

centerpoint

INTERMODAL CENTER

By Michael M. Mullen

■ INTRODUCTION

The Joliet Arsenal was developed by the U.S. Army in the early 1940's as a manufacturing plant for TNT and related materials. Located 50 miles southwest of Chicago near Joliet, Illinois, the nearly 25,000-acre site was ideally situated off of a major railroad mainline, providing the Army an instant distribution link to the rest of the country. In the following decades, the Arsenal became one of Metropolitan Chicago's largest employers, with over 12,000 Illinois residents on its payroll during peak production years. But in 1976 the Arsenal was decommissioned, abandoning the offices and factories that would stand only as a reminder of what had once been a productive industrial complex.

When Congress passed legislation in 1995 to transfer the land for remediation, the site was subdivided for both public and private use. The U.S. Forest Service was given 19,000 acres for the creation of the Midewin National Tallgrass Prairie, the nation's newest national park and the only park dedicated to the restoration of native Midwest prairie. The Department of Veteran Affairs was given 1,000 acres to establish the Abraham Lincoln National Cemetery, the 117th national cemetery and named after the founder of the national cemetery system. Finally, the Army transferred 2,032 acres to CenterPoint Properties, a Chicago-based industrial real estate company. Working alongside



Single, double and triple rail spurs help increase distribution efficiency for customers at CenterPoint Intermodal Center: (left) Potlatch Corporation and (right) Sanyo Logistics.

local, state and federal agencies, the former Joliet Arsenal is being transformed into a manufacturing and distribution business park called CenterPoint Intermodal Center.

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TRANSFORMING THE JOLIET ARSENAL INTO A MANUFACTURING AND DISTRIBUTION BUSINESS PARK

The United States Army has been re-examining its facilities to identify underutilized land, with intentions to return it back to more productive uses. In the mid 1990's, it came across the former Joliet Arsenal – a 27,000-acre munitions factory that sat idled since 1976. Formerly used by the U.S. Army for the manufacturing of munitions, the Arsenal later became designated as a Superfund site, setting the stage for a massive environmental remediation. In 2000, a land transfer to a private developer and the United States Forest Service helped advance plans for the Arsenal's redevelopment into an intermodal yard and industrial business park. The transfer of the property for private development helped establish a model for converting closed military installations in the right way, turning potentially negative economic impacts into opportunities for jobs, investment and tax revenues. Several thousand jobs were lost when the Arsenal closed, but its visionary redevelopment is expected to produce even more.

Upon completion, CenterPoint Intermodal Center will have transformed a former military brownfield into new revenue streams and employment opportunities for Will County and the state of Illinois. The park features a 621-acre intermodal yard operated by Burlington Northern & Santa Fe Railroad, and will eventually contain up to 10 million square feet of industrial and distribution facilities. One of the largest public/private redevelopments in the United States, the project's total investment approaches \$1 billion.

UNPRECEDENTED LAND TRANSFER, PUBLIC/PRIVATE PARTNERSHIP

After the Arsenal was declared excess property by the Army in 1993, the state of Illinois established the Joliet Arsenal Development Authority (JADA) in 1995 to help create economic development opportunities. During the planning stages, the project brought together virtually all levels of government, more than a dozen public agencies, and private industry to benefit the community under a common plan.



BNSF Logistics Park Chicago

A Memorandum of Agreement between JADA, CenterPoint, the United States Environmental Protection Agency (USEPA), the Illinois Environmental Protection Agency (IEPA) and the Army paved the way for the acquisition and development of the property by defining the rights, duties and assurances required by all of the parties involved. It effectively determined the terms by which a military property could be converted for private use by a developer. The document represents the first time the Army had ever entered into such an agreement, establishing a national model for future military base conversion; intergovernmental cooperation; clean-up and remediation of a designated Superfund site by the USEPA; and public/private economic development to convert a

blighted area into an economic hub of activity. As the military moves to close other outdated facilities, thousands of acres of dormant land will be redeveloped to foster economic growth in the communities in which they are located.

The project in total was made possible by cooperation and support from the local government of Elwood, Illinois, to Springfield, Illinois, to Washington D.C. Members of the Illinois Congressional delegation, including Senator Dick Durbin and Congressman Jerry Weller, were instrumental in working with the U.S. Army and other federal agencies. Critical assistance also came from the Speaker of the House Dennis Hastert and the Secretary of the Army Louis Caldera.

A PLANNING SUCCESS

The redevelopment of the Joliet Arsenal went from an existing planning disaster to an unparalleled planning success. After a failed redevelopment plan by the Transport Development Group (TDG), the developer realized its opportunity to provide an

entire community with a vision for the future. The TDG plan called for the largest landfill in America, with the nation's garbage transported to the site via rail. Not only would this land use deteriorate the endangered ecosystem contained in the Midewin Tallgrass Prairie, it would serve as a nuisance to visitors at the Veterans Cemetery. Furthermore, the development of a landfill would only provide the community with limited employment opportunities and tax revenues.

CenterPoint's vision involved developing one of the nation's largest intermodal facilities, adjacent to an industrial business park. But, while increased intermodal capacity was desperately needed to alleviate the region's freight traffic congestion, an intermodal facility was an unwelcome neighbor. CenterPoint worked closely with JADA, which was formed to facilitate and promote the utilization of the property formerly occupied by the Arsenal and enhance its economic benefits by creating new job opportunities and fostering new economic development within the area. Extensive communication led to a determination of the most beneficial use of the land for both Will County and the entire metropolitan Chicago region. During the pre-planning period, a series of open meetings with the people of



DSC Logistics – 1,023,000 square feet

Will County provided public opinion regarding the development plan.

On a state and federal level, negotiations with the Illinois Department of Transportation, the Environmental Protection Agency and the United States Army led to the unprecedented land transfer. Since the entire Arsenal property encompassed nearly 25,000 acres and the intermodal center required approximately 2,000 acres, the remaining land use was a critical component to the entire plan. Extensive remediation and land improvements ensured that the massive industrial park would successfully coexist with the Midewin Tallgrass Prairie and the Abraham Lincoln Veterans Cemetery, being careful not to compromise the integrity of the historic surroundings.

LONG-TERM BENEFITS TO THE COMMUNITY AND ITS SURROUNDINGS

By working closely with the various levels of government and fostering relationships with the other interested parties, the development team was able to develop a sensible land use plan. Combining an intermodal facility with a state-of-the-art industrial park 50 miles southwest of Chicago offered economic benefits that could not be ignored. By leveraging the region's existing infrastructure elements and natural resources, the plan realized the unique advantages of the land parcel and provides substantial public benefit.

Chicago area infrastructure capacity is constrained for both rail and highway, with expected growth projected to exacerbate the problem. According to the Chicago Area Transportation Study (CATS), the number of trains per day in the Chicago area is expected to grow more than 1/3 over the next 20 years from 1800 per day to 2400 per day. Demand for Chicago-area intermodal lifts is expected to increase by 150 percent from nearly

5 million annual lifts to 12 million over the next two decades. The strategically located BNSF intermodal park will help reduce overall traffic congestion throughout the metropolitan area by eliminating trips between transportation facilities and distribution centers and warehouses.

Multi-modal industrial centers such as CenterPoint Intermodal Center enable city planners to better manage area development around one strategically located site. Concentrating logistics development allows for more focused management of environmental issues as well. The park will also create jobs for the surrounding communities by attracting outside companies interested in expanding or relocating transportation, distribution and warehousing facilities to one central site.

Throughout its build-out and upon completion, CenterPoint Intermodal Center will provide tremendous long-term and temporary employment opportunities to the surrounding communities. In its early development stages, more than 300 construction workers were on-site daily, and approximately 20,000 union construction jobs are expected to be generated over the life of the project. According to a University of Illinois study, upon its completion, CenterPoint Intermodal Center is projected to create more than 8,000 new full-time jobs.

ENVIRONMENTAL REMEDIATION AND INFRASTRUCTURE DEVELOPMENT

Because it was such a massive undertaking, the cleanup of the former Arsenal became the most difficult impediment to the project's success. Prior to commencing construction, more than 1200 separate structures on the property had to be demolished. The Arsenal's status as a Superfund site meant that required environmental remediation needed to be completed before new development could take place. The Memorandum of Agreement allowed the property to be transferred in a manner

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The 625-acre BNSF Logistics Park Chicago operates 24 hours per day, 365 days a year, with a capacity of more than 400,000 lifts per year.

that supports large-scale redevelopment. It also provided significant indemnities and assurances to the developer and future users regarding any known or currently unknown environmental issues.

Upon the completion of the build-out during the next 10 years, it will eventually increase property tax revenue by as much as \$27 million per year. The project will also generate approximately \$108 million in sales tax from the cost of construction materials. Significant improvements have been made not only to area infrastructure, but also to the region's environment.

Through \$25 million in grants and loans from the Illinois Department of Commerce and Economic Opportunity (DCEO), new water and sewer systems have been constructed to clean up contaminated water in the community and serve park tenants and area residents. Similarly, a commitment of \$50 million from the Illinois Department of Transportation (IDOT) has been used to upgrade area roads, bridges and other essential roadway components of the development.

Including tax increment financing, governmental assistance totals \$200 million, which will afford the local taxing bodies approximately \$60 million over the next 23 years. More importantly, the intermodal facility will help fill the need for increased freight capacity in the region, help Illinois maintain its position as the nation's largest rail hub, and help address Chicago's highway congestion issues.

COMMERCIAL SUCCESS

To date, CenterPoint Intermodal Center is more than 60 percent built out, with more than 990 of the park's 1,600 developable acres developed, and 3.5 million square feet of industrial facilities under roof.

The BNSF Logistics Park – Chicago intermodal yard opened for full-time operation at the beginning of September 2002. The facility now operates 24 hours/day, seven days/week, increasing BNSF's capacity in metropolitan Chicago by more than

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BNSF Logistics Park Chicago

Type: Intermodal rail facility

Size: 625-acres

BNSF Logistics Park – Chicago, a 625-acre state-of-the-art intermodal facility completed in August of 2002, is the cornerstone of CenterPoint Intermodal Center. The freight logistics center is designed to integrate direct rail, truck, transload and intermodal services with distribution and warehousing, all in one location. BNSF Logistics Park – Chicago offers its customers considerable advantages and transportation efficiencies, while making a positive impact on the surrounding area through new jobs, economic development and future revenue for Joliet and the surrounding area. The intermodal facility will increase BNSF's Chicago intermodal lift capacity by 400,000 lifts to nearly 3 million annual lifts, with capacity expansion possible for another 800,000 annual lifts.

Container-Care International, Inc.

Type: Intermodal container storage and repair facility

Size: 50 acres

Container-Care International, Inc. signed a 50-acre land lease with direct access to BNSF Logistics Park. Container-Care is a leading container maintenance, repair and storage company, serving the depot needs of container leasing companies, steamship lines, and related industries. The company is consolidating numerous locations throughout the Chicago metro area to its new location at CIC. In addition to providing space for critical container maintenance and repair, the facility will offer off-site container storage for rail-intensive users.

Potlatch Corporation

Type: Warehouse/distribution, Manufacturing

Size: 624,000 square feet

Potlatch Corporation, a Spokane, Washington, headquartered paper and wood product manufacturer, has established a new Midwest distribution facility at CenterPoint Intermodal Center. The 408,000-square-foot facility will primarily be used for the distribution of retail tissue products; facial tissue, bathroom tissue, household towels, and napkins to Potlatch's Midwest customers: Jewel, Dominick's, SuperValu, Topco, Giant Eagle, Hy-Vee, Fresh Brands, Eagle Food Centers, Schnuck's Markets, Associated Wholesale Grocers, Spartan and Marsh's. The company's growth strategy is directly related to its ability to effectively service its existing and new customers. The new Midwest distribution center allows Potlatch to continue to grow with its customers.

After realizing significant transportation savings, Potlatch expanded its operations in Elwood to include a 216,000-square-foot paper conversion facility. The expanded paper conversion operation generates considerable efficiencies by manufacturing and distributing products at the same location. After completing the 216,000-square-foot expansion, Potlatch commenced a new 15-year lease on the entire 624,000-square-foot facility.

Partners Warehouse

Type: Warehouse/distribution

Size: 200,000 square feet

Partners Warehouse is a freight transportation provider that processes rail-to-truck and truck-to-rail bulk cargo shipments. The company's previous 150,000-square-foot freight distribution facility in Hodgkins, Illinois, served by the Burlington Northern Santa Fe railroad, became outdated and undersized for the company's growing customer base. Partners' new facility at CenterPoint Intermodal Center has direct access to the BNSF intermodal yard, including a double rail spur into the building, providing 14 double-dock doors from which 28 rail cars can be simultaneously loaded or unloaded. The new warehouse distribution and rail center allows Partners to better service its existing customers, while at the same time expanding into new business.

Sanyo Logistics

Type: Warehouse/distribution

Size: 400,000 square feet

Sanyo Logistics Corporation (SLC), a division of Sanyo North America Corporation, signed a long-term lease for 400,000 square feet adjacent to the Partners Warehouse space. From its new facility at CenterPoint Intermodal Center, SLC will distribute retail goods for its wide array of customers. As a single source logistics provider, SLC provides its customers with warehousing and distribution services, domestic trucking, transportation management and international logistics.

DSC Logistics

Type: Warehouse/distribution

Size: 1,023,000 square feet

DSC is a leading supply chain management company headquartered in Des Plaines, Illinois. In November of 2003, DSC signed a long-term lease for a new distribution facility completed in July of 2004. DSC uses the facility primarily to service its Unilever Bestfoods North America account. As a leading manufacturer of food products, Unilever required a new food-grade building to distribute their products. After searching sites in 8 different Illinois counties, DSC chose CenterPoint Intermodal Center based on its direct rail service, Foreign Trade Zone status and competitive price. The facility is designed for distribution efficiency and contains 5 rail doors serviced by a double rail spur, 116 exterior truck doors and 232 trailer parking spaces.

California Cartage

Type: Warehouse/distribution

Size: 213,000 square feet

California Cartage, a California-based logistics provider, completed a 213,000-square-foot high-speed distribution facility at CIC in the first quarter of 2004. California Cartage benefits from the park's foreign trade zone status.

400,000 intermodal lifts per year initially. (A lift is the transfer of a shipping container from a truck to a train or from a train to a truck) Directly adjacent to the new intermodal yard, BNSF built a state-of-the-art auto-mixing facility for automobile distribution. New cars are shipped from the manufacturer by train, where they are stored while they await a final destination. The first of its kind 'Gateway Hub'

The park not only aligns users with direct access to the BNSF and UP Railways, but also provides excellent access to interstates I-55 and I-80, promoting efficient rail and truck distribution of manufactured goods. The site's natural proximity to the Des Plaines and Kankakee Rivers offers passage to major area waterways and port authorities, including Lake Michigan. Tenants also enjoy reduced utility costs from the park's existing water wells, in addition to a high-voltage power line that dissects the property.



California Cartage – 213,000 square feet

is dedicated to building auto trains to all western markets, enabling automakers to successfully employ quick and efficient to-market strategies. Among the shippers already using the automotive facility are the American Honda Motor Company; American Isuzu Motors; American Suzuki Motor; Ford Motor Company/UPS Logistics; Hyundai Motor America; KIA Motors America; Mitsubishi Motor Sales; Nissan North America; and Subaru of America.

The successful completion of the BNSF Logistics Park has already been a major attraction to intermodal-intensive customers. Its operations have spurred the development of the first five facilities at the adjacent industrial park. Each of these companies has cited the BNSF intermodal yard as a leading influence on their decision to locate at the park.



Sanyo Logistics – 400,000 square feet