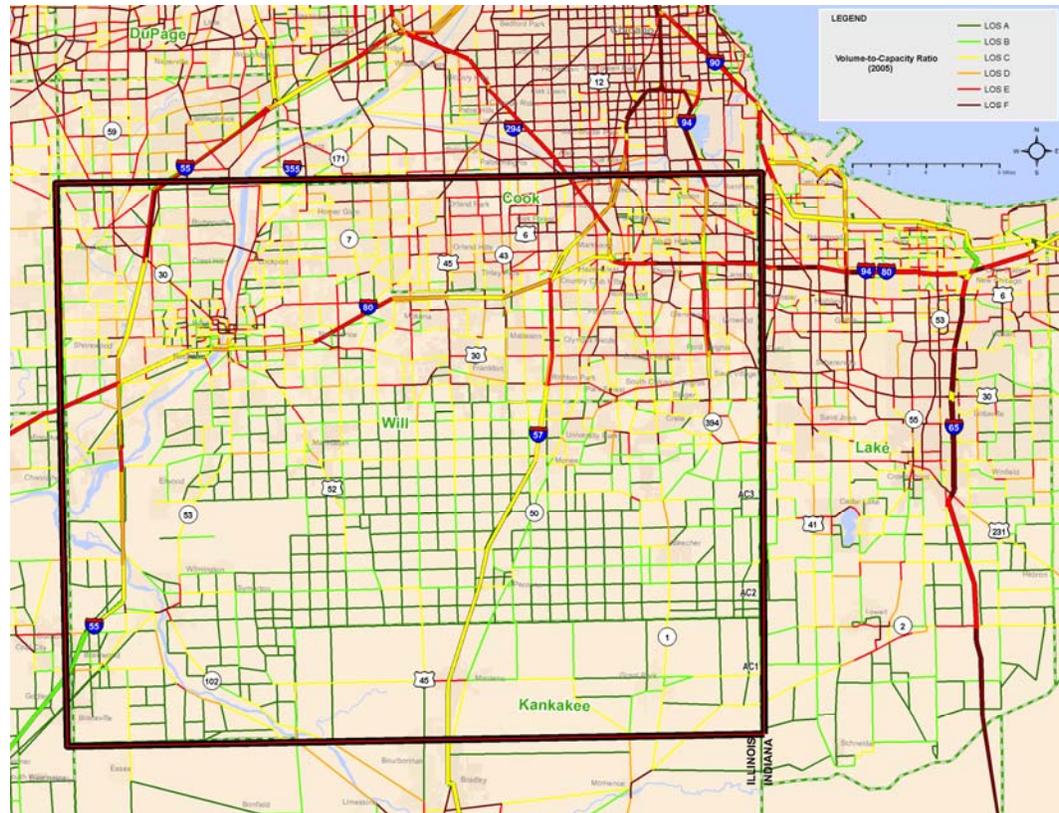
Today’s businesses depend upon access to global supply chains to compete in the world economy. This translates into demand for a seamless multimodal transportation system that can provide access to global gateways via water, air, and surface transportation networks. This network includes both highway and rail, all working as a single seamless system. This is especially true for manufacturing and logistics-based development. The following section assesses the region’s transportation system and the role of the proposed Illiana Expressway in enhancing efficiency and multimodal connectivity.

2.1 HIGHWAYS

Trucks move about one-half the freight tonnage in the Chicago area, but account for 75 percent of freight by value. Chicago’s geographic position and status as a freight and intermodal hub make through movements dominant in the region. However, “secondary moves” are the largest single commodity group moved by trucks and are projected to grow significantly. This is likely due to the drayage activities among intermodal yards supporting container exchanges between eastern and western railroads and the distribution of final goods to the Chicago metro region. Most other major commodities support manufacturing and construction industries.

The study area is well situated for intermodal transportation, and already has been emerging over recent years as a hub for such activity. The study area contains several major interstate highways, including I-55, I-80, I-57, I-94, and I-294. CenterPoint’s Logistics Park Chicago; the CenterPoint Intermodal Center in Joliet, currently under construction; and other rail/truck intermodal centers proposed in Crete and Wilmington are spurring development of the transportation, warehousing, and industrial sectors in the area. While congestion does exist within the study area, particularly along the I-80 corridor and within the northeast corner of the study area, the roadway network is relatively less congested compared to the core of the Chicago region (Figure 2.1).

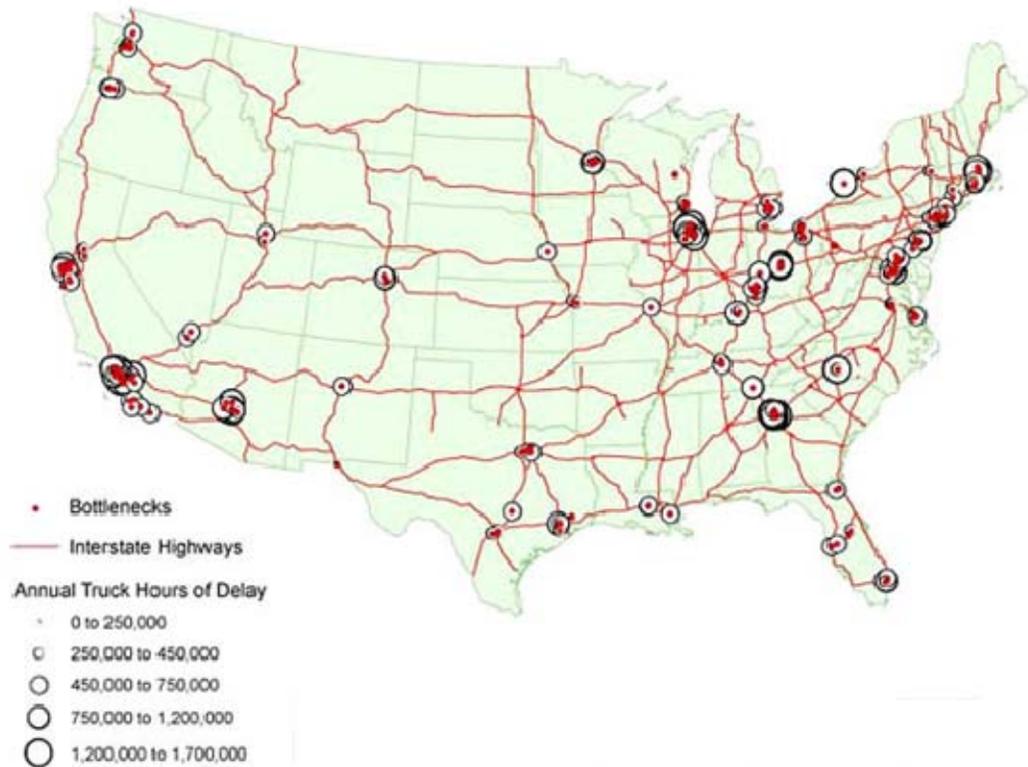
**Figure 2.1 Illiana Study Area Existing Roadway Level of Service
2005**



While the study area may experience relatively less congestion than other parts of the Chicago region, the existence of some of the nation's worst truck bottlenecks in the region increases the cost of shipping and hinders continued growth in the region (Figure 2.2).

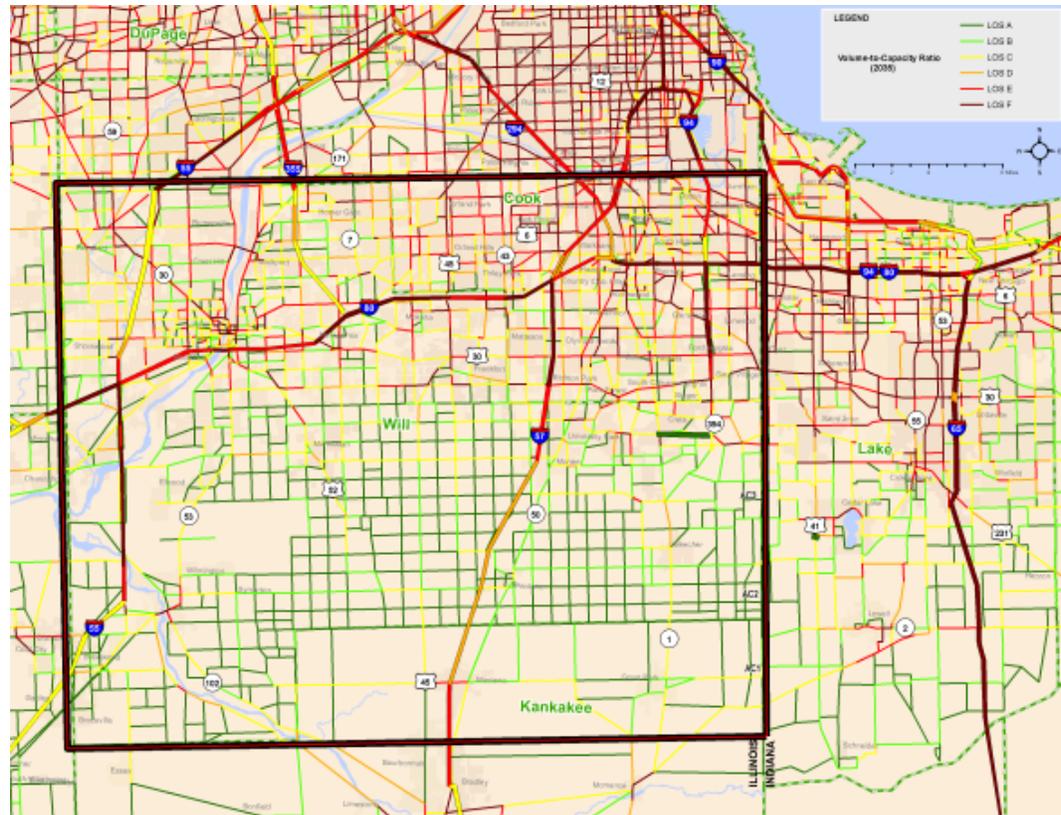
Additionally, continued projected growth in and around the study area is expected to lead to worsened levels of service along I-57, I-55, and I-80, and increased congestion along state highways by 2035 (Figure 2.3).

Figure 2.2 Major Freight Bottlenecks on U.S. Highways



Source: *Traffic Congestion and Reliability: Linking Solutions to Problems*, prepared by Cambridge Systematics, Inc. for the Federal Highway Administration, Office of Operations, Washington, D.C., July 2004.

Figure 2.3 Illiana Study Area Projected Roadway Level of Service 2035



The Southland already has been emerging as a hub of intermodal, warehousing, and industrial activity. The study area provides opportunities for increased intermodal capacity and access to bypass the more congested urban core of the Chicago area while maintaining the region’s role as the nation’s rail and intermodal hub. There are opportunities for increased east-west capacity south of I-80 to bypass existing and forecasted congestion on that route and to help connect the growing industrial and intermodal land uses in the study area. Evidence indicates trucks are already seeking alternatives to I-80 as local east-west routes south of I-80 are experiencing increases in truck traffic. This is leading to increased community conflicts and traffic concerns since most of these roads are not intended to serve as heavy truck routes. Opportunities for intermodal growth, which would exacerbate this issue, are further described in the Rail Section 2.2 to follow.

With the Chicago region already experiencing large freight rail and truck volumes and resulting delays, further anticipated growth is likely to increasingly strain the existing system. With the delays and costs incurred due to shipments passing through Chicago, other regions in the Midwest are looking at ways to develop their own intermodal hubs and find ways to bypass the Chicago region entirely.

2.2 RAIL

Freight rail is key to the economy of the Chicago region perhaps more than any other region in the nation. Six of the seven North American Class I freight railroads (the highest classification of regulated rail carrier based on operating revenues) converge here, and nearly one-quarter of the nation's rail shipments move to or through the region. As the busiest freight rail gateway in the United States, Chicago handles more than 37,500 rail freight cars each day – more than 60 percent of which is high value traffic. Twenty years from now, that number is expected to have increased to 67,000 cars per day. More than 40 percent of freight tonnage passing through the region travels by rail.

The study area has access to four major transcontinental rail lines of four Class I railroads, and close proximity to many others (Figure 2.4). Several of these rail lines carry a large volume of trains each day (Figure 2.5). As indicated in Highways, Section 2.1, CenterPoint's Logistics Park Chicago, the CenterPoint Intermodal Center in Joliet currently under construction, and other rail/truck intermodal centers proposed in Crete and Wilmington are spurring development of the transportation, warehousing, and industrial sectors in the area.

Figure 2.4 Access to Transcontinental Rail Lines

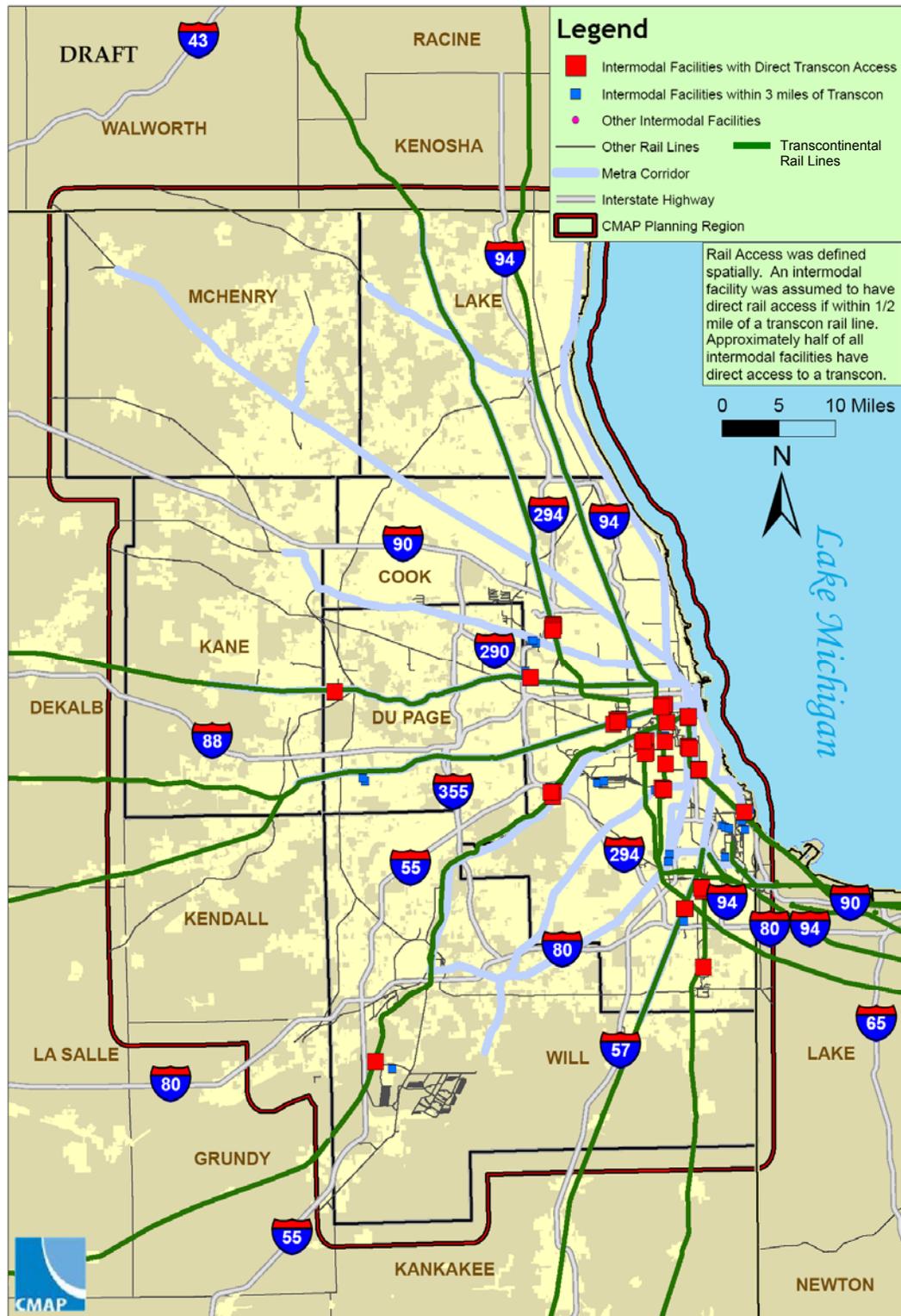


Figure 2.5 Regional Rail Volumes



Overall, intermodal facilities complement industrial activity by facilitating the transportation of merchandise through the reduction of costs of switching goods between modes. Therefore, the presence of an intermodal facility in an area tends to increase that area's business attractiveness for all industries. The study area provides opportunities for increased intermodal capacity and access to bypass the more congested urban core of the Chicago area while maintaining the region's role as the nation's rail and intermodal hub.

2.3 WATER

More than 25 million tons of freight annually passes along the Illinois and Des Plaines Rivers within the study area. Waterborne freight tends to consist almost exclusively of relatively heavy, low value goods that tend to be less time sensitive than freight carried by other modes. A total of nearly 73 million tons of waterborne freight moved in the Chicago region in 2007. Of this more than 60 percent (45 million tons) was inbound to destinations in the area. Twenty-six percent of these movements were outbound, while 12 percent of this waterborne tonnage was moving between points within the area.

Waterborne commerce represents five percent of movements in the region by tonnage, though less than one percent by value. Coal is predominant, though growth is expected in farm products and waste and scrap materials. Coal, gravel, and other commodities shipped by barge are loaded and unloaded at numerous port facilities within the study area.

Overall, water transport provides a cost-effective transportation system with considerable room for growth. The system also is highly reliable, with slowdowns and closures occurring less than two percent of the time, and more than three-fourths of those resulting from weather or vessel incidents, rather than infrastructure breakdowns.¹ Over 50 percent of the current waterborne trade to and from the Chicago area already occurs with destinations along the inland river network. St. Louis and New Orleans are among the region's largest trading partners, but others include destinations as far as Charleston, West Virginia.

The study area contains the Illinois and Des Plaines Rivers, which connect to join the region to both the Mississippi River and the Great Lakes via Chicago. As such, the study area serves as the link between two major thoroughfares of marine transport. Farther upstream and closer to and inside Chicago, rail and highway congestion make intermodal connectivity with marine shipping more challenging and costly. Further, there is less land available to develop into intermodal facilities or complementary industrial uses, and existing industrial parcels continue to be rezoned into commercial and residential uses. The study area has more available

¹ *The Great Lakes St. Lawrence Seaway Study (GLSLS Study)*, 2007.

developable land, less congested but numerous existing and potential intermodal connections, and yet is still within the perimeter of the manufacturing and population center of the Midwest.

Watercraft that use the locks in Will County face average delays of at least 50 minutes per lock. Demand for the Will County locks is about 12 to 16 million annual tons per lock compared to eight million or less in Cook County. As a result, delays at the Will County locks quickly add up for even relatively short-distance trips; a trip from northern Will County to adjacent Grundy County can incur several hours of delay. Delays at these outer locks may warrant improvement.

Illinois' inland waterway system has available capacity for increased growth. Nearly all of the coal arriving from Wyoming travels by rail, but transshipment to barge at the Missouri River could be an alternative method of getting these shipments to northern Illinois. Additional intermodal connectivity and capacity interfacing with the waterway and its ports in Will County will help make increased usage of barge transport more viable. Further, the study area has additional capacity available for industrial and port development that could benefit from the increased east-west mobility that the Illiana Expressway would provide.

2.4 AIR (PROPOSED SOUTH SUBURBAN AIRPORT)

Since the 1984 Record of Decision (ROD) for the Chicago-O'Hare International Airport Master Plan, the need for a third major airport in the Chicago region has been identified. Following that study, various other studies have been completed to confirm this need and identify a preferred location for the third Chicago airport. Ultimately a Will County site, in the vicinity of Peotone, was selected for what has become known as the proposed South Suburban Airport (SSA). This has been followed by the commencement of environmental studies, engineering, and land acquisition which are currently underway for the inaugural (start-up) airport facilities for the SSA.

The inaugural SSA will service air passenger, air cargo, and general/corporate aviation operations. According to the Airport Master Plan for the South Suburban Airport's "Draft Projections of Aeronautical Activity for the Inaugural Airport Program South Suburban Airport," dated May 11, 2004, forecast activity at the inaugural SSA one year after opening day (Date of Beneficial Occupancy (DBO)+1) and five years after opening day (DBO+5) is summarized below in Table 2.1. While these numbers pale in comparison to O'Hare International Airport, the air cargo forecasts for the SSA, in comparison to Chicago's Midway International Airport, demonstrate the potential significance of the role which could be played by the SSA as an air cargo hub in the region.

Table 2.1 Inaugural South Suburban Airport Annual Activity Forecasts

	DBO+1 Forecast Range	DBO+5 Forecast Range	O'Hare International Airport	Midway International Airport
Air Carrier Passenger Enplanements	20,000-169,000	471,000-968,000	33,683,991 (2008)	8,021,383 (2008)
Air Cargo Tonnage	0-75,000	33,000-195,000	1,198,426 (2009)	20,010 (2009)
General/Corporate Aviation Operations	16,000-54,000	17,000-56,000	9,488 (2009)	55,954 (2009)

Source: TAMS, an Earth Tech Company, 2004; FAA; Chicago Department of Aviation Airport Activity Statistics.

While the Illinois Department of Transportation's 1998 Phase 1 Engineering Report for the SSA shows the primary access being provided via a connector roadway between I-57 and IL 394 along the northern boundary of the airport, the 2005 Draft Master Plan shows this access roadway connecting only to I-57. (According to the Master Plan, the connection to IL 394 was removed from the airport plans, since it "was not required for the SSA.") Both the current access roadway linking the SSA to I-57 and the original connector roadway between I-57 and IL 394 are in close proximity to the northernmost Illiana Expressway alignment corridor that was identified in the recently completed Illiana Expressway Feasibility Study.

While the Illiana Expressway and the SSA have always been treated as two discreet and independent projects, there are distinct synergies between these two major transportation infrastructure projects. By providing direct access to the SSA from I-55 on the west and I-65 on the east, the SSA becomes more accessible to a greater population. The projected air carrier passenger enplanements shown above in Table 2.1 are based on attracting passengers from an area within 45-minutes travel time of the SSA, (excluding any overlap with the area covered within a 45-minute travel time of Midway Airport). These numbers are based on a roadway network which does not include the Illiana Expressway. With the enhanced access that would be provided by the Illiana Expressway to the SSA, travel times would decrease, particularly from the east, south and west, thus increasing the size of the 45-minute catchment area, resulting in the potential for greater air passenger enplanements for the SSA.

In addition to the increased passenger accessibility that the Illiana Expressway would provide to the SSA, there also would be significant freight mobility benefits that would result from the combined investment in these two projects. From an air cargo perspective, the Illiana would help enhance the attractiveness of the SSA as an air cargo hub, by reducing ground access time for expedited air freight shipments. This in turn would likely encourage the development of air cargo dependent industries within the corridor, such as electronics, medical supplies, and perishables.

The Illiana Expressway also would provide enhanced linkages from the existing and proposed intermodal facilities and surrounding industrial developments in Will County to the SSA. These linkages would increase the attractiveness of the area to industrial developments that would benefit from access to both rail and air modes for shipping and receiving cargo.

2.5 SUMMARY

The Illiana Expressway study region has a well developed multimodal transportation system, including highway, rail and water modes, that continues to attract substantial private sector investment. A major weakness in this system is the increased congestion, both on the rails and highways. Efforts are currently underway to make significant improvements in the region's rail infrastructure to relieve regional and national bottlenecks. In terms of water transport, connections to both the Great Lakes and Mississippi River systems, combined with available capacity for growth, provide opportunities for growth within the region in the industries that depend on this mode. On the air side, studies and land acquisition efforts are currently underway for a proposed South Suburban Airport. The Illiana Expressway provides the opportunity to mitigate the highway congestion and provide a much needed east-west alternative to I-80. In addition to relieving highway congestion on I-80, it also would provide connectivity within the region, while connecting it more efficiently to existing and emerging major national and global markets.

3.0 The Region's Competitive Position

Economic development in the Chicago Southland is an established goal of key area stakeholder groups (including the region's economic development agencies), and an opportunity to capitalize on the transportation, distribution, and logistics industry has been identified as a development mechanism. When looking at economic opportunities arising from the proposed Illiana Expressway, it is important to understand the existing strengths and constraints of the region. Three key questions shape the analysis in this section.

- What are the factors helping or limiting the Chicago Southland in preserving and growing the economic health of current businesses?
- What are the factors helping or limiting the Chicago Southland in attracting and retaining new businesses?
- Given the region's competitive strengths and constraints, how does the Illiana Expressway enhance economic opportunities for the Southland?

In order to address these three questions, the analysis which follows focuses on two key areas.

Opportunities - These are the current economic competitive advantages of the Chicago Southland. Opportunities include strengths that may attract new employers, encourage investment within the region, or prevent a business from closing its doors. These assets drive much of the current economic success and will need to be capitalized upon for future success. External influences can also enhance the region's competitiveness. An example would include the shift to containerized freight traffic, which put the Chicago Southland in a position to grow economically. This factor is outside of the control of the region, but nevertheless represents a significant opportunity.

Constraints - These are the factors that limit the current economic competitiveness of the Chicago Southland. Constraints may prevent the Southland from attracting new businesses, limit investments in the region over competing regions, or prevent growth of the regional employment base. Constraints need to be addressed where possible in order to maintain economic competitiveness.

This analysis provides a snapshot of the region's current status and identifies potential economic opportunity paths.

The Southland region has recently been assessed in a number of previous-related studies. The South Suburban Mayors and Managers Association (SSMMA) *Freight Study* provides a detailed review of the freight assets and opportunities in

the region. CMAP’s ongoing *Freight Study* identifies recommendations to achieve the 2040 vision for successful freight and transportation development in the Greater Chicago area. The South Suburban Airport Master Plan deals specifically with the potential impacts and benefits of a South Suburban Airport. Finally, the *Illiana Expressway Feasibility Study*, completed in 2009, is a comprehensive review of potential Illiana Corridor alignments (between I-57 and I-65), the purpose and need for such a facility, and the benefits and opportunities it will represent for Illinois and Indiana. The analysis contained herein is based on a review (and update, as applicable) of these prior studies and other key performance indicators.

A review of the 2009 *Area Development Corporate Survey*, shown as Table 3.1, identifies those factors that are considered when businesses choose their location. This Survey highlights those factors which are of the greatest importance for business site selection.

Table 3.1 Business Site Selection Factors

Ranking	2009	2008
1. Labor costs	96.7	91.4
2. Highway accessibility	92.9	95.4
3. Tax exemptions	88.4	88.6
4. Energy availability and costs	88.0	87.9
5. Corporate tax rate	87.0	85.3
6. Availability of skilled labor	86.9	87.7
7. Occupancy or construction costs	86.7	90.4
8. State and local incentives	84.9	87.2
9. Availability of advanced ICT services	83.2	55.5
10. Inbound/outbound shipping costs	81.7	N/A
11. Low union profile	75.8	82.7
12. Available land	75.7	82.0
12T. Availability of buildings	75.7	80.8
14. Right-to-work state	74.0	76.6
15. Proximity to major markets	73.3	78.7
16. Expedited or “fast track” permitting	72.2	72.5
17. Environmental regulations	71.2	76.1
18. Availability of long-term financing	65.4	64.2
19. Proximity to suppliers	63.9	69.2
20. Training programs	61.7	62.3
21. Raw materials availability	57.0	56.8

Ranking	2009	2008
22. Availability of unskilled labor	55.5	62.9
23. Accessibility to major airport	49.0	53.3
24. Proximity to technical university	36.7	38.4
25. Railroad service	27.4	27.2
26. Waterway or ocean port accessibility	17.7	15.7

Source: *Area Development Corporate Survey 2009*.

While the region's transportation system was examined in Section 2.0, the analysis which follows includes assessments of location, land, labor, business climate, and communications infrastructure.

3.1 GEOGRAPHIC LOCATION AND MARKET ACCESS

Geographic location is a critical element in driving economic development and prosperity. It determines proximity to final demand market and suppliers. The Illiana study area is strategically located within a one-day drive time of nearly every major mid-western market, from Memphis to Detroit to Kansas City, and even international markets such as Toronto. In total, the region is within a one-day drive of over 82 million people, and it is possible to reach over 219 million with a two-day truck drive, which represents 42% of the North American consumers.²

Opportunities

Chicago has long been recognized as a strategic freight hub and the Southland has been the largest site of infrastructure growth to support that status. Railroads, trucking companies, warehouse operators, large shippers, and express package carriers have all recognized the strategic location of Chicago as a national freight hub and directed investment towards the region. Recent investment in the Chicago Southland has included development of major intermodal terminals, including BNSF's Logistics Park Chicago and the surrounding Centerpoint Intermodal Center (CIC) Elwood, and proposed developments CIC North in Joliet and CIC Crete in Crete.

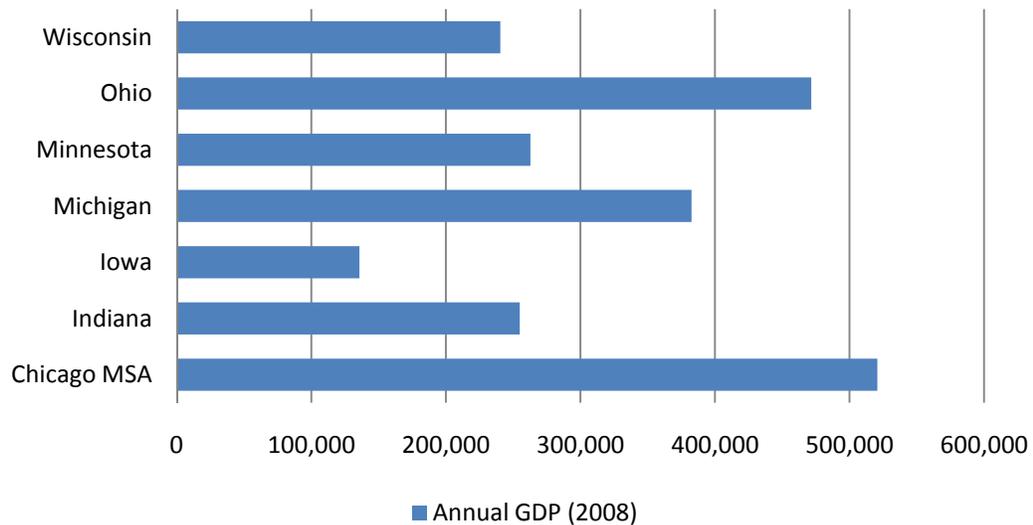
Regional planning efforts have supported recognition of Chicago as a freight hub and the Southland's supporting role. CMAP's current *Freight Plan* includes recommendations for several projects to promote east-west connectivity in Will County. SSMMA invested in the transportation and logistics industry as a future growth market for the Southland by undertaking the *SSMMA Freight Study* and early implementation of its strategic plan. The Chicago Southland Economic

² Grubb & Ellis, *Logistics Market Trends Q2 2009*

Development Corporation (CSEDC), a partner agency to SSMMA, has identified growth of the transportation, distribution, and logistics industry as an opportunity and seeks to increasingly market the Southland as a logistics hub.

Chicago is a major market with a central location. The Chicago area's \$520 billion economy (see Figure 3.1) makes it an important player in national and global trade. Nearly 1.5 billion tons of freight were moved in the business economic area (BEA) which includes greater Chicago in 2007 (based on analysis of TRANSEARCH database). Close proximity to other major Midwestern markets such as Detroit-Windsor, Minneapolis-St. Paul, St. Louis, and Indianapolis supports Chicago's role as the primary distribution center in the Midwest market.

Figure 3.1 Size of Chicago Economy Compared to Nearby States



Source: Bureau of Economic Analysis.

The region has access to waterways connecting it to the east coast and Gulf of Mexico markets. The Great Lakes St. Lawrence Seaway system connects the Port of Chicago with ports in the eastern U.S., Canada, and Europe. The Great Lakes move significant volumes of metallic ores and minerals, supporting the Chicago region's steel and manufacturing industries. The Illinois River connects to the Mississippi River (which in turn connects to the Gulf of Mexico), creating a vital link for the barge shipping of coal and minerals.

The region is well served with transportation infrastructure. An excellent network of Interstate highways traverses the region, connecting it to the east and west coasts. Interstates link the region to Canada through Detroit-Windsor, the Gulf region via I-55, and Mexico via the I-35 corridor to the west. Six of the nation's seven Class I railroads serve the region, which is a major transfer hub for east coast-west coast freight. Significant intermodal traffic moves from, to,

and through the region. O'Hare Airport is a major national and international air cargo handler. Transportation infrastructure was discussed in greater detail in Section 2.

As urbanized Chicago runs into additional infrastructure capacity constraints, the Southland will become a more attractive location for new business and infrastructure development. The costs of doing business in urbanized Chicago continue to rise. The location of new and planned intermodal facilities further emphasizes that the transportation/logistics industry recognizes the value of Southland locations as an alternative to more expensive retrofitting and infill opportunities.

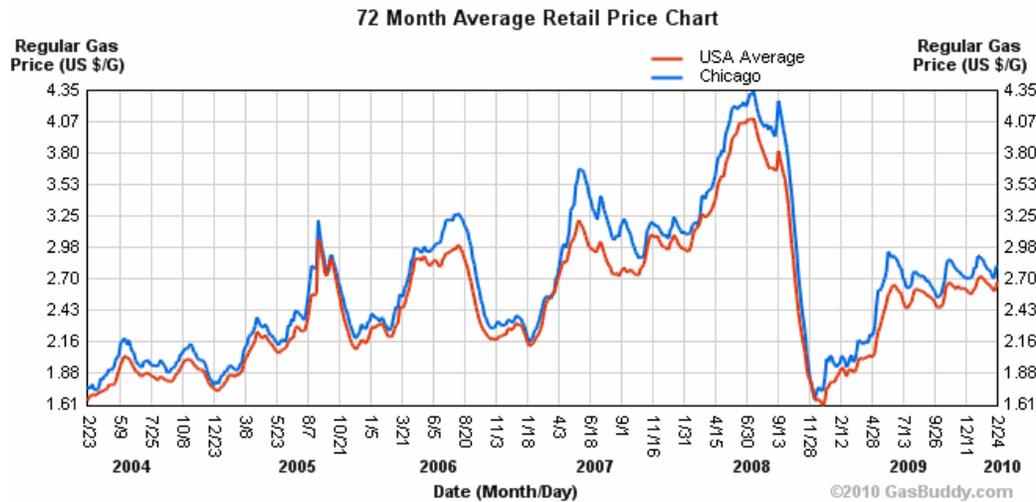
Proximity to agricultural resources may create potential for biofuel production. The Chicago region may be in a position to grow the biofuel production industry and take advantage of abundant agricultural production and low transport costs to east and west coast markets. Chicago companies such as Consolidated Biofuels, Inc. already have been exploring biodiesel processing.

Constraints

Congestion within the region is in part due to its location. Chicago experiences a larger than typical amount of through traffic for both freight and passenger vehicles. East-west traffic with northern destinations or origins is often forced through Chicago due to the barrier created by Lake Michigan, adding significant congestion and reducing travel time reliability. Tourist traffic from Chicagoland to destinations in Michigan and Wisconsin often clog critical Interstate corridors during weekends.

Chicago experiences high fuel prices due to its distance from suppliers. Chicago region gas and diesel retail prices are consistently higher than the national average, as shown in Figure 3.2. Higher fuel prices impact shipping costs, one of the important elements in new business location decisions and the success of existing businesses. This is particularly true during gas price shocks such as the one experienced in the summer of 2008.

Figure 3.2 Chicago Retail Gas Prices Compared to USA Average



Source: Chicagogasprices.com.

The widening of the Panama Canal may reduce freight transfer traffic in Chicago. While the widened Canal is generally predicted to bring increased container traffic to east coast and Gulf ports, it is not clear what the impact on Chicago may be. Chicago's freight industry thrives in part due to the need for transfer of goods between the east and west coasts. Some predict the need for these transfers may decline with the widening of the Panama Canal and the reduction of eastbound container traffic on western railroads (or at least a shifting of a larger share of the growth in intermodal traffic to other trade lanes). In this instance, Chicago's isolation from the coastal markets could serve as a greater deterrent to new business.

Winter weather serves to increase operating costs and reduce reliability, particularly for shipping, for some firms in the region. The Chicago region faces extreme weather in winter months which can result in road closures, safety hazards, and increased travel times. Short sea shipping is suspended on the Great Lakes during winter months. Additionally, some parts of the region are vulnerable to flooding, as seen in September 2008 when I-80 in Indiana was closed for three days with limited alternate routing available.

3.2 LABOR

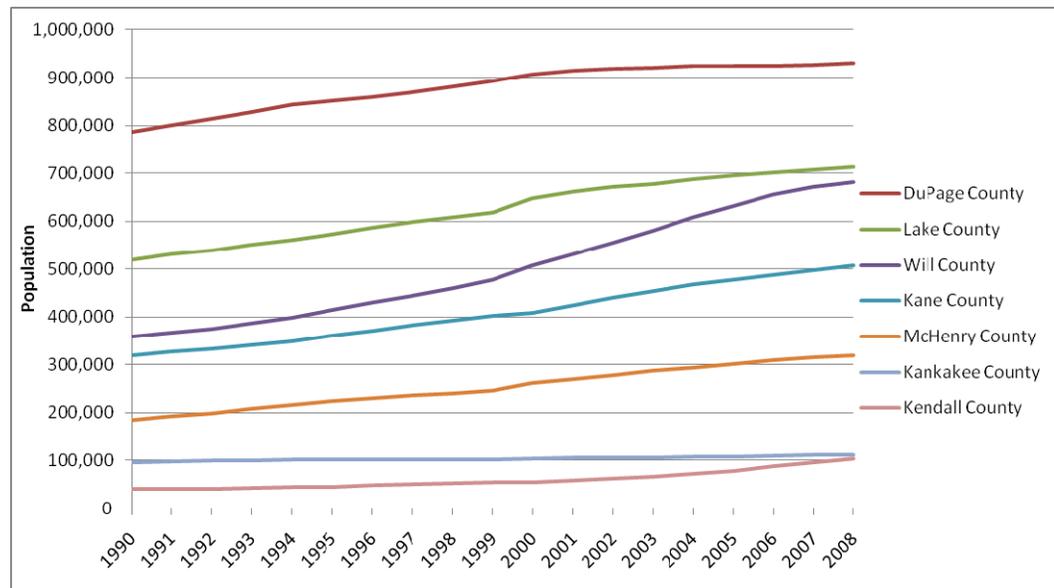
For businesses looking to find a start-up location, relocate, or expand, both the availability and quality of the labor force can be a major location decision factor.

Population trends and projections define a region's labor supply. To assess the skill level, data on educational attainment levels and existing employment mix are used.

Labor Supply

While population has continued to grow in the study area for decades, the total population and rate of growth has lagged behind other Chicago suburban areas historically. Recently this trend has reversed. With land becoming more scarce and costly in other regions of greater Chicago, population growth in Will County began to surpass that of many of the metro counties in the mid-1990s, including DuPage, Lake, Kane, and McHenry Counties. As shown in Figure 3.3, Will County has been the fastest growing county in the region (and in Illinois as a whole) in this decade, and is on course to overtake Lake County as the third most populous county in the State. This trend bodes well in terms of labor supply for businesses choosing to locate in the Illiana study region.

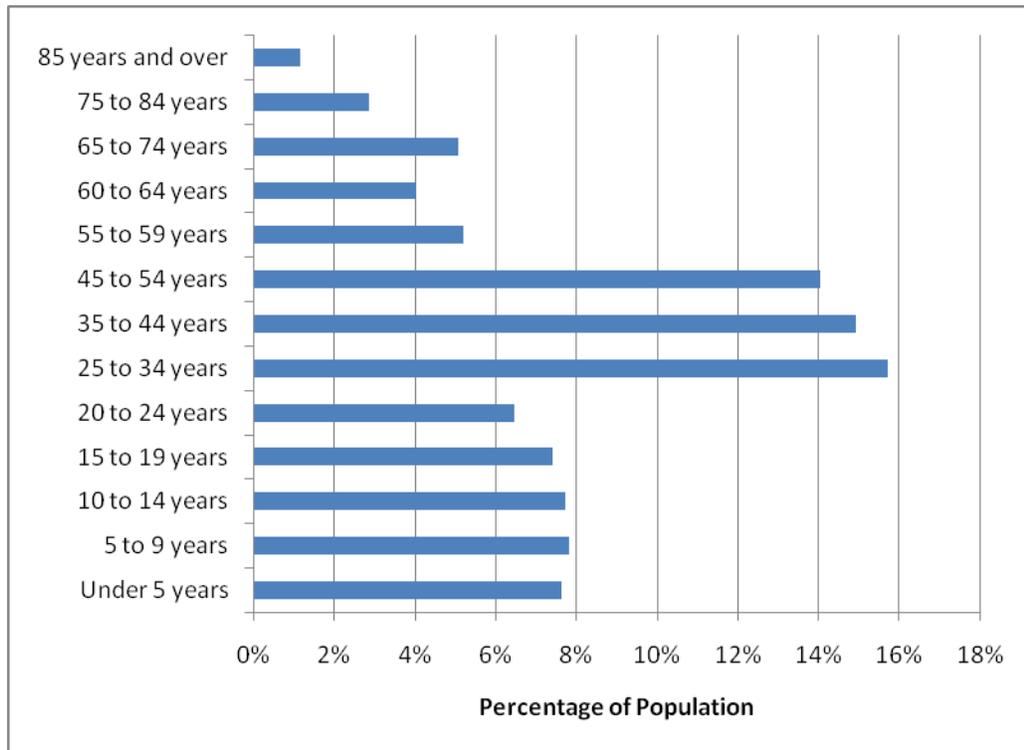
Figure 3.3 Chicago Suburban County Population Growth



Source: U.S. Census Bureau.

Another positive trend in terms of labor supply is the fact that the age distribution in the study area is somewhat younger than the national average (Figure 3.4). It has a larger share of population under age 20 with 31 percent, compared with 27 percent in the U.S. as a whole. People between the ages of 20 and 60 make up 56 percent of the area's population, very similar to the nationwide average of 55 percent. The area is made up of 13 percent of people over age 60, smaller than the national average of 18 percent.

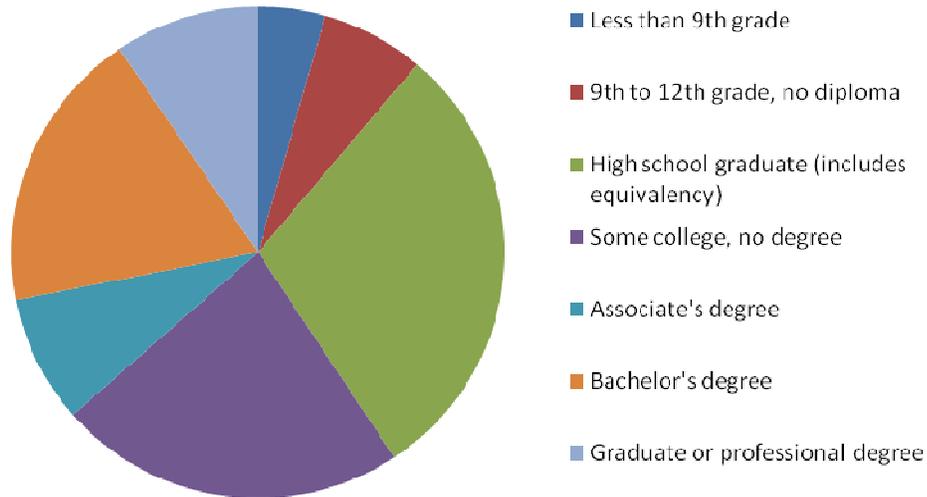
Figure 3.4 Age Distribution for Will and Kankakee Counties



Source: U.S. Census.

Labor Quality

There are two primary indicators of labor skill and quality: educational attainment levels and existing employment mix. The distribution of educational attainment in the study area is shown in Figure 3.5. The data reveal that the study area is on par with national averages with 89 percent of the population over age 25 having graduated from high school. Almost 60 percent have attended some college, and 28 percent hold a Bachelor’s degree or higher. This suggests neither a competitive advantage nor disadvantage in terms of labor skill.

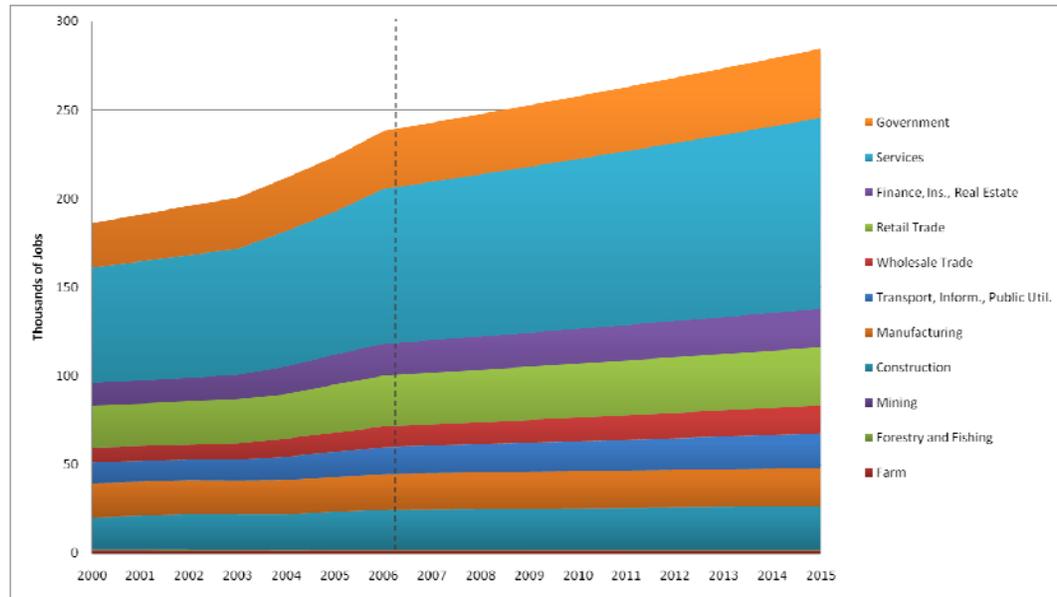
Figure 3.5 Educational Attainment in Will and Kankakee Counties

Source: American Community Survey (2008).

Note: Data for population age 25 and over.

Figures 3.6, 3.7, and 3.8 depict the employment by industry sector for each of the counties in the study region. The largest percentage of workers in the study area is in the service-related and government sectors. Manufacturing and construction each employ slightly less than 10 percent of the region's workers, with the transport, information, and public utilities sector also employing between five and 10 percent. Historical trends show steady increases in employment throughout all sectors except farming and mining in Will County, and projected growth in Kankakee County. Employment forecasts after 2006 indicate similar trends are anticipated to continue in the future. The data suggest a labor force with a diverse set of skills and experience in industries with stronger national growth trends.

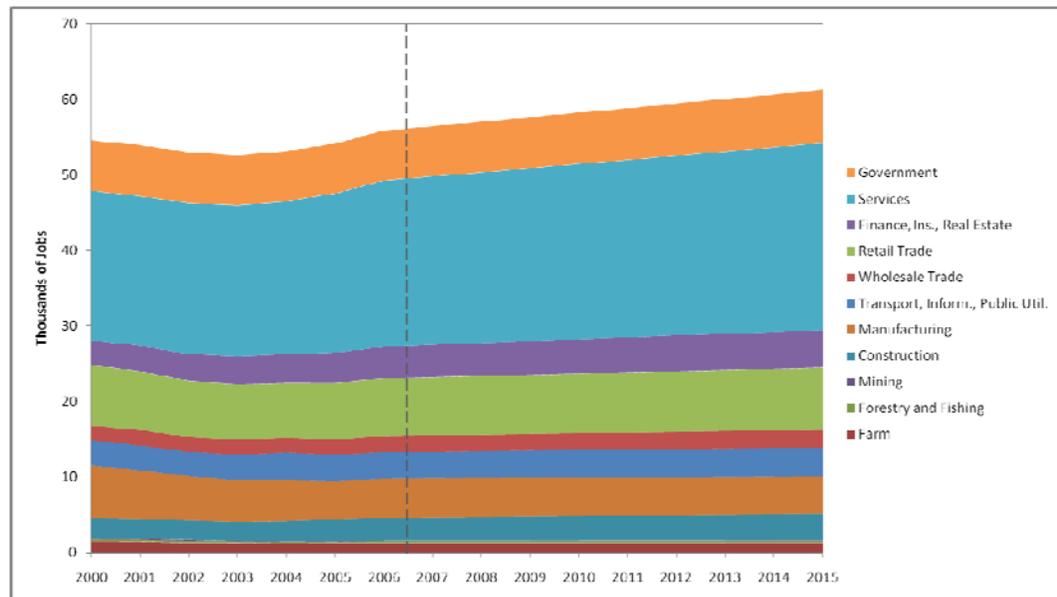
Figure 3.6 Employment Trends in Will County



Source: Woods & Poole.

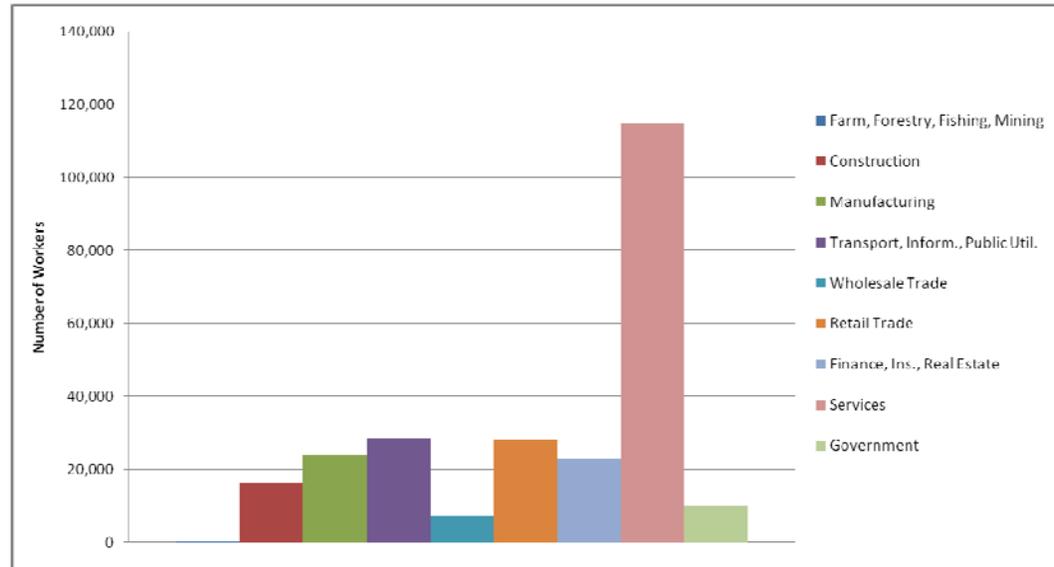
Notes: Values after 2006 are forecasted.

Figure 3.7 Employment Trends in Kankakee County



Source: Woods & Poole.

Notes: Values after 2006 are forecasted.

Figure 3.8 Employment Distribution in Southern Cook County

Source: American Community Survey, 2006-08.

Note: Data reflects households in Bloom, Bremen, Orland, Rich, and Thornton townships.

Opportunities

A recent survey of freight stakeholders conducted as part of the CMAP Freight Plan identified relatively few problems related to workforce. Stakeholders found that the near-term (five to 10 years) and long-term (up to 30 years) availability of a skilled workforce was very important to the region.

The labor force in the region, both skilled and unskilled, is strong in both the near-term and long-term. The presence of existing jobs within the region is an indicator of the presence of a strong labor force. While economic cycles can impact worker availability, it is reasonable to assume that a strong industry presence, coupled with a large and growing population, indicates that a labor force would be ready and capable to accommodate new businesses. Figures 3.6 and 3.7 show a strong labor base and projected future growth in Will and Kankakee Counties. In particular, there were over 15,000 jobs in the Transportation and Warehousing, Utilities, and Information sectors in 2006. This area is projected to roughly double by 2030, satisfying employer needs for labor in the near- and long-term.

Will County's rapid population growth will likely lead to a strong future labor market. As discussed previously, Will County is the fastest-growing county in Illinois since 2000, and is on course to overtake Lake County as the third most populous county in the State. This steady projected population growth, coupled with strong educational resources, will likely ensure that the labor market in the Chicago Southland will remain strong.

Constraints

Suburb-to-suburb transit services are limited within the region. Potential workers in the southern portions of the study area have limited transit options to access work, particularly with dispersed employment centers.

The retirement of the “Baby Boomer” generation may lead to a shortage of skilled laborers. Will County’s Workforce Investment Board has recognized this as a potential issue. Given the importance of skilled labor in attracting new businesses and retaining old businesses, it will be important for regional educational institutions and governments to provide and promote the necessary education and training programs to fill this gap. The two sectors identified in Will County as potentially having the largest gap are healthcare and education.

Additionally, the Workforce Boards of Metropolitan Chicago have identified the need for increasing skilled labor pools and have focused in particular on the transportation, warehousing, and logistics area. The Critical Skills Shortage Initiative effort focused on assessing and addressing the unmet skilled labor needs of critical industries for the northeastern Illinois region’s economic health. Recommendations included reaching out more to women and developing Internet recruitment strategies to reach a wider audience. The effort also recommended working to improve the image of the transportation sector.

While population has continued to grow in the study area for decades, the total population and rate of growth had lagged behind other Chicago suburban areas. With land becoming scarce, and land prices increasing in other nearby counties, however, the population growth rate in Will County began to surpass DuPage, Lake, Kane, and McHenry County growth rates in the mid-1990s. After 2000, population began growing three times as fast as Lake County, 50 percent faster than McHenry County, and more than 11 times as fast as DuPage County (Figure 3.3).

3.3 LAND

Land is a valuable and finite resource. Land use decisions have a major impact on the shape of residential and community growth and can attract and retain business.

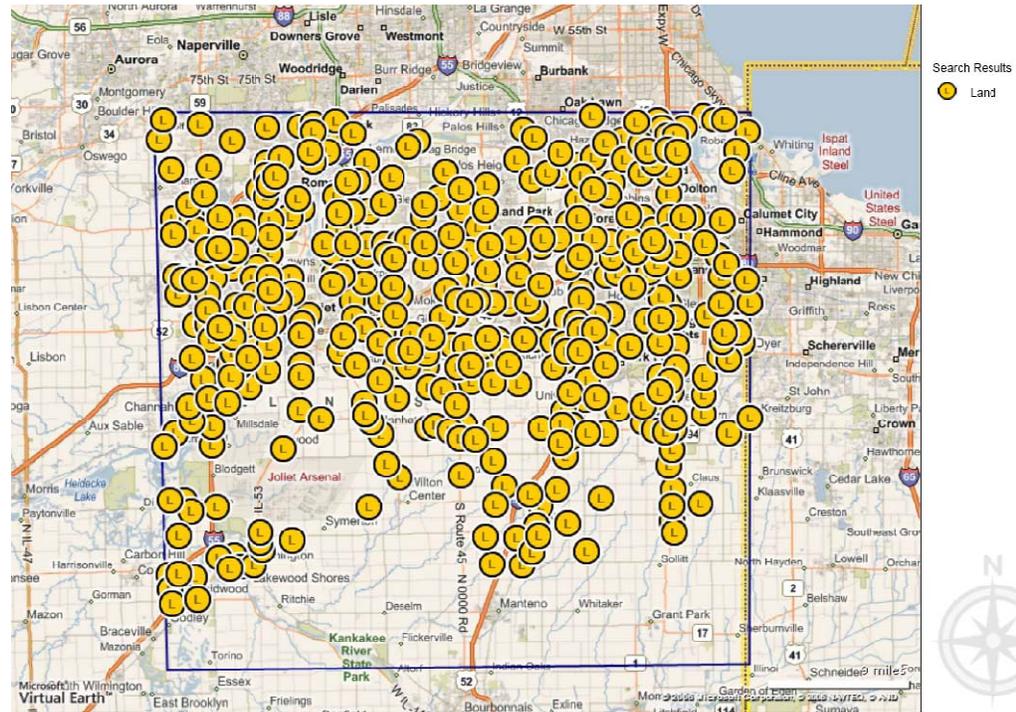
Opportunities

The Southland has available land for business development. Available land was identified in the Area Development Survey as a key factor determining business site selection. The Illiana study area has ample land that is currently on the market.

An analysis of available land conducted by CMAP using the CoStar Real Estate Database found that over 1,300 parcels are listed “for sale” within the study region. The average parcel size is about 20 acres and the average price is about \$100,000

per acre. Including both land and mixed properties (including structures) the overall value of available land is estimated at over \$2B. Figure 3.9 shows available parcels of land for sale. No restrictions were placed on size or price.

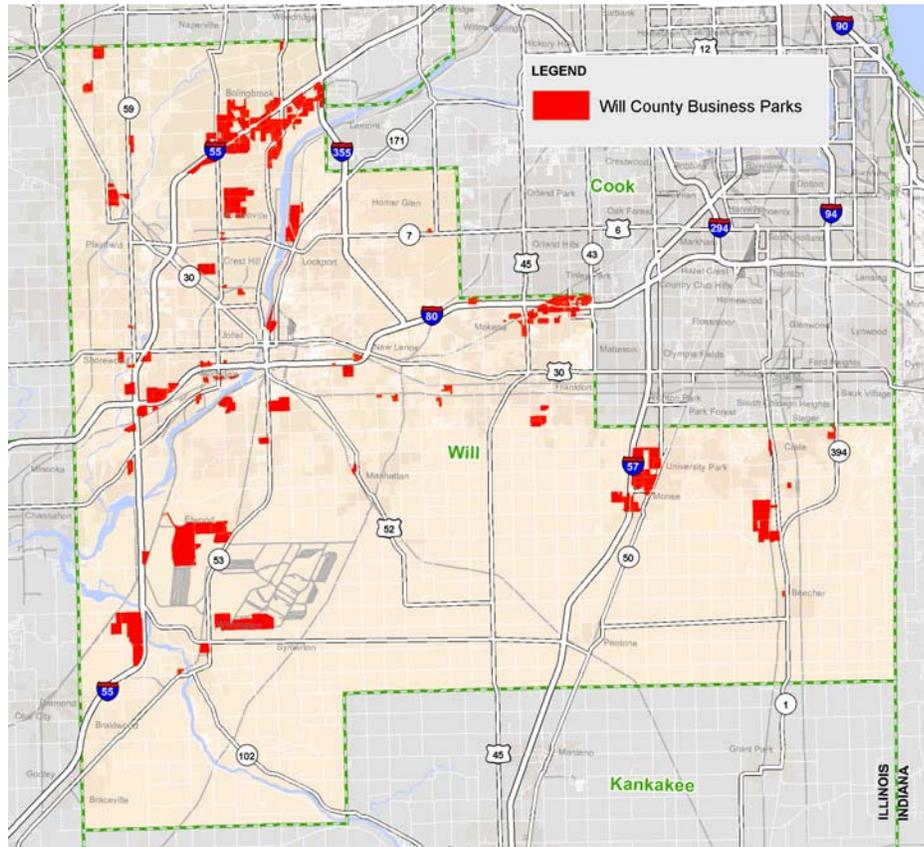
Figure 3.9 Available Land Sites for Sale



Source: CMAP using CoStar Real Estate Search Engine, 2010.

The Southland also has many available business park sites. Figure 3.10 shows the locations of Will County's 133 business parks, totaling over 17,000 acres of land. These sites are important as they typically meet land use planning requirements for business and consolidate resources and infrastructure to accommodate business needs.

Figure 3.10 Will County Business Parks



Source: Will County GIS.

The Southland has available buildings for new and relocating businesses, particularly transportation-related businesses. This factor tied “available land” as the 12th most critical factor for attracting new businesses to an area. The most recent available Grubb & Ellis industrial market snapshot compares the available warehouse and distribution space of different Chicagoland regions, shown in Table 3.2. Not only are there significant amounts of vacant square footage within the South Cook and Central Will regions, these regions also enjoy a competitive advantage in price of \$3.56 and \$3.26 per square foot respectively versus the regional average of \$4.14.

Table 3.2 Chicago Area Industrial Property, Vacancies, and Leasing Rates

Submarket (All Property Types)	Total Square Feet	Vacancy Rate	Asking Rent Wholesale/Distributor (Dollars)
Central Will	55,367,013	24.5%	\$3.26
Far North	93,230,976	13.1%	\$4.52
Fox Valley	76,062,246	13.2%	\$3.82
1-39 Corridor	27,117,090	15.0%	\$2.68
I-55 Corridor	72,293,957	14.9%	\$3.93
I-88/South DuPage	7,785,142	8.0%	\$6.78
McHenry	15,305,741	14.2%	\$5.41
Near North	54,446,931	6.7%	\$4.73
North City	83,230,850	8.7%	\$5.64
North DuPage	84,538,880	10.3%	\$4.33
North Kane	25,513,465	13.2%	\$5.06
Northwest	37,419,380	11.4%	\$4.61
NW Indiana	20,800,358	14.0%	\$3.09
O'Hare	101,018,308	12.0%	\$5.09
South City	106,251,033	7.6%	\$3.58
South Cook	75,069,103	13.1%	\$3.56
West Cook I	58,195,368	9.9%	\$4.69
West Cook II	30,562,617	13.2%	\$4.36
Totals	1,024,208,458	12.1%	\$4.14

Source: Grubb&Ellis Industrial Market Snapshot Chicago Fourth Quarter 2009.

There are significant cultural, environmental, and historical assets in the region that must be preserved. These assets are a strength for the attractiveness of the region to residents and the overall quality-of-life enjoyed within the region, and as such, they must be recognized and carefully preserved throughout any economic growth that occurs in the region. The *Illiana Expressway Feasibility Study* identified several of these assets and defined potential corridor alignments which avoid them. Farmland preservation is another significant priority within the region.

The Southland shows significant potential for cargo-oriented development growth patterns. Cargo-oriented development (COD) refers to strategically or opportunistically developed land uses that are well suited for industrial or transportation logistics-related purposes given their proximity to transportation

infrastructure. COD typically occurs near rail and highway corridors as well as intermodal facilities. Research from the Center for Neighborhood Technology (CNT) has focused on COD opportunities in the south Chicago suburbs,³ particularly those within the umbrella of SSMMA. Inner ring suburbs with a strong tradition of industrial land use and access to significant transportation infrastructure represent a strong opportunity for COD.

COD is an excellent opportunity for the Illiana study area because it thrives on the assets of the region (strong infrastructure, available inexpensive land, and an abundant workforce) while minimizing the weaknesses of the area (potential conflicts with residential land uses are less likely near old industrial sites; investment in old industrial sites allows for preservation of cultural and agricultural assets while requiring less investment in new infrastructure; locating new jobs near transportation facilities overcomes lack of transit services in the region).

Constraints

Conflicts between residential, commercial, and transportation land uses are a concern for local residents and municipal governments. Land use issues identified during the recent *SSMMA Freight Study* and *CMAQ Freight Study* include: conflicts between uses – generally residential and commercial/industrial uses; and the need for ancillary uses that are required by the transportation and logistics industry but which many municipalities find unattractive. While mitigation efforts are generally planned as part of major intermodal facilities, residential areas may be located near such facilities, resulting in impacts such as traffic congestion, noise, and light.

Some communities have expressed concern over the lack of diversification in economic development and land use strategies. During stakeholder outreach conducted as part of the *SSMMA Freight Study*, Southland communities questioned whether the local economy will be sufficiently diversified if its economic development strategy is too closely tied only to freight and logistics-oriented industry. With land use strategies and infrastructure investment focused on this goal, regional stakeholders are concerned that shifts in global and/or domestic supply chains might leave them exposed to economic stagnation.

3.4 BUSINESS CLIMATE

Business climate largely translates into factors that are conducive to new businesses coming into a region and existing businesses being content to stay

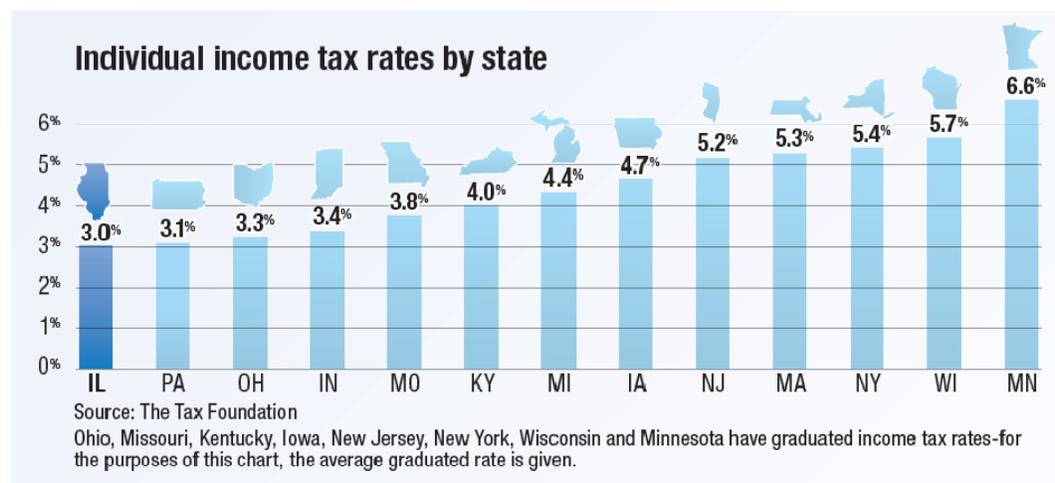
³ See *Cargo Oriented Development Opportunity Sites in the South Chicago Suburbs* and ongoing studies with CNT and SSMMA.

there. These factors can include taxation burden, local and regional cooperation, and economic development resources.

Opportunities

The State of Illinois has one of the lowest individual (three percent) and corporate (4.3 percent) tax rates in the nation. Recent analysis of tax rates by CMAP indicate that the region has a positive comparative business climate in terms of personal and corporate tax rates, as shown in Figure 3.11. The Area Development survey shows corporate tax rate as a significant factor in business location selection (ranked 5th overall).

Figure 3.11 Illinois Tax Rates Compared to Other Midwest States



Source: CMAP Regional Snapshot: State and Local Taxation, 2010.

Low individual and corporate tax rates contribute to Illinois' average rating in the Tax Foundation's 2010 State Business Tax Climate Index. Illinois received an overall index of 5.01 compared to the national average of 5.00, which ranked them 30th among all states.

The State of Illinois offers significant tax exemptions. Some of the exemptions listed by the Tax Foundation include job credits, research and development credits, investment credits, and deductible compensation expenses and costs of goods sold. Several major business-to-business transactions are tax exempt, including transportation and repair services. Tax exemptions are considered a major factor in business location (ranked 3rd in Area Development survey).

The issue of tax exemptions becomes more complicated in Illinois with the home rule powers granted communities of 25,000 or more by the Illinois Constitution. Home rule communities have a competitive advantage over non-home rule communities (which are restricted to real estate tax abatements of no more than \$4M).

The Southland has extensive economic development resources. Economic development agencies in the region include the Chicago Southland Economic Development Corporation (CSEDC), the Will County Center for Economic Development, and the Economic Alliance of Kankakee County. These agencies bring together the private and public sectors to identify and encourage economic development activities throughout the region. They frequently work hand-in-hand with their public sector partner agencies, such as South Suburban Mayors & Managers Association (SSMMA), the Will County Municipal League and the Kankakee County Board to foster regional growth and development.

Strategic development can lead to better infrastructure and public services, further increasing the area's attractiveness to new business. Appropriate development impact fees can help communities improve infrastructure and invest in services that draw additional business to the region. For example, a municipality may develop new and expanded roadways to support a new intermodal center. Impact fees from the intermodal center may be used to help cover the cost of improved access. As a result, new warehousing and other job and revenue-generating businesses may relocate to the area, taking advantage of the newly provided transportation capacity.

Tax-Increment Financing (TIF) districts, when properly planned and implemented, can spur economic development. TIF districts are a tool that has been employed by municipalities in the region for many years. The SSMMA supports the use of TIFs in their 2010 *Legislative Policy Statement*. Misuse of TIFs has generated controversy in recent years. They are most successful when a rigorous analysis is conducted to ensure they are needed and will generate positive development and the revenue is appropriately directed to suitable infrastructure investment.

Constraints

Jurisdictional competition often results in isolated decisionmaking. Because municipalities benefit significantly from an economic standpoint from large developments that occur within their boundaries, they are often reluctant to share information about potential developments until agreements are finalized. This often leads to regional impacts that are not in the best interest of the development, the transportation network, or land use plans in surrounding municipalities. In order to avoid the potential impacts of isolated decisionmaking, coordinated planning at the regional level will be essential moving forward.

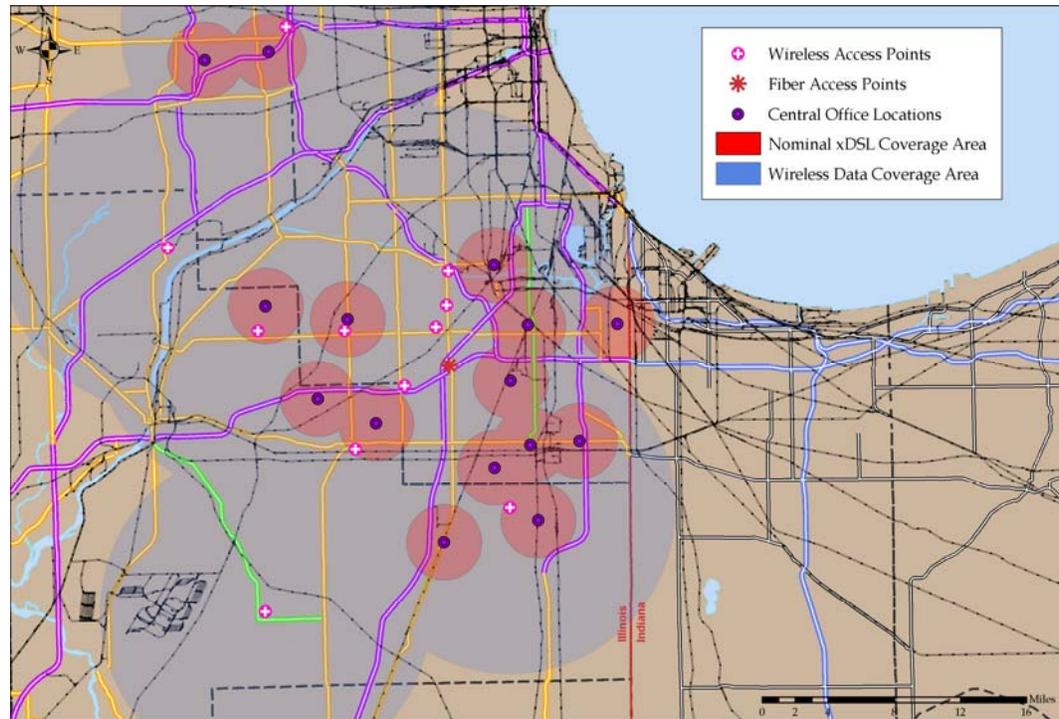
3.5 COMMUNICATIONS INFRASTRUCTURE

Communications infrastructure, such as broadband, wireless, and fiber data connections, can be an important requirement for economic development. Research from the Northern Illinois University Regional Development Institute gives some insight into existing infrastructure and possible infrastructure extension related to an Illiana Expressway.

Opportunities

Data connectivity is strong in the southern Chicago suburbs and northern portion of the study area. This connectivity can be a major resource for existing businesses and potentially attracting new businesses (Figure 3.12).

Figure 3.12 South Suburban Illinois Data Connectivity



Source: SSMMA Freight Study and Northern Illinois University, 2008 (Note: Data for Illinois only).

Fiber networks run along existing Interstate corridors. Primary fiber routes for major carriers such as Level 3, Paetec, Sprint, AT&T, KDL (Norlight), and others, route next to the Interstate Highways, including I-65, I-57, and I-55, and many of the railroad lines leading into the City of Chicago. These fiber routes go through the proposed Illiana corridor area but do not have POPs (points of presence) on or near the corridor.

The Illinois State Toll Highway Authority (ISTHA) has been placing fiber along all highways that are part of the Illinois Tollway system. Fiber plant in place for the Toll Road currently terminates at the I-294 and I-80 interchange and at the I-355 and I-80 interchange therefore not intersecting with the proposed corridor. The existing Illinois Tollway fiber is available for lease by both public and private entities and has been a viable and cost effective broadband access point for many of the municipalities and school systems near the existing fiber plant.

Development of a new east-west expressway corridor could potentially include an extension of fiber infrastructure, improving data connectivity in the corridor.

ISTHA recently invested in a fiber network expansion to coincide with the construction of the I-355 extension. This new fiber is available for leased usage and may significantly strengthen data connectivity in the corridor. A similar opportunity may exist for the Illiana corridor, where new fiber laid conjointly with expressway construction could serve as a backbone for data services and improve the attractiveness of the corridor to businesses.

Extension of fiber infrastructure could provide significant additional benefits beyond stimulating economic development. Greater access to fiber networks can improve intelligent transportation system (ITS) functions in the region. Municipalities have pursued access to leased fiber in order to generate broadband Internet services for their constituents. A collection of municipalities formed the Illinois Municipal Broadband Communications Association (IMBCA) to advance the interests of municipalities interested in promoting broadband services. School districts have similarly sought access through fiber networks to provide their students with broadband Internet access. Fiber also can act as a source of revenue for the owner/lesser. For example, the ISTHA has reported a positive revenue stream for their fiber networks.

Constraints

Data connectivity is limited in the rural southern areas of Will County and northern Kankakee County near the proposed Illiana corridor. The strong data connectivity of the northern part of the region does not extend far south. A potential Illiana corridor may face data connectivity issues that would slow development unless the fiber network is expanded.

The path for the proposed Illiana Expressway routes through largely agricultural and sparsely populated areas of both Indiana and Illinois. While the proposed expressway route crosses many existing carrier fiber routes, no commercial POPs, major communications hubs, or broadband distribution sites exist in the primary corridor.

Residential and small business broadband access in or near the Illiana Expressway Corridor for the low population areas are largely unserved by the two primary Incumbent Service Providers – AT&T xDSL services and Comcast cable modem service. (AT&T has not built out Project Lightspeed fiber plant in any of the area between Crete and Kankakee.) Some commercial wireless coverage is available in the corridor from regional service providers such as Urban Communications. Mid-range services (up to 100Mb) would be available as long as the location served has an unobstructed sight path to the provider's access point tower.

A recent entry by Sprint with their Clearwire WiMax service may extend into the proposed expressway corridor but no detailed information is available. Commercial and residential broadband access for the corridor in Indiana has not been examined.

3.6 SUMMARY

Regions must meet a variety of criteria to be competitive in attracting and retaining businesses and jobs. A new highway such as the proposed Illiana Expressway has the greatest impact on long-term job attraction and economic growth when the region exhibits other important competitive strengths. The data presented in this section illustrates that Chicago, and more specifically the Chicago Southland, has many strengths, including:

- A strategic location within a one-day drive of over 82 million people, and it is possible to reach over 219 million with a two-day truck drive, which represents 42% of the North American consumers;⁴
- Availability of a diverse and skilled labor force;
- Available land for both in-fill and green field development; and
- A favorable local business climate supported by significant economic development resources.

Given the region's strengths and opportunities, the area is poised to capture significant economic growth. However, the congestion issues and lack of east-west highway alternatives could present competitive challenges for attracting some industries. The proposed Illiana Expressway could be a significant catalyst for faster economic growth by positioning the region to take fuller advantage of its existing assets.

⁴ Grubb & Ellis, *Logistics Market Trends Q2 2009*

4.0 Economic Benefits and Opportunities

The Illiana Expressway will give rise to three primary categories of economic benefits: jobs created as a result of the construction activity; transportation cost savings for existing users of the region's transportation system; and strategic development impacts resulting from increased business attraction opportunities in the region.

4.1 CONSTRUCTION BENEFITS

Cost Estimation

For the Illiana Expressway Feasibility Study, construction cost estimates for the proposed segment between I-57 and I-65 were prepared. In addition, per acre land costs for right-of-way acquisition were generated through coordination with local land appraisers and using information from current similar construction projects in the study area. Based on the various alternatives identified in the Illiana Expressway Feasibility Study, a range of per-mile unit costs for construction and right-of-way acquisition were estimated and applied to the I-55 to I-57 portion of the proposed Illiana corridor. Table 4.1 below summarizes the resulting cost estimate range (construction and right-of-way costs) for the portion of the Illiana Expressway between I-55 and the state line.

Table 4.1 Illiana Capital Cost Estimates, I-55 to State Line

Lane Configuration	Construction Cost (Millions)	Right-of-Way Cost (Millions)
4	\$722	\$90
8	\$1,328	\$99

Economic Benefits of Construction Activity

The cost estimates presented above are used to estimate the economic impact of constructing Illiana. The economic benefits arise directly from the employment of construction-related staff and indirectly from the expenditures on materials, supplies, and services necessary to complete construction. The direct and indirect impacts then give rise to "induced" or multiplier benefits as the wages and salaries earned by the construction workers and professional staff spend their income at local businesses. A customized regional economic model developed by Regional Economic Models, Inc. (REMI) was used to estimate the impact. The REMI model was developed to enable the estimation of benefits for

Will and Kankakee Counties as a single region and the Rest of Chicago Metro area as a region. This allows for the examination of the distribution of benefits within the study area. The benefits were estimated using the range of average costs shown above in Table 4.1, providing a range of benefits, in terms of employment, personal income, and gross regional product (GDP). The analysis assumed a three-year construction period.

The construction activity associated with building the Illinois portion of the Illiana Expressway from the state line to I-55 is summarized in Table 4.2. Constructing this portion of the Illiana Expressway will create and support an average of over 2,600 to over 4,300 jobs annually for the three-year construction period. This translates to projected personal income increases in the range of \$850 million to over \$1.5 billion during that period.

Table 4.2 Summary of Estimated Economic Impact of Constructing the Illinois Portion of the Illiana Expressway

	Four-Lane	Eight-Lane
Employment	2600	4300
Personal Income (millions current \$)	\$850	\$1,579
Gross Regional Product (millions fixed 2000 \$)	\$469	\$875

Source: Regional Economic Models, Inc. and Cambridge Systematics.

Table 4.3 presents the percentages of benefit by benefit category accruing to Will and Kankakee Counties and the rest of the Chicago Metro area. The results indicate that although the actual construction activity will occur in the southern portion of the region, the entire metro region will experience increased employment and economic activity. Short-term stimulus effects of constructing the Illiana Expressway will be substantial.

Table 4.3 Distribution of the Economic Impacts of Constructing the Illinois Portion of the Illiana Expressway

	Will & Kankakee Counties	Rest of Chicago Metro
Employment	32.5%	67.5%
Personal Income	42.2%	57.8%
Gross Regional Product	50.6%	49.4%

Source: Regional Economic Model, Inc. and Cambridge Systematics.

4.2 TRAVEL AND TRANSPORTATION COST BENEFITS

Regional Transportation Cost Reduction Impacts

Transportation system investments have the potential to do the following:

- Decrease travel time;
- Decrease travel cost;
- Enhance safety;
- Increase reliability; and
- Enhance accessibility.

These benefits in turn increase productivity, as well as labor and market access.

The location of the proposed Illiana Expressway (within large Metropolitan Statistical Areas (MSA), providing critical east-west connections) has the potential to produce substantial travel efficiency and economic benefits to both the regional and national economies. Based on estimated changes in total vehicle hours traveled (VHT) and vehicle miles traveled (VMT) from the Illiana model forecasts, direct travel effects including travel time, travel operating costs (fuel and nonfuel), crashes, and emissions are estimated. The travel demand model developed for the Illiana Expressway Feasibility Study was used to generate VHT and VMT estimates for the study region for the current study (Table 4.4). It was enhanced to include the added segment between I-57 and I-55. The model provides data to estimate these effects for autos, nonfreight trucks, and freight (heavy) trucks for trips within, through, into, and out of the region.

User benefits are estimated from standard approaches provided by FHWA-sponsored models such as the Surface Transportation Efficiency Analysis Model (STEAM) and the Highway Economic Requirements System (HERS). Fuel and nonfuel operating costs are based on per mile of travel cost estimates from AAA for autos, and scaled up for trucks based on STEAM operating cost parameters. An estimate of monetized, direct user impacts with the Illiana Expressway is shown in Table 4.5. These are impacts accrued to all users passing through the Chicago region, including those originating elsewhere in Illinois or across the nation. The impacts are distributed geographically in Table 4.6.

These direct user benefits represent savings that will accrue to users based on a baseline forecast of economic growth. Thus, the economic impacts stemming from the direct user benefits do not include any business attraction impacts arising from increased accessibility and connectivity. This will be examined later in the section.

Table 4.4 Daily Changes in Regional VMT and VHT with Illiana 2030

	Thousand VMT		Thousand VHT	
	Low	High	Low	High
Autos/Other Trucks	150	488	-47	-64
Heavy Trucks	89	95	-7	-10
Total	238	583	-53	-74

Source: Cambridge Systematics, Inc.

Table 4.5 Total Annual Direct User Benefits with Illiana 2030 (Millions)

	Time Savings		Crashes		Vehicle Operating Costs		Total	
	Low	High	Low	High	Low	High	Low	High
Autos/Other Trucks	\$229.9	\$323.0	\$4.8	\$4.3	-\$46.7	-\$124.0	\$188.0	\$203.3
Heavy Trucks	\$64.4	\$97.0	-\$0.4	\$0.0	-\$49.2	-\$52.6	\$14.8	\$44.3
Total	\$294.2	\$420.0	\$4.5	\$4.3	-\$95.9	-\$176.6	\$202.8	\$247.6

Source: Cambridge Systematics, Inc.

Table 4.6 Annual Direct User Benefits with Illiana by Region 2030 (Millions)

	Time Savings		Crashes		Vehicle Operating Costs		Total	
	Low	High	Low	High	Low	High	Low	High
Chicago Region	\$195.8	\$277.0	\$3.6	\$3.3	\$(50.7)	\$(111.0)	\$148.6	\$169.3
Rest of Illinois	\$13.6	\$19.8	\$0.1	\$0.1	\$(6.7)	\$(9.3)	\$7.0	\$10.6
Rest of Country	\$85.0	\$123.2	\$0.7	\$0.9	\$(38.5)	\$(56.3)	\$47.2	\$67.7

Source: Cambridge Systematics, Inc.

In terms of safety, the construction of a new expressway, such as the Illiana, can have significant impacts on traffic patterns, resulting in changes to the frequency and severity of vehicle crashes involving fatalities, injuries, and property damage.

High crash rates are typically an indicator of safety issues. By controlling for traffic volumes (crash rates are generated by dividing crash occurrences by 100 million VMT), crash rates can point out those facilities and roadway segments with disproportionately high volumes of crashes, injuries, and fatalities. An analysis of crash rates in the recent *Illiana Expressway Feasibility Study* found that

the cumulative crash rates for facilities in the Illiana region are close to the national averages, though the total fatal crash rate is significantly higher, likely reflective of the rural and high-speed nature of the roadways analyzed as well as the high percentage of large trucks operating in the area.

The *Illiana Expressway Feasibility Study* found that the Illiana Expressway offers an opportunity to improve traffic safety. The Expressway is anticipated to shift traffic from lower functional class, more dangerous roadways, such as nondivided two-lane arterials, onto a safer facility which meets modern Interstate Highway safety standards. Also, as part of providing a safer, east-west travel alternative to I-80 and U.S. 30, Illiana is anticipated to reduce traffic volumes on these parallel facilities, ultimately reducing overall crashes, injuries, and fatalities in the area.

The *Study* estimated that the construction of the Illiana Expressway would reduce annual crashes in the area by 1.1 to 1.2 percent and reduce fatalities by 1.3 to 1.5 percent. Given that the *Illiana Expressway Feasibility Study* impact region and the impact region used in this report are relatively consistent in nature, it is reasonable to assume that **in Illinois** the Illiana Expressway may prevent greater than 350 crashes annually and save two lives every year.

Additionally, the *Illiana Expressway Feasibility Study* also found that construction of the Illiana Expressway will impact emergency services by improving the reliability, efficiency, and connectivity of the transportation system, enabling emergency service providers to safely and quickly service the public in the event of an emergency. Such benefits are difficult to quantify and are not included in this economic opportunities analysis.

The monetized direct user benefits from travel time, crash, and vehicle operating cost savings are converted into production cost savings and input into the REMI model to evaluate the jobs created and supported by these cost savings, as well as personal income and GRP generated. Table 4.7 summarizes the total net present-value of 30 years of economic impacts starting from the opening of the Illiana. The average annual impacts also are summarized. As with the tables above, impacts are expressed for a low and high model scenario. All economic impacts include additional logistics and supply chain effects estimated using parameters recommended by the U.S. DOT Freight Economic Impact Guidebook. Table 4.8 shows the distribution of these benefits across Will and Kankakee Counties and the rest of the Chicago region.

Table 4.7 Regional Economic Impacts of Direct User Benefits Resulting from Illiana over 30 Years
2010 Dollars

	Low	High
Employment (average annual new jobs)	27	38
Employment (total new jobs at end of period)	817	1136
Average Annual Income (in millions)	\$107	\$150
NPV Income (in millions)	\$757	\$1,072
Average Annual Gross Regional Product (in millions)	\$121	\$175
NPV Gross Regional Product (in millions)	\$859	\$1,235

Source: Regional Economic Models, Inc. and Cambridge Systematics, Inc.

Table 4.8 Distribution of Economic Impacts due to Transportation Cost Savings

	Will and Kankakee Counties	Rest of Chicago Region
Employment	2%	98%
Income	5%	95%
Gross Regional Product	2%	98%

Source: Regional Economic Models, Inc. and Cambridge Systematics, Inc.

As shown in Table 4.7, income stemming from the Illiana’s impact over 30 years results in present value estimates ranging from nearly \$470M to over \$1B, in 2010 dollars, assuming a six percent discount rate. Gross regional product benefits over 30 years are estimated to range from over \$530M to over \$1.2B. These substantial employment, income, and GRP impacts from travel efficiency do not include additional national-level impacts outside of the Chicago region. The proportion of direct user benefits experienced by users outside of the Chicago region who pass through the area is shown above in Table 4.6. Table 4.9 shows estimates of economic impacts for these users assuming a similar magnitude of impacts from these travel savings as is experienced within the Chicago region.

Table 4.9 Economic Impacts of Direct User Benefits Resulting from Illiana over 30 Years Outside of Chicago Region
2010 Dollars

	Rest of Illinois		Rest of Country	
	Low	High	Low	High
Employment (total new jobs at end of period)	38	71	260	454
NPV Income (in millions)	\$36	\$67	\$240	\$429
NPV Gross Regional Product (in millions)	\$40	\$77	\$273	\$494

Source: Regional Economic Models, Inc. and Cambridge Systematics, Inc.

Other system-level effects will result from the implementation of the Illiana. The methodology assumes a simple cost per VMT; since the Illiana is projected to increase total VMT for the region, the estimates indicate that Illiana will lead to additional costs in terms of emissions and pavement damage. Annual emissions costs and pavement deterioration costs are expected to range from \$10 to \$17 million per year (Table 4.10). However, a more detailed analysis that includes an examination of VMT by speed levels may reveal an actual reduction in emission costs arising from Illiana if more emission-efficient speeds are achievable system-wide. Likewise, for pavement preservation costs, if the Illiana attracts sufficient truck traffic and it is engineered with more truck tolerant pavements, it is possible that the cost of maintaining the regional system in a state of good repair could be reduced.

Table 4.10 Other System Changes with Illiana, 2030 (millions)

	Low	High
Emissions	-\$1.9	-\$3.1
Pavement Deterioration	-\$8.2	-\$13.6
Total	-\$10.1	-\$16.7

Source: Cambridge Systematics, Inc.

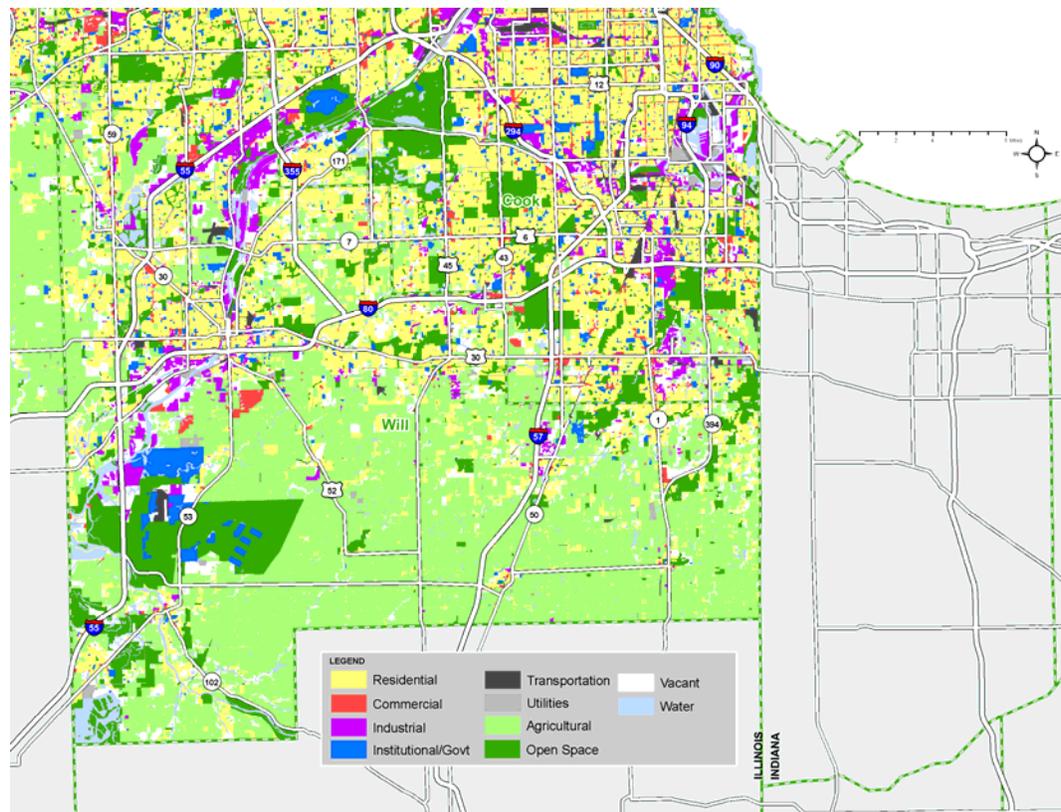
4.3 STRATEGIC DEVELOPMENT OPPORTUNITIES IN THE ILLIANA STUDY AREA

The Illiana Study Area is a combination of suburban and rural areas (Figure 4.1 and Figure 4.2). The largest portion (48 percent) of the study area is agricultural (Table 4.11). Another 23 percent of the land is open space, water, vacant, or under construction. Residential development makes up almost 20 percent of the study area, and the remaining 10 percent of land is distributed between

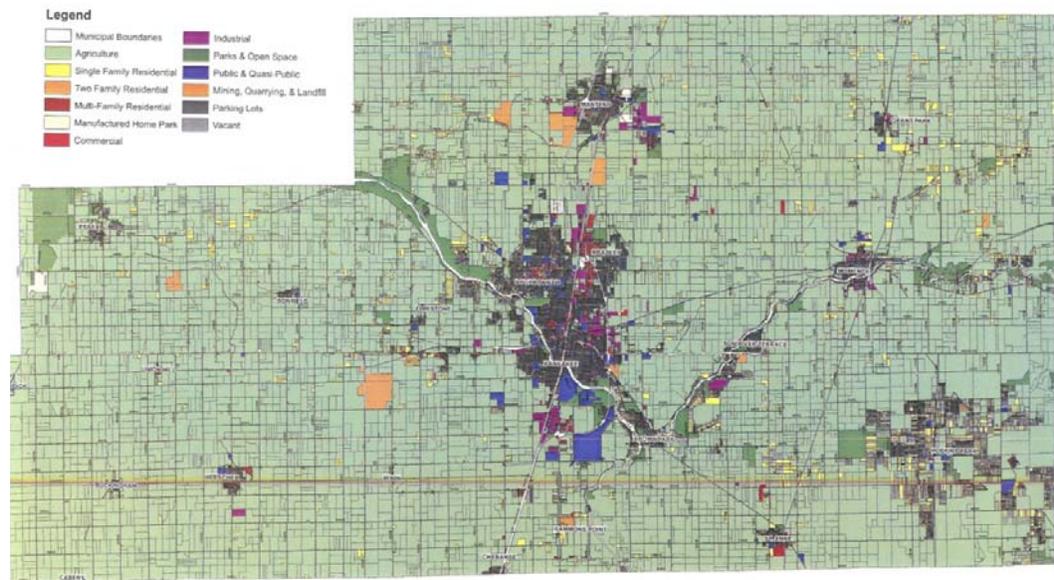
commercial, institutional, industrial, utilities, and transportation. Of the residential land, approximately 95 percent is devoted to single-family homes.

Southern Cook County and northwest Will County are the most developed parts of the study area. Southern Will County and northern Kankakee County are largely agricultural, but have the most potential for development with the addition of the Illiana Expressway and the South Suburban Airport.

Figure 4.1 Current Land Use in Will and Southern Cook Counties



Source: CMAP.

Figure 4.2 Current Land Use in Kankakee County

Source: Kankakee County Planning Department.

Table 4.11 Land Use Summary for Illiana Study Area

Type	Acres	Percent
Residential	140,399	19.2%
Commercial	16,029	2.2%
Institutional/Government	20,374	2.8%
Industrial	18,760	2.6%
Transportation	9,811	1.3%
Utilities	5,202	0.7%
Agricultural	353,136	48.3%
Open Space/Water	106,742	14.6%
Vacant/Under Construction	60,557	8.3%
Total	731,010	

Source: CMAP, Kankakee Co. Planning Department.

The Illiana study area has experienced significant growth in both population and development, a trend which is expected to continue into the future. Since 2000, Will Counties has been the fastest growing county in terms of population in the State of Illinois. With significant existing and planned developments in the area, several new or expanded industrial and intermodal facilities are expected to develop in the area in the coming years. These planned developments include the South Suburban Airport, planned intermodal and industrial facilities in Crete and Joliet, expansions to Logistics Park Chicago in Elwood, and others will drive economic growth and increase transportation demand in the south region.

The investment in the Illiana Expressway would address the need for additional east-west highway alternatives south of I-80. This would allow for more efficient connectivity to three north-south interstates and vital national markets. In addition, the Illiana Expressway would improve access to new lands for development. To evaluate the potential for strategic development impacts arising from enhanced business attraction potential, an assessment of existing and future land use plans was conducted. This information was combined with insights from interviews with private sector commercial developers and local economic development officials and was used to develop estimates of build-out scenarios. The build-out scenarios are used to project job growth and other economic impacts.

Existing and Projected Land Use

The Will County Land Use Department assembled local community future land use plans from across the county to forecast the demand and capacity for the development of land. Since much of the county is currently undeveloped or agricultural, the capacity for development far exceeds the demand over the 20-year forecast period.

The projected nonresidential development is distributed between three main categories (Table 4.12). The largest of these will be business parks, which are expected to make up 60 percent of new nonresidential development acreage in Will County. Commercial and retail development is expected to comprise 30 percent of the nonresidential development, with land for offices making up the final 10 percent.

Table 4.12 Forecasted Land Demand and Capacity in Will County

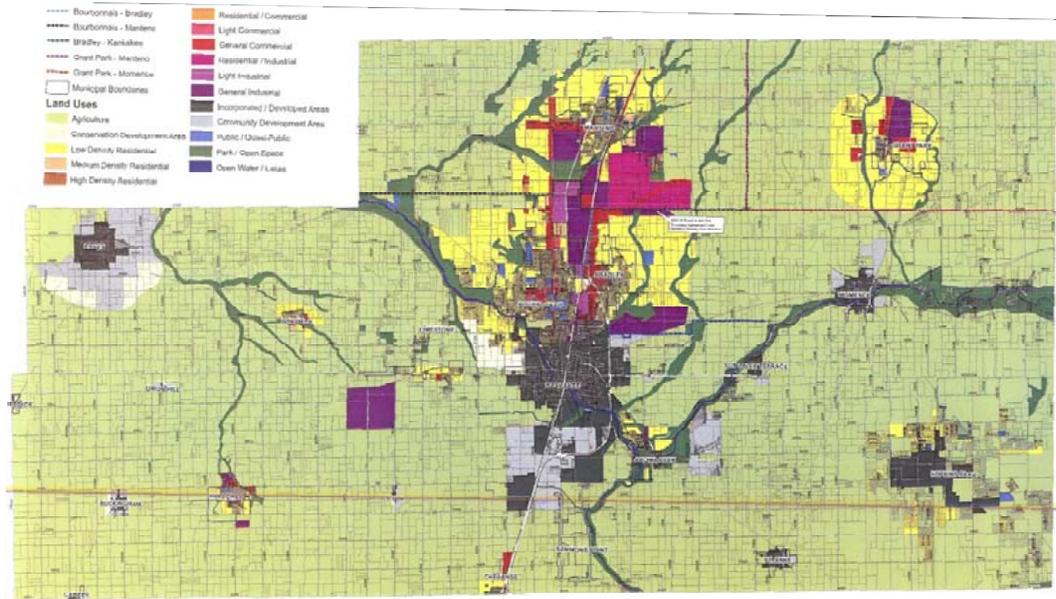
Use	20-year Land Demand (acres)	Capacity (acres)
Residential	112,001	263,141
Nonresidential Total	6,054	31,074
Commercial/Retail	1,816	
Office	605	
Business Parks	3,633	
Total	118,055	294,215

Source: Will County LRMP – Policy Gateway.

Note: Demand figures assume South Suburban Airport is built.

A large amount of development also is expected in northern Kankakee County. Figure 4.3 shows that a large amount of both industrial and residential development is projected within the Kankakee County portion of the Illiana study area.

Figure 4.3 Projected Land Use in Kankakee County



Source: Kankakee County Planning Department.

In total, between 1,292 and 2,585 acres of industrial development over a 20-year period is expected in Kankakee County (Table 4.13). Based on an analysis of capacity for industrial development by municipality, it is expected that a large portion of this will be in the four northernmost townships of the county, reflecting better access to existing transportation infrastructure and other development in Will and southern Cook Counties.

Table 4.13 Forecasted Land Use in Kankakee County

Use	20-year Land Use Projection (acres)
Incorporated Residential	2,075-4,050
Unincorporated Residential	3,671-6,872
Countywide Industrial	1,292-2,585
Countywide Office	104
Countywide Retail	190-348

Source: Kankakee County Planning Department.

Impact of the Illiana Expressway on Rate of Industrial Land Development

The Illiana Expressway would fill in a significant missing East-West transportation link in southern Will and northern Kankakee Counties. Complementing extensive existing rail and highway infrastructure as well as the proposed South Suburban Airport, the Illiana has the potential to accelerate

development in the area by reducing transportation costs and improving access to and from the area.

This analysis projects the impacts of the Illiana on the rate of industrial development in the study area. It is assumed that building the Illiana Expressway will accelerate the absorption rate of the available land surrounding it. As a result, this will accelerate job creation, bring economic benefits to the study area sooner than anticipated, and ultimately result in a greater net present value of benefits. It is anticipated that the accelerated growth in industrial development which would result from constructing the Illiana Expressway would occur in a concentrated fashion along the actual expressway corridor, and in particular in close proximity to the proposed interchanges.

The Will County Land Resource Management Plan, produced by the Will County Land Use Department, predicts that the South Suburban Airport would increase land demand for industrial development by 85 percent over a 20-year period. For this study, it is assumed that the Illiana will have between a 20 and 30 percent acceleration impact within its impact area based on discussions with local developers, beyond the impacts from the airport. Based on this accelerated impact rate, it can be expected that between 280 and 420 additional acres of land will be developed within the Illiana corridor over a 20-year period above originally anticipated development. The acceleration of industrial land development means that job creation and other economic benefits will be accelerated as well. Using an industry average of 15 jobs per acre of transportation and warehousing development, it is estimated that the Illiana will create between 420 and 6,200 more jobs than anticipated over a 20-year forecast period due to a faster rate of development.

The regional REMI model was used to estimate the total benefits of this job creation impact. Table 4.14 presents the total potential economic impacts arising from strategic development opportunities of the Illiana Expressway, including the direct jobs estimated above and resulting indirect and induced jobs.

Table 4.14 Economic Impacts from Strategic Development Opportunities Over 30 Years

	Low	High
Employment (average annual new jobs)	290	422
Employment (total new jobs at end of period)	8,684	12,672
Average Annual Income (in millions)	\$394	\$580
NPV Income (in millions)	\$2,152	\$3,165
Average Annual Gross Regional Product (in millions)	\$488	\$714
NPV Gross Regional Product (in millions)	\$2,763	\$4,051

Source: Regional Economic Model, Inc. and Cambridge Systematics.

4.4 FUNDING AND GOVERNANCE ISSUES

In terms of potential governance issues related to the Illiana Expressway and the South Suburban Airport, support has been shown among stakeholders for the creation of a Bistate Port Authority to oversee these projects. To provide guidance over the planning process for the Illiana Expressway, CMAP has asked for funding for an Illiana Corridor Council.

In terms of private involvement in the funding of the Illiana Expressway, legislation was passed this year in Indiana that would enable Illiana to be constructed as a public-private partnership (P3). Legislation is currently pending in Illinois that also would allow infrastructure projects to be constructed as public-private partnerships. The region must leverage private dollars.

In regard to truck only lanes on the Illiana Expressway, CMAP supports this concept, as they are currently looking at the managed lanes concept as part of the overall highway system in the region.

4.5 SUMMARY

The proposed Illiana Expressway would give rise to significant economic benefits. These benefits start with the job creation from the construction activity, travel benefits and efficiency gains for existing users and expanded development opportunities due to increased accessibility and connectivity. Table 4.15 provides a summary of the potential benefits arising from the Illiana Expressway by category.

Table 4.15 Summary of Quantifiable Economic Benefits and Opportunities Resulting from Illiana

Economic Benefit Category	Benefit Period	Employment Benefit Range (Jobs)	Personal Income Benefit Range (Millions of 2010 \$)	GRP Benefit Range (Millions of 2000 fixed \$)	2030 Annual Direct User Benefits (Millions of 2010 \$)
Construction Benefits	3 years	2,600 - 4,300	\$850 - \$1,579	\$469 - \$875	-
Economic Impacts from Direct User Benefits	30 years	510 - 1,140	\$474 - \$1,072	\$529 - \$1,235	\$149 - \$169
Strategic Development Opportunity Benefits	30 years	8,680 - 12,670	\$2,152 - \$3,165	\$2,763 - \$4,051	-
Rest of Illinois Economic Impacts from Direct User Benefits	30 years	40 - 70	\$36 - \$67	\$40 - \$77	\$7 - \$10
Rest of Country Economic Impacts from Direct User Benefits	30 years	260 - 450	\$240 - \$429	\$273 - \$494	\$47 - \$68

Source: Cambridge Systematics

5.0 Conclusion

Chicago Southland region is poised for economic growth. With the strategic location and position as a multimodal transportation hub combined with available land, labor force and supporting infrastructure, the region has the potential to expand its role as the nation's freight distribution hub and a model location for supply chain efficiency. However, the persistent congestion on I-80 and lack of viable alternative east-west highway connections between major north-south interstates and regional economic markets could dampen the region's competitiveness in attracting additional major industrial and logistics facilities. The proposed Illiana Expressway would address this constraint and act as an economic catalyst for both existing and future businesses. The analysis estimated that the Illiana Expressway could lead to new opportunities and economic benefits valued at more than \$6 billion dollars over 30 years, leading to the creation and support of as many as 4300 short-term construction jobs and 13,800 long-term jobs in northeastern Illinois in the 30 years following construction.

Another way to view the results is in terms of opportunity costs, or what the region stands to lose without the investment. Without the Illiana Expressway, the region will continue to experience congestion delays and greater unreliability in the existing highway system. This will lead to higher transportation costs and greater environmental impacts, which impact the livelihood of both businesses and residents. It is also very likely that the Southland region will not experience their full build-out potential in the absence of improved east-west highway connections south of I-80. Hence, the region would become less competitive both in terms of attracting new businesses and retaining existing businesses, potentially costing thousands of jobs and millions of dollars in lost income and tax revenue over the thirty year period.