

## The Millennium Park Effect

*Creating a Cultural Venue with an Economic Impact*

## The Green Development in Chicago

*Making Chicago an Environmentally Friendly City*

## The Greater Chicago Region

*A Logistics Epicenter*

## A Vision for Change

*Renewing Chicago's Public Housing*

## CenterPoint Intermodal Center

*Transforming the Joliet Arsenal into a Manufacturing and Distribution Business Park*

## The O'Hare Modernization Program

*Maintaining the Aviation Crossroads of North America*

## Small to Medium-Sized Enterprises

*Competing in the Global Economy*

*A Rising Force in Economic Development*

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### Business Retention and Expansion

**Date:** July 20-21, 2005  
**Location:** Savannah, GA

**Date:** September 22-23, 2005  
**Location:** Chicago, IL

A strong business retention and expansion program ensures that the needs of local businesses are being not only heard, but addressed.

In this course attendees will learn the “red flags” that may indicate a company is looking to move elsewhere. Attendees will also learn how to structure an effective system to respond to business concerns.

### Real Estate Development and Reuse

**Date:** July 14-15, 2005  
**Location:** Trenton, NJ

**Date:** November 8-9, 2005  
**Location:** Atlanta, GA

This comprehensive two-day course highlights trends in real estate development and reuse, including the economic developer's role in regulating, facilitating, initiating and financing development.

### Economic Development Marketing and Attraction

**Date:** August 17-18, 2005  
**Location:** Saratoga Springs, NY

**Date:** September 12-13, 2005  
**Location:** Louisville, KY

During this training attendees will have the opportunity to examine various mediums of communication, with a particular emphasis on the Internet as an economic development marketing tool.

### Technology-Led Economic Development

**Date:** September 8-9, 2005  
**Location:** Baltimore, MD

During this intensive two-day course, attendees will learn how to recruit and support the technology industry, and determine ways to help local businesses incorporate technology innovations into existing processes.

### Neighborhood Development Strategies

**Date:** September 22-23, 2005  
**Location:** Chicago, IL

IEDC's Neighborhood Development Strategies course focuses on how neighborhood groups and economic development organizations can use economic development strategies to combat the challenges facing distressed neighborhoods.

The course outlines the unique issues facing these neighborhoods and suggests problem-solving approaches to address local needs.

### Economic Development Planning

**Date:** October 13-14, 2005  
**Location:** Tempe, AZ

**Date:** October 25-26, 2005  
**Location:** East Syracuse, NY

During this training, participants will learn various techniques to build consensus among stakeholders who represent different values and interests. This training will also look at the steps that precede a strategic planning process, including identifying stakeholders and preparing an economic analysis.

To ensure successful plan implementation, this course will also go over methods to set priorities and measure plan impact.

### Economic Development Credit Analysis

**Date:** October 26-28, 2005  
**Location:** Trenton, NJ

**Date:** November 14-16, 2005  
**Location:** Des Moines, IA

In the course, participants are given an over-view of business financing needs and available private financing options, as well as how the public sector can complement bank financing.

This course is very hands-on, with participants learning how to read important financial reports, including financial statements, balance sheets and the profit and loss statement.

Using this information, participants will be able to perform a credit analysis by determining how well a company buys and sells to make a profit.

In response to requests from members for advanced professional development courses, IEDC will offer its first advanced course November 2-3, 2005 in Philadelphia, PA on **Advanced Bond Financing**. Developed in conjunction with the Council of Development Finance Agencies, the course will introduce participants to the world of tax-exempt bond financing, with an emphasis on Industrial Development Bonds for manufacturers and non-profits.

The course is designed for the Certified Economic Developer (CECd) and other seasoned economic development professionals. CECDs earn three (3) Level I recertification credits for completing the course. For individuals working toward certification, this course does not replace the finance course requirement.

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The International Economic Development Council (IEDC) is the premier international association dedicated to leadership and excellence in economic development. IEDC can equip you with the tools and resources that are helping to shape economic development throughout the country and around the world. Our services include:

- *ED Now*, a twice-monthly newsletter
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- Expanded networks and alliances
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## THE IEDC Economic Development Journal

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Richard M. Daley,  
Mayor of Chicago

# welcome to chicago

## GREETINGS

As Mayor and on behalf of the citizens of Chicago, it is my pleasure to extend warmest greetings to everyone who will be gathered for the Annual Conference of the International Economic Development Council (IEDC) on September 25-28.

Chicago is proud to host the IEDC and we look forward to the important focus your organization brings to issues of economic development. In our increasingly global society, the work of the IEDC is critical to strengthening international relationships through programs of economic exchange. By working together, we can ensure a better quality of life for all of our citizens in the future.

In keeping with the theme of this year's conference, *The Global Economy Is Here*, I encourage you to explore some of the projects in Chicago that have made our city an international leader in urban development. From our Green Buildings Initiative and the O'Hare Airport Expansion project, to the newest jewel on our lakefront, Millennium Park, I know you'll like what you find.

I offer my best wishes to all the attendees for an enjoyable and productive exchange and for much continued success in the future.

Sincerely,

A handwritten signature in black ink, reading "Richard M. Daley". The signature is stylized, with the first name "Richard" written in a cursive script and the last name "Daley" in a more formal, slightly cursive font.

Richard M. Daley, Mayor

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INTERNATIONAL  
ECONOMIC DEVELOPMENT  
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# the millennium

## PARK EFFECT

By Edward K. Uhler, FAIA



Photo credit: Peter J. Schulz

Aerial view of Millennium Park looking north.

**m**illennium Park, Chicago's newest addition to its extensive lake front park system, was formally opened with a grand celebration on July 16, 2004. This 24.5 acre park, which is located at the northwest corner of Grant Park, Chicago's "front yard," has transformed 16.5 acres of commuter rail lines and a surface parking lot and another eight acres of shabby park land which fronted historic Michigan Avenue into an outdoor cultural venue. It is a place for Chicagoans and tourists to enjoy gardens, ice

skating, outdoor and indoor concerts, restaurants, festivals and fairs, fountains and water features, and interactive public art.

### CREATING A NEW CHICAGO ICON

Many architects, landscape designers and artists have contributed to create this new Chicago icon. Frank Gehry designed the outdoor Jay Pritzker Music Pavilion, which has monumental stainless steel sculptural curls that surround the proscenium. The venue accommodates 11,000 people, 4,000 in fixed seats and 7,000 on the listening lawn. He also designed the sinuous, stainless steel clad BP pedestrian bridge. Hammond Beeby Rupert Ainge designed the 1,500-seat underground Joan W. and

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Edward K. Uhler, FAIA, was the Director of Research and Planning at the Chicago Park District until his appointment by Mayor Richard M. Daley in 1998 as Director of Design for the Millennium Park construction project. He is now serving as Director of Planning, Architecture and Landscape for the completed Millennium Park.

### CREATING A CULTURAL VENUE WITH AN ECONOMIC IMPACT

Northern cities in the United States with a cold climate and a diminishing industrial base have to create new opportunities to compete in today's global economy. Retaining their existing population and businesses, maintaining a healthy tax base, attracting new business, retaining and enhancing convention business and expanding tourism visits are among the critical economic elements that a city must have to be successful. In 1998, Mayor Richard M. Daley initiated a project that would change the way the rest of the world would view Chicago. He established a partnership with Chicago's generous philanthropic community and together they produced a spectacular cultural venue adjacent to the central business district that has become an economic dynamo. This cultural park has replaced all the other icons as the one that now defines Chicago to the world.



*The Crown Fountain cools off visitors.*

Irving B. Harris Theater for Music and Dance as well as the two north Exelon Pavilions, which generate electricity with their fully integrated curtain walls of photovoltaic cells. These cells convert the sun's energy into 68.8 KW of electricity annually.

Renzo Piano designed the two south Exelon Pavilions to recall the design of his future Art Institute of Chicago addition, which will be directly across the street from the park. The team of Kathryn Gustafson, Jennifer Guthrie, Shannon Nichols (GGN), Piet Oudolf and Robert Israel were selected after an international competition to design the Lurie Garden which metaphorically reflects the history of the site. The garden contains 140 perennial plant varieties and a total of 28,000

Millennium Park's many "enhancements" were funded by an extraordinary public/private partnership. The city's \$270 million commitment which was used to provide the park's infrastructure came from \$175 million in construction bonds that will be retired by the fees paid by people who park in the 2,200-space Millennium Garage built beneath the park and \$95 million in tax increment financing bonds provided by the Central Loop TIF.

plants. OWP/P designed several elements along Michigan Avenue including the historic Peristyle replacement in Wrigley Square and the McCormick Tribune Plaza and Ice Rink. SOM provided the design for the other historic architectural features along Michigan Avenue and Muller and Muller Ltd. designed the 300-space underground commuter bicycle facility.

There are two art pieces within Millennium Park that have received extraordinary public acceptance because they provide a community experience that is very interactive. Anish Kapoor's Cloud Gate Sculpture on the SBC Plaza is a 110-ton elliptical object best described as a very large drop of mercury that is constructed of welded, highly polished, 1/4 inch thick, stainless steel plates that presents a seamless reflection

of the park, the sky, and the fabulous Chicago skyline. Jaume Plensa's Crown Fountain consists of two 50 feet high glass block towers that face off in a reflecting pool. The towers project the faces of 1000 Chicago citizens on LED screens behind the glass, who during their five minutes of video exposure, expel a stream of water from the center of each tower for the last minute.

Millennium Park's many "enhancements" were funded by an extraordinary public/private partnership. The city's \$270 million commitment which was used to provide the park's infrastructure came from \$175 million in construction bonds that will be retired by the fees paid by people who park in the 2,200-space Millennium Garage built beneath the park and \$95 million in tax increment financing bonds provided by the Central Loop TIF. The private sector with \$1 million minimum donations from 105 individuals, foundations, and corporations has generated \$160 million for the Millennium Park enhancements and \$60 million as a separate campaign for the Harris Theater



for Music and Dance. Ten of the donors gave between \$3 million and \$15 million to underwrite the special “enhancements” on top of the park. This combined total of \$220 million also includes a maintenance endowment of over \$30 million.

## IMPACT ON CHICAGO’S ECONOMY

Millennium Park completely opened in the summer of 2004, but its impact on Chicago’s economy was established years before since the park was opened incrementally. Real estate values and the property tax base were enhanced as early as the spring of 2000 when it was reported that a Michigan Avenue commercial building was sold for \$90 a square foot, more than double what the seller purchased it for six years before. The seller maintained that this substantial increase was because Millennium Park was under construction. As reported in *Crain’s Chicago Business*, the opening of Millennium Park stimulated the sales of condominium projects along central Michigan Avenue “with buyers standing in line for hours to put down deposits, and sales contracts being signed at a faster pace than any other downtown neighborhood.”

A total of seven condominium projects are attributing their successful sales to Millennium Park. The most prominent is the 57-story tower Heritage at Millennium Park which is now totally sold out and includes a unit that Mayor Daley will be moving into. The average price per square foot of the Heritage was \$592 which puts it at a new top fee for the condo market. As reported in *Crain’s*,



Photo credit: Chris McGuire

Cloud Gate

Gail Lissner, president of Appraisal Research Counselors Ltd., a Chicago research firm that tracks condo sales, said “the opening of Millennium Park has had a huge effect on the market. It’s really pulling that center of gravity in the condo market southward.”

Millennium Park has created a very strong appeal for young professionals, retirees or “empty nesters” to move back downtown from the suburbs. The central business district not only has Millennium Park with its largely free cultural attractions, but it also has many other cultural institutions, proximity to many business and corporate headquarters, and the potential of great views of the park, the lake and Chicago’s incredible skyline. *The Millennium Park, Economic Impact Study* prepared by URS and the Goodman Williams Group and released in April of 2005, calculated that the impact over the next ten years on the adjacent real estate market that is directly attributable to Millennium Park totals \$1.4 billion.

A second economic benefit of Millennium Park is its ability to attract new businesses or enhance the existing businesses. This factor will result in more jobs, increased tax revenue, maximize occupancy of retail spaces, expand hotel occupancy, and increase visits to the area’s cultural institutions. The stretch of Michigan Avenue south of the river has always lacked the cache of the North Michigan Avenue’s “Magnificent Mile.” Until Millennium Park opened there were quite a few vacancies and the existing stores were not considered high end.

Central Michigan Avenue has always benefited from the many cultural institutions located there including the Art Institute of Chicago, the Chicago Cultural Center, Symphony Hall, the Fine Arts Building, the Spertus Museum, and four major universities and colleges. With the arrival of Millennium Park this area can now rightly claim the

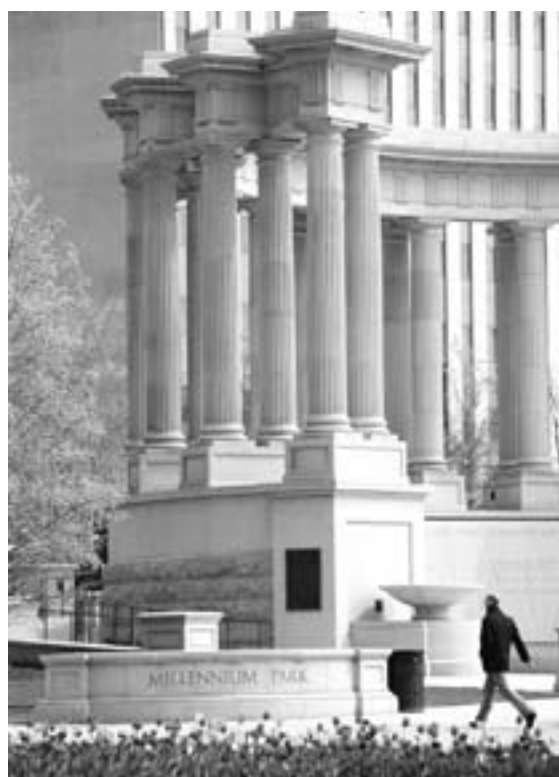


Photo credit: Mark Montgomery

Millennium Monument in Wrigley Square.

title of “Cultural Mile.” The Harris Theater at the north end of the park also is the eastern anchor for the Randolph Street Theater District. Millennium Park sits at the nexus of all of this activity and has become the area’s greatest asset. The benefits over the next ten years, as calculated in the *Millennium Park, Economic Impact Study*, will be from \$428.5 million - \$586.6 million for hotels, from \$672.1 million - \$867.1 million for restaurants, and from \$529.6 million - \$711.1 million for retailers.

In a recent *Chicago Tribune* article, the manager of the Moonstruck Chocolate Co., which struggled for three years before Millennium Park opened, was quoted saying “there’s been a big increase in the amount of foot traffic, sales are up 50% from where they were last year.”

Chicago also has to compete with cities with more favorable weather to retain existing and

attract new businesses. The quality of life which includes cultural opportunities is a major consideration. The existence of Millennium Park played a role in attracting Boeing and BP subsidiary Innovent to locate their corporate headquarters in Chicago.

The third economic benefit provided by Millennium Park is the attraction of tourists. The largest segments are those traveling for pleasure whether they are from Chicago, the Midwest region or a foreign country. Three other tourist segments also will visit Chicago including those who attend conventions and meetings, those who have business related meetings and those who are here for personal business, visiting relatives or friends.

The Jay Pritzker Pavilion and the BP Bridge designed by one of the world’s greatest living architects, Frank Gehry, have been significant tourist draws in their own right. When the Guggenheim Museum opened in late 1997, the industrial city of Bilbao, Spain, became an instant tourist pilgrimage, attracting 1.4 million visitors in the first year. The “Bilbao effect” is causing local and regional governments everywhere to look at innovative and unusual architecture to lure the tourist dollar. We now consider our new park to have a similar impact — the “Millennium effect” — although Chicago has much more to offer than Bilbao.

The first six months after Millennium Park opened over 2 million people visited. We expect that the yearly visitation will be in excess of 3 million. This attendance translates into significant revenues to be realized by Chicago businesses. The average expenditure for international visitors is

The first six months after Millennium Park opened over 2 million people visited. We expect that the yearly visitation will be in excess of 3 million. This attendance translates into significant revenues to be realized by Chicago businesses. The average expenditure for international visitors is \$300 per day and overnight domestic visitors is \$150 per day.



The Grant Park Orchestra performs on the stage of the Jay Pritzker Pavilion in Millennium Park.



*The Millennium Park Monument.*

\$300 per day and overnight domestic visitors is \$150 per day. As quantified in the *Millennium Park, Economic Impact Study*, total visitor spending over the next ten years from 2005 to 2015 will range between \$1.9 billion and \$2.6 billion.

The fourth economic benefit for Millennium Park is its ability to attract retirees. Baby boomers are looking for an active lifestyle with facilities, to work, live and play that anticipate their diminishing mobility and fixed incomes. Millennium Park is compact and universally accessible and it has mostly free programming. The Central Business District with all its proximity to cultural programming, excellent transportation, and wonderful health care is a logical place to retire. Senior citizens are also among the major constituents of Millennium Park.

### THE IMPORTANCE OF MILLENNIUM PARK

A *Chicago Sun Times* editorial published soon after Millennium Park opened sums up its impact and importance. "You can't put a monetary value on public works that enhance the image and quality of life of a city. In so doing, they stand to draw huge numbers of city and suburban dwellers downtown to reclaim some of the communal urban experience that has been lost to draw people from outside Chicago to marvel again at the vision and cultural reach of this architectural First City. Cities are defined by progress as much as history. It is the function of architects and other artists to reflect both of those aspects of their identity – and, in doing so, declare their will and wherewithal to push into the future, no matter what dark threats may be gathering on the horizon. Even with all its fin-

ishing touches in place, the park won't be perfect. But considering the burst of energy and new life it will bring to the city, any flaws will shrink in importance."

A much more enhanced and perhaps more important benefit of Millennium Park is its effect on the self esteem of the residents of the Chicago region. They now have another destination for friends and visitors for which the almost universal response is pleasure and joy, and it is free. Millennium Park has become an international press phenomenon and judging from the many different languages being spoken in the park the world is coming to Chicago. The large majority of the many visitors to Millennium Park are leaving with a smile.



Photo credit: Peter J. Schulz

*BP Bridge from the east.*



# the green development

## IN CHICAGO

By Sadhu Johnston



City Hall green roof.

Sadhu Johnston is Assistant to the Mayor for Green Initiatives.

### Contributors to this article include:

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We are demonstrating that a major urban area can make protecting the environment a priority and through this we can improve the quality of life in our city and our neighborhoods. - Mayor Richard M. Daley

Over the last 14 years, under the leadership of Richard M. Daley, the city of Chicago has pioneered green urbanism. Much of Chicago's strategy involves utilizing its purchasing power, construction practices, and operations protocol to serve as a catalyst in making Chicago the most environmentally friendly and most desirable city in which to live throughout the world.

From energy to fuel efficiency from green technology centers to parks and buildings, Chicago is leading the way with innovation and changes which

will help reshape how cities worldwide approach their built and natural environments. Using lessons from city operations, new policies and programs are developed for adoption throughout the city. This article aims to define green development concepts, outline the strategies used in Chicago and summarize a few accomplishments.

The urban share of the world's population has grown from 30 percent in 1950 to an estimated 47 percent in 2000. By 2015, the urban proportion is projected to rise to 53 percent of total population (Source: United Nations Population Fund's Report on World Population, 2004). As cities continue to expand, so too does their impact on the environment. Increased strain on environmental resources such as air, water, and urban temperature can have dramatic effects on public health, and the economic viability of the city.

Around the world, city leaders are finding that green urbanism can make their cities and citizens healthier, economically prosperous and their streets and neighborhoods more beautiful, while making the city more competitive in the global marketplace. For older industrialized cities, greening can guide redevelopment, making brownfields productive land again, establishing lakefronts and riverfronts as prime recreational land, making wide streets into pedestrian and bike friendly zones and ensuring new construction is healthy, affordable and environmentally friendly.

### ENVIRONMENTAL ACTION PLAN

Following the United Nation's Rio Conference on Environment and Development in 1992, a detailed action agenda was created to guide the integration of green development strategies worldwide. The international action plan, known as Agenda 21, recognized local governments as critical to implement-

### MAKING CHICAGO AN ENVIRONMENTALLY FRIENDLY CITY

Around the world, city leaders are finding that green urbanism can make their cities and citizens healthier, economically prosperous and their streets and neighborhoods more beautiful, while making the city more competitive in the global marketplace. From energy to fuel efficiency from green technology centers to parks and buildings, Chicago is leading the way with innovation and changes which will help reshape how cities worldwide approach their built and natural environments. Using lessons from city operations, new policies and programs are developed for adoption throughout the city. This article aims to define green development concepts, outline the strategies used in Chicago and summarize a few accomplishments.

ing green or “sustainable” development. The Agenda states that local governments “play a vital role in educating, mobilizing and responding to the public to promote sustainable development and urges cities and local governments to develop their own action plans”.

In 2004, Mayor Daley charged 18 members of his cabinet to work together to develop Chicago’s first environmental action plan. This plan benchmarks past successes in greening, while setting environmental goals for the city.

The Agenda was an important step on the trajectory that has taken Chicago from the Plan for Chicago (1909), the first land use plan for a modern American city, to Mayor Daley’s creation of the Chicago Department of the Environment in 1992, to the mayor’s progressive landscaping initiatives, and the numerous green buildings built by the city.

Mayor Daley states that the greening of Chicago is guided by “three equally important goals: to better protect our natural resources, to promote environmentally friendly lifestyles and to lead by example and incorporate our environmental commitment into the everyday work of city government.” These three concepts guided the development of Chicago’s Environmental Action Agenda.

## LEADING BY EXAMPLE

Today, cities compete nationally and internationally for the most talented workers. The goal of making Chicago the greenest city in the nation is driven by an understanding of the importance of resource conservation, quality of life and a conscious strategy designed to increase Chicago’s competitive edge as a global city.

“Our commitment to greening and environmentally friendly practices in Chicago helps us save money and improve the quality of life in our neighborhoods. This builds pride in our city and contributes to making it a place where people want to live, work and raise a family,” said Mayor Richard M. Daley.

The genesis of many of the city’s green initiatives was Mayor Daley’s much heralded landscaping efforts. These efforts resulted in more than just beautifying the city. Since the mayor was elected in 1989, the city has planted more than 400,000 trees. Thirty-four miles of the city’s historic boulevard system have been renovated and replanted and 70 linear miles of medi-

ans have been constructed along many of the arterial streets and planted with urban tolerant plants and over 4,850 trees.

While providing ample aesthetic benefits and contributing, to some degree, to Chicago’s prominence as

a tourist and convention destination, this investment in landscaped infrastructure has provided additional benefits. The increase in planted trees has functioned as a “carbon sink” and is estimated to effectively remove the air borne particulate matter of 31,000 vehicles annually. It is estimated that the median trees alone produce 23 tons of oxygen annually while reducing the ‘urban heat island effect’ (higher urban temperatures resulting from the heat reflective

### Economic Impact of Trees for Shopping Districts

Research conducted by the University of Washington has shown people like to shop in districts with mature trees. In large cities, shoppers are willing to pay 12 percent more when shopping in a district with mature, well managed trees. In small towns this number is 9 percent.

“Consumers enjoy landscaped shopping districts, and are willing to spend more time and money in them! Large trees, combined with under story plants are most preferred. Planning and ongoing management of the vegetation is important to create a landscape that pays back on invested costs.”

(Source: Nature and Urban Shopping Districts, Kathleen L. Wolf, Ph.D., University of Washington (Seattle, WA, USA)  
<http://www.cfr.washington.edu/research.envmind/>



Chicago Center for Green Technology.

### Jobs in the Landscaping Industry

Greencorps Chicago was started in 1994 as part of the city’s effort to prepare residents for jobs in the growing and lucrative greening industry. Its green industry job-training program has placed close to 200 residents in landscape jobs upon successful completion of the one-year training program.





Green Pilot Project – Budlong Woods Public Library.

qualities of asphalt and cement) and thus decreasing the financial costs and pollution associated with residential and commercial air-conditioning systems. **It is estimated that for every one degree city-wide temperature is lowered, the city saves \$150 million.**

In addition, the city's landscaping efforts have been credited with neighborhood revitalization outside of the central business district. The West Loop, currently one of Chicago's hottest real estate markets, was one of the first neighborhoods to receive an investment in arterial, planted medians. This area of once largely abandoned industrial buildings has since become a destination for urban professionals and the restaurants, clubs and retail markets that service them. The financial benefits of greening the area were discussed in a New York Times article titled *In Chicago's West Loop, Real Estate Profits Do Grow on Trees*: "The snickers have turned into a growing chorus of cheers as tree plantings, elaborate landscaping, and streetscape designs have become the catalyst for neighborhood revitalization." (10/3/2004)

Chicago's leadership in green infrastructure doesn't stop with its landscaping programs. The Department of Transportation has implemented a series of other environmental initiatives including the grates around sidewalk trees contain recycled rubber tire, much of the concrete the city pours contains recycled fly ash (a by-product of coal fired power plants), 20-30 percent of all new Chicago street asphalt contains recycled asphalt grindings from the city's repaving projects and the city has replaced most of its incandescent stop lights with low energy LED lights.

### City Hall's Green Roof

Planted in 2000, this extensive garden atop City Hall features native plants, trees, and even beehives. Besides beautifying the space, this roof improves air quality, conserves energy and reduces stormwater runoff, and helps reduce the urban heat island effect. Rooftop comparisons between City Hall and the adjacent Cook County building, which has a traditional black tar roof, indicate that air temperatures above City Hall typically are 10 to 15 degrees lower than those above the County's building. On hot summer days, the difference can be even greater.

The city's most notable green building effort is the award-winning Chicago Center for Green Technology, home of numerous environmentally oriented companies and city services. The lesser-known projects, however, are responsible for incorporating green into

As one of the primary purchasers of construction services in Chicago, the city is using its influence to promote environmentally sustainable building practices in the region's real estate and construction industries through a commitment to building all of its facilities in an environmentally sound manner. On June 10, 2004, Mayor Daley announced the city's adoption of The Chicago Standard, a new set of construction standards guiding the design, construction, and renovation of municipal facilities. The standard commits the city to achieving the Leadership in Energy and Environmental Design (LEED™) certification by the US Green Building Council. Adoption of "the Standard" will result in buildings that save 15 percent to 20 percent in energy costs annually, conserve water and other

natural resources, and provide healthier, more productive indoor environments.

### The Chicago Standard

Mayor Daley announced the Chicago Standard on June 10, 2004. This new set of construction standards guides the design, construction and renovation of all city buildings to conserve energy and reduce operating cost by achieving LEED certification.

the fabric of the working city. The city opened its first "green" library, Budlong Woods, in February 2003 and has opened two others since. The libraries' features include solar panels on the roofs, building materials with recycled content, and HVAC systems designed to perform nearly 20 percent more efficiently than the Chicago Energy Code requires.

The city has built a green police station which it is using to monitor the cost savings associated with high performance buildings, has several green fire stations in development, and is working with the Chicago Public Schools to build and renovate several green elementary and high schools.

The first several green buildings were constructed with a 6-8 percent premium for green building. As the construction industry and city staff have learned more about green buildings, the additional costs for green buildings have been virtually eliminated.

Construction costs are, however, only 10 percent of the cost of building, operating, and maintaining a building throughout its life. The remaining 90 percent of the costs for operation and maintenance can be significantly reduced when green building design and construction strategies are utilized.

The city of Chicago is also considered a leader in promoting green roofs as a sustainable alternative to the traditional roofing system. Green roofs replace traditional roofs with a growing medium and living plant life. They greatly reduce stormwater runoff and the urban heat island effect, reduce energy costs through better insulation, and extend the life of a roof by protecting it from UV radiation.

In addition to mandating that publicly owned buildings have green roofs, the city is requiring that private developments receiving public assistance and/or being reviewed by the Department of Planning and Development incorporate green roofs into their building design. The city's green roof policies have resulted in over 100 green roof developments. These projects, in various stages of completion, total over 1,600,000 square feet of vegetative cover.

These totals highlight another important benefit of the city's policy – economic development. Creating a market for an industry that did not exist a few years ago has led to the development and expansion of businesses and jobs that support this new economic engine as well as the development of new relationships between the roofing and landscaping industries.

## 2001 ENERGY PLAN AND UTILIZATION OF RENEWABLE ENERGY

In 2001, Mayor Daley laid out a strategy to assure Chicago's energy sources would be clean, affordable, and reliable. The 2001 plan addressed the central role energy plays in the everyday life of Chicagoans and was designed to protect consumers, promote economic growth, and protect the environment.

### Attracting Renewable Energy Manufacturers to the City

The city utilizes its purchasing power to create Chicago based jobs in the green industry. Through contracts to purchase renewable energy, the city has attracted both Spire Solar Chicago (a solar PV manufacturer) and Solargenix (a solar thermal manufacturer) to Chicago, creating approximately 40 new jobs manufacturing solar equipment. Utilizing this equipment, the city has helped install over 1MW of solar photovoltaic equipment on various facilities, including schools and museums.

"Using solar electricity is consistent with our goal as a city to expand the use of renewable energy. Chicago is committed to leading by example and incorporating technology that will not only save money but is good for the environment and the overall quality of life for our residents," stated Mayor Daley.

Since 2001, the city has been working towards achieving goals set out in the energy plan and has made numerous accomplishments, including the following:

Energy efficiency retrofits have been completed for over 15 million square feet of City and Allied agency



*Green bungalows.*

facilities. The city has installed LED lighting at over 450 intersections in the city, saving over 17,000 MWh annually. Energy assessments at 44 industrial facilities have been completed and five loans for implementation of energy conservation measures.

Mayor Daley set a target of 20 percent of the city's energy to come from renewable resources by 2006; by 2003 10 percent was achieved. The city is committed to purchasing between 40,000 and 125,000 MWh annually, beginning in 2006.

The city also leads by example in its commitment to owning and operating an alternatively fueled fleet. Both The City of Chicago Department of Fleet Management and Chicago Transit Authority (CTA) have received "Green Fleet" Awards from the Illinois EPA in recognition of their exceeding Clean Fuel Fleet Program (CFFP) requirements. The city has

deployed 93 Compressed Natural Gas (CNG) vehicles in 12 city departments and 161 Ethanol (E85) light duty vehicles in 17 city departments. The city operates 25 hybrid sedans, a car sharing program for city employees and has a free, natural gas “trolley” fleet that transports tourists and other visitors through the downtown business and shopping districts.

### PROMOTING ENVIRONMENTALLY FRIENDLY LIFESTYLES

The city of Chicago is committed to encouraging healthy environmental practices by:

- Providing recycling programs and infrastructure to our citizens and businesses in order to reduce the size of the city’s collective waste stream;
- Providing technical assistance, model projects, and incentives to build energy efficient, smart, healthy and green residential buildings;
- Identifying and eliminating barriers to green building practices in the city’s building codes;
- Providing incentives to local businesses, developers, and contractors to build or rehabilitate efficient, resource conserving buildings; and
- Providing a range of transportation alternatives to citizens and visitors.



*Example of planted median.*

### GREEN RESIDENTIAL DEVELOPMENT

Chicago’s cost of living is on the rise. The vast majority of Chicago’s built environment is in the form of residential square footage, yet there is significant demand for this space, especially as it is upgraded. The city seeks to utilize green building strategies to ensure that new and old building stock are built or rehabbed in such a way as to reduce utility bills. The utilization of green residential con-

### Green Residential Construction

A green home is one that’s designed, constructed, and maintained in such a way as to save energy, improve indoor air quality, and minimize the environmental impact of construction through wise construction and material choices. Utilization of these strategies in both affordable and market rate housing is on the rise across the country. These strategies have the most potential when utilized in urban development as they can make homes significantly more affordable via reduced utility costs and healthier for occupants due to higher indoor air quality. They can also have a reduced impact on the urban environment as a result of reduced storm water runoff and lower urban ambient temperatures.

struction strategies in both publicly funded and market rate housing has been a focus within the city for years.

Chicago has worked to incorporate green building into residential development through demonstration projects, such as the Green Bungalows and Green Homes for Chicago (described below); new programs, such as the green bungalow grants; and policies, such as the citywide Energy Conservation Code and the green residential standards required for residential projects funded by the city.

### GREEN BUNGALOWS

Nearly one third of Chicago’s single-family homes are bungalows. Over 80,000 of these homes have endured throughout Chicago’s development boom. However, as development continues, many of these homes are being renovated or torn down to make way for new development. To demonstrate the ability for reuse, and the applicability of green building to encourage that reuse, the Green Bungalow Initiative was created in 2001.

The city employed a design team of green building experts, historic preservationist, and residents to assess and implement different green building systems within this classic housing type. Each of the four bungalows employed different design techniques and then functioned as a model to be toured by builders and residents before they were sold at affordable rates to neighborhood residents. The bungalows’ performance is continually monitored and published by the city’s Department of Housing.

The project aimed to test the following green renovation strategies:

- **Geothermal system-** Installation of geothermal wells that utilize the earth’s temperature to heat and cool the building. The system was an additional \$10,000 over a conventional furnace and resulted in an insignificant annual utility savings.

## Green Bungalows: Year One (2002-2003) Energy Savings

	Heating System	Typical	Actual	Savings
6421	Geothermal	\$1,913 <sup>1</sup>	\$840	\$1,073
6423	Combination	\$1,149 <sup>2</sup>	\$440	\$709
6425	Furnace	\$1,230 <sup>2</sup>	\$381	\$849
6448	Boiler	\$1,209 <sup>2</sup>	\$635	\$574

<sup>1</sup> – based on ComEd's all electric rate of \$0.0828/kwh for the first 400 kwh and \$0.0373 for all kwh over 400

<sup>2</sup> – based on a gas heating cost of \$0.60/therm

## Green Bungalows: Energy System Payback and Life Cycle Savings

	Annual Savings	Payback	Life Cycle Savings
6421 S. Fairfield	\$1,073	12.2 years	1.12
6423 S. Fairfield	\$709	7.3 years	2.08
6425 S. Fairfield	\$849	5.4 years	2.82
6448 S. Fairfield	\$574	5.9 years	2.57

## Green Bungalows: 30 Year Mortgage Cash Flow

	Heating System	Monthly Savings	Monthly Cost to Finance 30 yrs	Net Cash Flow
6421	Geothermal	\$89	\$82.79	+ \$6.21
6423	Combination	\$59	\$32.74	+ \$26.26
6425	Furnace	\$71	\$28.91	+ \$42.09
6448	Boiler	\$48	\$21.42	+ \$26.58

- **Combination system-** A combination hot water heater and furnace system was utilized at an additional \$2,000 installation cost and created a \$700 annual utility savings.
- **Energy efficient furnace system-** Furnaces, 94 percent more efficient than traditional furnaces, were purchased at a \$600 premium but created annual utility savings of \$849.
- **Efficient boilers-** An 88 percent efficient boiler was installed as well as denim insulation and Low-E storm windows.

The tables highlight the cost savings through utilities and payback on investment for the various green building techniques. Through the renovation

of these four homes, it became evident that green building could be a tool for maintaining these homes as economically viable housing for Chicagoans.

In order to ensure that other bungalow owners could utilize lessons learned from the green bungalow project, the city of Chicago partnered with the Historic Bungalow Association and the Illinois Clean Energy Community Foundation to provide \$5 million in grant funds to historic bungalow owners. The grants can be utilized for the installation of solar systems, energy and/or water efficiency improvements or other green building strategies. The renovation techniques utilized in the green bungalows demonstrate how a simple renovation project can be completed and ensure a monthly savings of \$71, with a monthly cost to finance the upgrade to energy efficiency of \$28 for a 30-year mortgage, thereby creating a \$42 net cash flow.

### Chicago Department of Housing requires project appropriate green building and energy conservation measures such as:

- Double-glazed, Low-E insulated windows
- Energy efficient gas forced air furnaces and boilers
- R-38 attic insulation and R-19 wall insulation with vapor barrier
- Reflective roof coating on flat roofs
- Downspouts disconnected from the storm sewer system, as approved by the Department of Water Management
- Design of landscape and parking lots to promote on-site water retention
- Low VOC paints
- Fluorescent lighting in common areas
- Low-flow plumbing fixtures
- Energy Star Appliances

## GREEN HOMES FOR CHICAGO

In order to demonstrate green building strategies for new residential construction, the city hosted a design competition to build five green residences to be affordable homes. The competition resulted in 73 entries from across the country. Five winning entries were built. Each of the five homes highlighted different green building features, such as green roofs, natural ventilation, non-toxic paints and finishes, and carpets made with recycled materials. The five winning entries, which were sold for approximately \$150,000 each, were open to the public for tours prior to being sold.

These models have served to influence the construction currently underway by the Chicago Housing Authority (CHA), and construction funded by the Chicago Department of Housing (DOH). The CHA and DOH are integrating many of the concepts from these demonstration homes into the



construction and rehab of nearly 25,000 housing units as part of the historic Plan for Transformation.

### TRANSIT ORIENTED DEVELOPMENT

As a mature urban city, Chicago is built on the back of transit and continues to enjoy high transit ridership. With 12 percent of all work trips using transit, it has the second-highest rate of transit use in the U.S. The city aims to increase these high levels of transit use by creating development near transit to further support its use. This strategy is known as Transit Oriented Development (TOD).

TOD is typically defined as a relatively dense mixed-use development within a half-mile radius of a transit center. Most people will comfortably walk up to one half a mile, or approximately ten minutes, to get to a place of employment, a store, a library, a friend's house or a transit stop. The premise behind TOD is that promoting alternatives to the private automobile, creating pedestrian-friendly neighborhoods, and reducing traffic congestion benefits quality of life. TOD benefits include:

- On average, a household will spend 20 cents for each dollar (after taxes) on transportation, making it the largest expense after housing for most families. Reducing private auto dependency increases the use of alternative modes and saves households money.
- Shops, restaurants, and grocery stores supported by density provide essential needs to neighborhoods. Active retail, restaurants, and cafes that stay open at night activate streets with life and foster safety by providing "eyes on the street."

- People who walk and bike as part of their daily routine experience tremendous health benefits and decreased levels of obesity.
- TOD encourages human-scale architecture and design, and decreases the dominance of automobile-driven design as exemplified by predominant driveways, parking structures, and lots.
- TOD reduces use of the private auto and the corresponding congestion and pollution, and the associated health dangers.

As part of the city's comprehensive approach to greening, Chicago's Department of Planning and Development (DPD) is focusing on applying TOD related policies. DPD is actively issuing requests for development proposals on sites that the city owns, located near transit services. In addition, the new Chicago Zoning Ordinance, for example, allows for parking reduction within 600 feet of transit. It has also introduced a new "pedestrian" designation for areas frequented by pedestrians, such as certain routes to and from transit as well as streets with active commercial uses frequented by pedestrians. Developments along the "P" streets are now required to have active uses on the ground floor rather than blank walls and prohibit vehicular curb cuts along the sidewalk.

### THE CITY THAT BIKES

In addition to transit use, the city promotes travel by bicycle. In 2001, *Bicycling Magazine* selected Chicago as the best "big" city (over 1 million people) for bicycling in North America. This recognition was due in large part to the success of *The Bike 2000 Plan*. Prepared in 1992 by the Mayor's Bicycle Advisory Council, the plan identified 31 strategies to encourage bicycling in Chicago. Almost all of



Energy Conservation. Basement lighting retrofit – Before.



Basement lighting retrofit – After.



these strategies have been addressed to date, including:

- Establishing a network of 100 miles of on-street bike lanes and 47 miles of off-street trails.
- Installing 10,000 bike racks – more than any other city in the United States.
- Permitting bicycles on CTA trains and equipping the fleet of 2,000 buses with bike racks to provide more travel choices.
- Producing award-winning educational publications, including the Chicago Bike Map, Safe Bicycling in Chicago, and Kids on Bikes in Chicago.
- Staging innovative outreach programs, such as Safe Routes to School, the Bicycling Ambassadors, and the annual Bike Chicago festival, which have encouraged 750,000 Chicagoans to bicycle.

A bike commuter station located within Millennium Park is the most recent addition to Chicago's bicycle infrastructure, featuring 300 indoor secure bike parking spaces. The facility provides free parking, bike repair services, bike rentals, and equipment sales, as well as numerous membership benefits such as access to lockers and showers. Partially powered by solar panels and ventilated naturally, the facility is also home to the Chicago Police Bike Patrol. Additionally, a unique partnership with I-Go car sharing has made two hybrid cars available on-site for car sharing.

By providing effective public transportation, and extensive bike infrastructure, Chicagoans are given an alternative to automobile ownership, which frees-up funds and makes Chicago a more affordable place to live. The estimated \$6,000 annual cost of car ownership can be utilized for housing, food, or entertainment.

## CONSERVING NATURAL RESOURCES

The city of Chicago Environmental Action Agenda states that the city of Chicago will continue to conserve, protect, and restore our region's invaluable natural resources by:

- Identifying opportunities for water conservation, the wise management of stormwater and by sponsoring local and regional legislation to protect our lakes and rivers.
- Developing and maintaining city landscaping, parks, forests and open space.
- Restoring the Chicago River system and increasing access to it as a source of recreation and enjoyment.

The conservation of natural resources, such as the river and lakeshore, implementation of strategies to improve air quality and efforts to improve water quality are important in making Chicago a green city. Perhaps the greatest impact from these conservation efforts has been with water.



*Renewable Energy. Art Institute of Chicago PV Installation (51.5 kilowatts).*

Recognizing that Chicago has a responsibility to protect our water resources, Mayor Daley introduced Chicago's Water Agenda in Spring 2003. The agenda outlines a comprehensive strategy for ensuring we are good stewards of all our water resources, including Lake Michigan, the Chicago River, Lake Calumet, the Calumet River, and thousands of acres of wetlands, creeks, streams, and lagoons.

Chicago's Water Agenda demonstrates local government leadership and innovation in protecting water resources, outlining a series of action steps related to conservation, water quality protection, stormwater management, and public awareness.

## CONCLUSION

Over the next century, cities will play an even larger role in shaping how we live our lives. The innovation underway in Chicago, and other cities, demonstrates that cities can contribute positively to redefining our society's relationship to the natural world while improving quality of life and becoming more economically prosperous.

Cities can capture rainwater and utilize it as a resource instead of paying the financial and environmental costs of sending it from one pipe to another. Cities can be designed and built to encourage citizens to get out of their cars and onto bikes or the sidewalk. Cities can lead by example by incorporating cutting edge environmental strategies into our daily practices. The implications for improving the lives of billions of people around the world rely on taking these efforts to the next step. We invite you to join us in redefining how cities function and in making the lives of city dwellers even more wonderful.



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Tedra Cheatham, CEcD  
Vice President of Economic Development  
Greater North Fulton  
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# the greater chicago region

By Mike Kirchhoff, CEcD, and Jody Peacock



A transload in progress from barge to truck.

From the mid-1800's to the 21st century, Chicago has played a key role at the heart of the American commercial transportation system. Today, with time-to-market demands ever more critical, the Chicago region's historic position as a freight transportation and distribution nexus is growing ever more important. The Chicago metro area is the third largest handler of international freight in the world, trailing only Hong Kong and Singapore, and the single largest rail transfer center in the United States. Employing 117,000 in the region, the freight industry generates \$8 billion annually in economic activity.

Fully one third of rail and truck traffic – and half the nation's container traffic – pass through the Chicago region.

While these statistics are impressive, Chicago's infrastructure is being pushed to its limit. And projections point to more challenges ahead. In 2001 the Chicago Area Transportation Study (the Chicago region's transportation planning agency) projected 600 more daily trains in the region within 20 years (2,400 trains/year), and projected an increase in Intermodal lifts of more than 250 percent in the same time period. Market impacts such as these are projected to demand more than 7,000 additional acres of land for Intermodal facilities. Choked by congestion already, these projections predict dire consequences for the region's transportation system.

## EMERGING CHALLENGES IN LOGISTICS

Lean manufacturing, Six Sigma, just-in-time manufacturing, and other approaches to modern manufacturing each demand greater reliance on a timely, efficient and cost-effective transportation network. The increasingly elevated importance of distribution in the supply chain represents a significant shift in emphasis – a paradigm shift of extraordinary proportions. According to Louie Hollmeyer, director of the Distribution on Demand Initiative, four primary factors have driven this change:

### 1. Extraction of Value through Distribution.

Companies are increasingly using distribution strategies to obtain competitive advantage. To improve distribution operations, companies have shifted to dynamic distribution models

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Mike Kirchhoff, CEcD, is Executive Director of the Jacksonville (Illinois) Regional EDC. Jody Peacock is Communications and Planning Director for Ports of Indiana.

## A LOGISTICS EPICENTER

As the old song goes, "the times, they are a-changin'". More than ever before, this is true of American commerce. The strengthening economy, combined with increasing Asian imports are factors in two key shifts: increasing time-to-market demands and transportation network congestion. As companies struggle to identify the most efficient and timely low-cost delivery methods, the greater Chicago region finds itself at the center of a significant market opportunity. A good indicator of the value of this opportunity can be seen in the quantity of new logistics-related facilities being developed in both Illinois and Indiana. This article will review a number of the current and emerging multi-modal projects in Illinois and Indiana, and how companies' logistics challenges provide opportunities for economic development in the region.

that help them become better equipped to respond to changes in demand.

2. **The On-Demand Economy.** This is perhaps the most important force in shifting from the old paradigm. Because customers want products when, where, and how they choose, distribution is increasingly a vital component of the supply chain.
3. **A Mindset Shift.** Once considered simple warehouses, distribution centers are now viewed by corporate executives as value-added light manufacturing centers – final assembly and/or kitting is conducted in the distribution center after an order is received, delivering uniquely configured products.
4. **Offshore Manufacturing.** While offshore production is increasing, distribution must still originate within the United States. Product must be shipped to the U.S. in containers (through ports), pass through warehouses, and enter the domestic distribution channel.



*Congestion in the Chicago region is not limited to railroads.*

Of Hollmeyer's four points, the last one is considered by many to be the primary factor for strain on the nation's transportation network. In July last year, Brian Bowers, vice president and general manager of intermodal services for Schneider National, said "This probably will be the most difficult surge period in the history of the Intermodal industry." In fact, the strain is evident on many of the nation's major railroads. According to the Association of American Railroads, during a single week last October, the rail industry moved 33 billion ton-miles – the most freight volume in its history. Three factors have contributed to the increased volume:

1. The improving economy has spurred higher shipments of raw materials and manufactured goods;
2. Increasing Asian imports mean higher transportation volumes from the West Coast; and
3. Electric power companies are using more coal due to the increasing cost of natural gas.

The impact on rail traffic volume can be seen in the railroads' struggles with equipment and crew shortages. Critics point to such operational problems as factors in longer transit times, which impact the productivity of available containers, frequently in short supply during peak seasons. The railroads have responded to the challenge of crew shortages by hiring more aggressively to address attrition due to retirement and even expand their workforce. To address equipment challenges, railroads are purchasing or leasing new locomotives and freight cars. "Doubletracking" – yet another response to rail congestion, is a strategic initiative that promises to benefit both the railroads and economic developers.

#### THE IMPORTANCE OF RAIL

*"If you have rail, you have a scarce resource. If you have dual rail service sites, you have a crown jewel resource." – Mark Sweeney (McCallum Sweeney Consulting) at the 2004 IEDC Site Selectors Panel*

Illinois, and the Chicago region in particular, is strategically positioned to benefit from competition among the railroads. A recent article in the *Wall Street Journal* discussed the race between BNSF Railway and Union Pacific to be the first railroad to doubletrack (two sets of tracks, one in each direction) between Los Angeles and Chicago. Because of the volume of imported goods arriving on the West Coast for delivery/distribution in the heartland, it is widely perceived that the first railroad to complete a doubletrack will benefit from a greatly enhanced market position because of the higher traffic volumes doubletracking affords.

Those economic developers who find themselves along the winning route and who are prepared with available sites and facilities may best be positioned to benefit from the increased traffic volume. And economic developers who are able to develop an Intermodal facility in their community may be especially successful. According to a Ports of Indiana analysis of such facilities, an Intermodal rail facility can generate \$800 million in development investments, 16,000 permanent jobs, 20,000 construction jobs, \$27 million in property tax revenue, and significant spin-off impact. Because of this degree of economic impact, many economic developers see a golden opportunity in logistics. Across the country, communities have begun positioning themselves as ideal locations for such facilities.





*A lift in progress at a BNSF-served intermodal facility.*

## ILLINOIS LOGISTICS FACILITIES

Due to strong market demand, a strategic location at the center of the country, and the potential for significant economic impact, Illinois has seen a dramatic increase in the development of new real estate projects targeted to logistics. While by no means inclusive, following is a small sample of new or emerging logistics-related projects in the greater Chicago region:

- **BNSF Logistics Park – Chicago (Elwood)** is a 625-acre state-of-the-art facility completed in 2002. With a capacity of 800,000 lifts per year, the facility will ultimately increase BNSF's Chicago annual lift capacity to nearly 3 million lifts. The BNSF Logistics Park, strategically positioned just 15 miles west of the proposed third Chicago airport at Peotone, integrates rail, trucking, transload, and Intermodal with distribution and warehousing. A planned on-site automotive facility will be a first of its kind "gateway hub" to build auto trains for all Western markets.
- **CenterPoint Intermodal Center (Joliet)** is a 1,100-acre industrial park adjacent to the BNSF Logistics Park. Upon build-out, the park will feature up to 12 million square feet of rail-served industrial buildings. Developed by CenterPoint Properties Trust, a real estate investment trust (REIT) that specializes in industrial property, the park is positioned to offer significant reductions in drayage costs of between \$200 and \$275 per container. Strategic advantages of the park include foreign trade zone status, enterprise zone benefits, and access to both the Union Pacific and BNSF Railway lines as well as immediate access to Interstate 55 and close proximity to Interstate 80.

- **Logistics Park (Galesburg)** features 350 acres of development-ready land adjacent to Interstate 74. Galesburg lies along BNSF's main Intermodal line, which stretches from Los Angeles to Chicago, and features the second largest classification yard in the BNSF system. For distribution operations seeking to avoid congestion in Chicago, Galesburg offers access to seven rail lines that serve the city. The city of Galesburg issued \$4 million in bonds to acquire the site. Galesburg is a partner in the Illinois Route 34 Logistics Corridor, a regional effort to promote logistics opportunities along BNSF Railway's Los Angeles to Chicago route.
- **Global III Intermodal Facility (Rochelle)** enhances Chicago's reputation as the largest handler of international freight in the U.S. The Union Pacific-owned operation has the capacity to handle 350,000 Intermodal containers originating primarily from the Pacific Rim, with capacity to expand to more than 700,000 lifts. A \$181 million development, the 1,200-acre facility opened in August, 2003.
- **LogistiCenter (Rochelle)** is a 300-acre master-planned business park being developed by Reno, Nevada-based DP Partners. Located at the interchange of Interstate 88 and Interstate 39, the development features dual rail access from the Union Pacific and BNSF Railway via a city-owned short line (Rochelle Dual-Access Railroad). As an incentive to park tenants, the short line does not charge switching fees. Because the park offers dual rail, companies can

Illinois, and the Chicago region in particular, is strategically positioned to benefit from competition among the railroads.

A recent article in the Wall Street Journal discussed the race between BNSF Railway and Union Pacific to be the first railroad to doubletrack (two sets of tracks, one in each direction) between Los Angeles and Chicago.

Because of the volume of imported goods arriving on the West Coast for delivery/distribution in the heartland, it is widely perceived that the first railroad to complete a doubletrack will benefit from a greatly enhanced market position because of the higher traffic volumes doubletracking affords.



achieve cost savings from rail competition. Planned to accommodate 5 million square feet of industrial and distribution facilities, the park already offers a new 572,000-square-foot speculative distribution center.

- **International Crossings (Sauk Village)** is a 325-acre master-planned mixed use business park located 20 miles south of Chicago in suburban Cook County. Strategically positioned for transportation, the development is bounded by Interstate 394 on the west, Sauk Trail on the south, and the EJ&E Railroad on the North, and is within five minutes of Interstate 80/94 and Interstate 294. The development's planned build-out will feature up to 5 million square feet of distribution and manufacturing space. Sauk Village used an RFP process to identify an experienced real estate company to develop the park, ultimately selecting DP Partners. The company is currently beginning infrastructure improvements and a 412,000-square-foot speculative facility (to be completed in 2005).
- **Park 88 (DeKalb)** is a 425-acre master-planned business park capable of accommodating up to 7 million square feet of distribution, bulk storage, warehouse and manufacturing space. Developed by Venture One Real Estate, Claycorp, and DeKalb Associates, the project provides rail access via Union Pacific and is located within two minutes of Interstate 88 and 10 minutes from Interstate 39.
- **Mapleton Port (Peoria)** is a 300-acre industrial park and port being developed by Indiana-based Port Group, LLC, which has developed similar projects in Indiana, Kentucky, and Ohio. Located on the Illinois River near Interstate 474 and featuring rail service via TP&W, the project will cater to companies that make products shipped by inland waterways, rail, or truck.
- **NexPark (Jacksonville)** is an emerging 1,000+ acre multimodal logistics park in Central Illinois. Located adjacent to Interstate 72, the proposed park is within 30 minutes of Interstate 55 and five minutes from Corridor 67 (a four-lane expressway under construction between St. Louis and the Quad Cities – Rock Island, Illinois/Davenport, Iowa area). The location also features direct rail access via Norfolk & Southern and BNSF Railway, with Kansas City Southern located within five miles. Just 15 minutes away by rail is Consolidated Terminal and Logistics' terminal at Naples – the farthest

## Definitions

**Crossdocking** involves a direct transfer from/to railcar from/to truck.

**Distribution On Demand (DOD)** is the order fulfillment state an organization achieves when it can respond—closest to real time—to changes in demand while shipping 100% customer-compliant orders at the least cost. The Distribution on Demand Initiative is a DOD advocacy group.

**Doubletracking** refers to a rail corridor that has two sets of tracks, each running exclusively in opposite directions. Most rail corridors have only a single set of tracks utilized by traffic in both directions with sidings to allow one train to stop and wait while another passes. Doubletracking significantly increases the traffic volume a rail corridor can accommodate and also reduces transit time since trains do not have to stop on sidings to allow other trains to pass.

**Drayage** is cost of transporting a container or commodity from a railyard to the end user's facility.

**Intermodal** is transporting the same cargo without repackaging by more than one mode of transportation, usually in a standard shipping container.

A **lift** is the physical transfer of a container (via crane) off one mode of transportation onto another, i.e., rail-to-truck.

**Reload** is transfer from/to railcar to/from truck with intermittent storage at the transfer location.

**Six Sigma** is a highly disciplined approach to decision-making that helps people focus on improving processes to make them as near perfect as possible. Companies generally use Six Sigma to reduce variation in products and processes, ultimately resulting in fewer defects, shorter cycle times, increased capacity and throughput, lower costs, higher revenues and reduced capital expenditures.

**Throughput** is the quantity of product or containers moving into and out of a process or facility.

**Transload** occurs when multiple commodities or customers come into a facility to transfer to/from railcar to/from truck at a location that acts as a distribution hub for multiple materials.



*An aerial view of Burns Harbor/Portage – one of Indiana's three ports.*

north year-round ice-free facility on the Illinois River. When completed, the project will feature the strategic advantage of single-carrier shipping to either coast. Spearheading the project is the Jacksonville Regional EDC, a two-county industrial development group.

#### **A UNIQUE PARTNERSHIP**

About 70 miles west of Chicago lies the I-39 Logistics Corridor. Approximately 165 miles long and 65 miles wide, the Logistics Corridor is a unique regional marketing effort covering a 10,000 square-mile, 14-county region in Illinois and Wisconsin. The region features seven major interstate highways, seven major railroads, two major airports and eight smaller airports, and barge terminals along the Illinois River.

The regional partnership was formed in 2002 to develop a unified marketing message and to pool resources to promote a regional identity as a logistics destination. The broad-based appeal of the association has attracted a diverse mix of members, including developers, contractors, economic development organizations, trucking and warehousing companies, manufacturers, and universities. Based in DeKalb, the partnership boasts a membership of more than 60 development and business entities.

The I-39 Logistics Corridor includes several logistics parks previously mentioned, including LogistiCenter and CenterPoint Intermodal at Rochelle and Park 88 in DeKalb. Since 2003, the Corridor has attracted nearly 3 million square feet of new distribution, warehouse and industrial development, with a total new investment exceeding \$100 million.

#### **PORTS OF INDIANA – THREE PORTS, TWO WATERWAYS, ONE SYSTEM**

Not many people realize Indiana ranks 14th in the nation for waterborne shipping. In fact, Indiana ships 70 million tons of cargo by water each year, which is more than Michigan, Alaska, Virginia, Maryland, Mississippi, Tennessee, Oregon, Maine, Massachusetts, Puerto Rico, South Carolina, Georgia, and Hawaii. This may not be so surprising given that more than half of Indiana's border is water. Indiana has 400 miles of coastline on the Ohio River and Lake Michigan, each of which is part of the country's two largest shipping arteries – the Inland Waterway System and the Great Lakes/St. Lawrence Seaway. Indiana also ranks first in number of interstates and ninth in railroad miles, and there are more than 82 million people living within a day's drive of its capital city. Considering all these factors, it's obvious why Indiana has a thriving port system.

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Jeffersonville, Indiana's Clark Maritime Center – the fastest growing port on the Inland Waterway System – is located directly across the Ohio River from Louisville, Kentucky.

The Ports of Indiana is the only statewide system of ports with direct access to two U.S. coasts – the Atlantic to the east and the Gulf to the south. The state's three ports, located in Burns Harbor/Portage, Jeffersonville, and Mount Vernon, serve the world's most productive industrial and agricultural region through a combination of strategic location, Intermodal connections and specialized facilities. As premier distribution points for Indiana, the Chicago and Louisville regions, as well as a large part of the Midwest, Indiana's ports generate more than \$1.5 billion in economic impact per year as well as 10,500 jobs and \$400 million in annual wages. Every state dollar invested into the ports has generated more than \$15 in additional investment.

In concert with its economic development mission, the Ports of Indiana also has statewide authority to administer foreign-trade zones, provide development financing for off-port projects and develop transportation-related facilities. Looking ahead, the ability of the Ports of Indiana to finance multi-million dollar developments anywhere in the state and to develop huge intermodal facilities will likely have a tremendous impact on Indiana's economy.

"We are unique," says Rich Cooper, acting executive director for the Ports of

Indiana. "Where else can you find a port authority that operates a statewide system of ports on two major waterways? Add to that the ability to finance the development of corporate headquarters, hospitals, airports or Intermodal rail ports anywhere in the state, and you've got a very unique economic engine for the state."

"Ports of Indiana" is the marketing name for the Indiana Port Commission, a quasi-state agency governed by a seven-member, bipartisan board that is appointed by the governor. The mission of the Ports of Indiana is to facilitate economic development in Indiana through logistics facilities and services, maritime industrial and commercial development, development finance tools, and strategic public-private partnerships.

Indiana's first port, the Port of Indiana-Burns Harbor, opened in 1969 on the southern tip of Lake Michigan. On the Ohio River, Indiana established ports in Mount Vernon (Southwind Maritime Center) in 1976 and in Jeffersonville (Clark Maritime Center) in 1985. In 1984, the Ports of Indiana opened a central office in downtown Indianapolis across the street from the state capitol building.

Indiana's system of ports is home to more than 60 businesses engaged in manufacturing, processing and distribution of grain, coal, fertilizer, minerals, steel and many other cargoes. Some of those port tenants include: ADS Logistics, Beta Steel Corp., Cargill Inc., Federal Marine Terminals, Feralloy Corp., Eagle Steel Products, FedEx Ground, Kasle Metal Processing, Kinder Morgan, Steel Dynamics Inc., Bristol-Myers Squibb, CEMEX/ Kosmos Cement, Consolidated Grain & Barge, Mount Vernon Barge Service, and Royster-Clark.

"Our success depends on the companies located at our ports," Cooper explains. "We feel our relationships with these companies are partnerships designed to grow their business. We may increase our capabilities and build new facilities, but those relationships are our main priority."

Indiana's ports are designed to quickly and efficiently transport products by truck, rail, ship or barge to both foreign and domestic manufacturing and agricultural markets. The main car-

"Ports of Indiana" is the marketing name for the Indiana Port Commission, a quasi-state agency governed by a seven-member, bipartisan board that is appointed by the governor.

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goes handled at the Ports of Indiana include: grain (30 percent); coal (25 percent); steel (20 percent); fertilizer (10 percent); limestone (5 percent); road salt (5 percent) and miscellaneous/project cargo (5 percent). To further assist multimodal transportation, distribution, and logistics, the ports offer tenants and shippers a wide range of services, including tug, barge fleet, heavy-lift, railroad switching, rail/truck to water transloading, and specialized material-handling.

**Burns Harbor/Portage** handles more ocean-going cargo than any other U.S. Great Lakes port. Situated at the heart of the largest steel-producing region in the world, the port handles about 15 percent of all U.S. steel trade with Europe. Just 18 nautical miles from Chicago, Burns Harbor offers year-round barge access to Midwestern markets and the Gulf of Mexico through the Inland Waterway System, and provides ship access to the Atlantic Ocean via the St. Lawrence Seaway. The 600-acre port has 30 tenant companies, capacity for 1,000-foot vessels, 12 modern shipping berths and rail service from all U.S. Class I carriers.

**Jeffersonville** (Clark Maritime Center) is the fastest growing port on the Inland Waterway System, acquiring 26 tenant companies since opening in 1985. This Intermodal transportation gateway is located directly across the Ohio River from Louisville, Ky., within a day's drive of more than two-thirds of the U.S. market. The 1,025-acre port provides 12-month ocean access to world markets via the Inland Waterway System to the Gulf of Mexico and offers a wide variety of services for bulk, liquid and general cargo, including 12 onsite steel-related firms providing complementary services.

**Mount Vernon** (Southwind Maritime Center) is a leader in throughput tonnage, handling 3 to 5 million tons of grain, coal, fertilizer, and minerals annually. Located near the median center of U.S. population and only 152 miles from the confluence of the Ohio and Mississippi rivers, this Ohio River port is in the center of one of the richest grain and coal regions in the world, and one of the globe's largest fertilizer markets. The 745-acre facility has nine tenants and many advanced material-handling services and specialized storage facilities.

## STATE ASSISTANCE FOR LOGISTICS PROJECTS

Both Indiana and Illinois provide programs to assist with logistics-related projects. Following are brief overviews of several:

**The Illinois Rail Freight Program (RFP)** provides capital assistance to communities, railroads, and shippers to preserve and improve rail freight service in Illinois. RFP facilitates investments in rail service by linking interested parties and channeling

## For Additional Information

**Following are website addresses for key organizations and information regarding Intermodal issues or projects:**

Association of American Railroads	<a href="http://www.aar.org">www.aar.org</a>
BNSF Railway	<a href="http://www.bnsf.com">www.bnsf.com</a>
Canadian National Railway Company	<a href="http://www.cn.ca">www.cn.ca</a>
Canadian Pacific Railway	<a href="http://www.cpr.ca">www.cpr.ca</a>
Chicago Area Transportation Study	<a href="http://www.catsmpo.com">www.catsmpo.com</a>
City of DeKalb	<a href="http://www.cityofdekalb.com">www.cityofdekalb.com</a>
CSX Corporation	<a href="http://www.csx.com">www.csx.com</a>
DeKalb County EDC	<a href="http://www.dcedc.org">www.dcedc.org</a>
DP Partners	<a href="http://www.partnerwithdp.com">www.partnerwithdp.com</a>
Federal Railroad Administration	<a href="http://www.fra.dot.gov">www.fra.dot.gov</a>
Galesburg Logistics Park	<a href="http://www.galesburglogistics.com">www.galesburglogistics.com</a>
I-39 Logistics Corridor	<a href="http://www.i39logisticscorridor.com">www.i39logisticscorridor.com</a>
Intermodal Advisory Task Force	<a href="http://www.catsiatf.com">www.catsiatf.com</a>
Intermodal Association of North America	<a href="http://www.intermodal.org">www.intermodal.org</a>
Jacksonville Regional EDC	<a href="http://www.jredc.org">www.jredc.org</a>
Journal of Commerce	<a href="http://www.joc.com">www.joc.com</a>
Kansas City Southern	<a href="http://www.kcsi.com">www.kcsi.com</a>
Lee & Associates	<a href="http://www.lee-associates.com">www.lee-associates.com</a>
Maritime Global Net	<a href="http://www.mglobal.com">www.mglobal.com</a>
Norfolk Southern Corporation	<a href="http://www.norfolksouthern.com">www.norfolksouthern.com</a>
Ports of Indiana	<a href="http://www.portsofindiana.com">www.portsofindiana.com</a>
Surface Transportation Board	<a href="http://www.stb.dot.gov">www.stb.dot.gov</a>
Traffic World	<a href="http://www.trafficworld.com">www.trafficworld.com</a>
Union Pacific	<a href="http://www.up.com">www.up.com</a>
U.S. Department of Energy Diesel Fuel Price Updates	<a href="http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp">http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp</a>

government funds to projects that achieve statewide economic development. The program focuses on projects with the greatest potential for improving access to markets and maintaining transportation cost savings and where state participation will leverage private investments to foster permanent solutions to rail service problems. More information about the program is available through the IDOT Bureau of Railroads, (217) 782-2835.

**Development Financing** has been offered by the Ports of Indiana at its ports for many years. In 2003, Indiana's General Assembly approved statutory changes that allow the Ports of Indiana to offer development financing and synthetic leases outside its ports. Port financing involves the use of the organization's bonding authority to build or expand an Indiana facility on behalf of a private company. The company can pay off the bond through a very flexible lease term. Financing large developments through the Ports of Indiana creates significant sav-





Steel coils being off-loaded from steamship into a port facility prior to being transloaded onto a railcar.

ings for the company and allows it to treat the cost as an operating expense rather than a capital investment, which improves balance sheet ratios and conserves capital for other needs. More information about this program is available through the Ports of Indiana, (800) 232-PORT.

A **Foreign-Trade Zone (FTZ)** is a specially approved area that is legally considered outside the

Many small towns are strategically positioned along rail lines and interstates. Because of changes in global trade and U.S. logistics, those with both may boast a valuable strategic advantage. The key to leveraging this advantage, though, will be the extent to which a community is willing to commit the necessary resources to maximize the value of its location for companies.

territorial boundaries of the United States. Consequently, international cargo brought into an FTZ is not subject to U.S. duties until it leaves the zone. FTZs enhance the global competitiveness of both large and small companies by reducing, postponing or eliminating U.S. duties. Goods and raw materials that are subject to high duty rates can be stored or processed without payment due until the final product leaves the zone. Duties can also be eliminated or reduced if a product is altered or destroyed during processing within an FTZ. FTZs are available in both Illinois and Indiana.

## CONCLUSION

Many small towns are strategically positioned along rail lines and interstates. Because of changes in global trade and U.S. logistics, those with both may boast a valuable strategic advantage. The key to leveraging this advantage, though, will be the extent to which a community is willing to commit the necessary resources to maximize the value of its location for companies. In most cases, this may equate to a significant investment by the local government (as was the case in Galesburg), by a local EDC, or by a state or regional organization. Communities fortunate to be located in closer proximity to a metropolitan area (as was the case with several of the case studies) have a greater opportunity to work with private developers who are willing to make a speculative investment in a new logistics facility.

All of the case studies presented demonstrate the development opportunities possible from the rapid growth of the logistics industry. Clearly, the communities presented have leveraged their transportation assets to create new jobs and investment for their areas. In so doing, they have provided an example for other communities with similar assets to emulate.

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# a vision for change

By Terry Peterson



Rendering of Roosevelt Square, a mixed-income community currently being built on Chicago's Near West Side.

Terry Peterson is the Chief Executive Officer of the Chicago Housing Authority.

**a LOOK BACK** Public housing in Chicago was once a path to renewal and self-sufficiency, a temporary stop on the journey to something better. In 1937, when the CHA was incorporated, its original residents were working families who were seeking refuge from the era's severe housing shortage resulting from the Great Depression and lack of new construction. The new public housing developments that were built under CHA's purview were generally regarded as a great improvement from the slum dwellings they replaced.

However, over the years, the buildings deteriorated. New sociological challenges, including the drug trade, along with federal housing policies becoming

more lenient, brought further decay to communities that were once a sanctuary for low-income families seeking temporary affordable housing. As the decades passed, separate services specifically for public housing residents were brought in to the housing developments – at one time, the CHA had its own health, daycare, police force and garbage collection services. These separate services, along with the continued method of concentrating low-income families in massive high-rise structures, resulted in further isolating public housing residents from the rest of Chicago. As the developments continued to decay, drugs, crime and substandard living conditions eventually became synonymous with Chicago public housing. By the early 1990's, years of mismanagement had left the CHA in utter turmoil. The situation became so dire that, in 1995, the U.S. Department of Housing and Urban Development (HUD) took control of the agency and installed a transition team to restore order to the CHA.

In 1998, HUD determined that the CHA had met the goals of the takeover agreement and removed the agency from its troubled housing list. The move returned control of the CHA back to the city of Chicago. Mayor Richard M. Daley dispatched a new team of executives with a clear cut set of goals: 1) overhaul the agency's finances; 2) provide residents with safe, secure, attractive housing in positive settings where they could improve their lives; and 3) end the years of isolation and integrate public housing into the greater Chicago area. This directive set the stage for CHA's *Plan for Transformation* and paved the way for a new era in public housing.

## A NEW PLAN

On January 6, 2000, the CHA submitted its proposal for *The Plan for Transformation* to HUD. The Plan outlined major program changes, new policy directions, and organizational initiatives that CHA would undertake to revitalize its housing stock. The

## RENEWING CHICAGO'S PUBLIC HOUSING

Chicago is currently in the midst of the largest overhaul of public housing in the nation's history. This massive revitalization of some of the most distressed public housing stock aims to completely transform isolated public housing developments full of crime, poverty, and despair into thriving mixed-income neighborhoods with nearby services and amenities. The ten-year *Plan for Transformation* currently being implemented by the Chicago Housing Authority is a blueprint to overhaul the physical structures as well as the mindset surrounding public housing. This effort involves immense participation and coordination among various private and public entities and demonstrates how the *Plan for Transformation* is serving as a catalyst for neighborhood revitalization in the city of Chicago.

proposal took a hard and honest look at what would be required of the city of Chicago to transform its abysmal public housing developments into safe, livable communities that would thrive for years to come. In February 2000, the federal government approved the CHA's 10-year *Plan for Transformation*, a once-in-a-lifetime opportunity to positively impact Chicago's future. The proposed changes would completely overhaul the way that the CHA would conduct its business, transform the failing buildings, and ensure that residents would be reintegrating into the fabric of the city.

The Plan is built around these core commitments:

- A \$1.5 billion capital program to build or rehab 25,000 public housing units, enough for all lease-compliant families and seniors who resided in CHA as of 10/1/99, as well as relocation services for residents opting for other housing choices;
- Create and implement a comprehensive redevelopment process to build brand new public housing units in attractive mixed income communities in revitalizing neighborhoods with abundant economic opportunities;
- Reduce administrative costs and transfer the management of CHA properties to professional property management companies; and
- Provide CHA residents access to needed social services through other public and private agencies, and expand access to regular city services, ultimately ending their isolation to the rest of the city.

By effectively implementing these strategies, the Plan ultimately aims to change the mindset, culture and image of Chicago public housing and give its residents real opportunities to move towards self-sufficiency.

## IN THE MEANTIME

As the CHA rebuilds new buildings, it must demolish existing structures. During this process, residents must move at least once (out of their existing public housing unit and into a temporary unit) while their new unit is being built or rehabbed. All relocating families are given options regarding where they would like to go in the interim. They

In February 2000, the federal government approved the CHA's 10-year Plan for Transformation, a once-in-a-lifetime opportunity to positively impact Chicago's future.

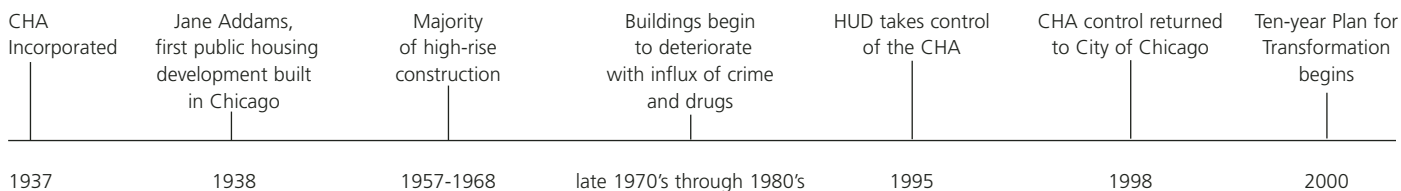
The proposed changes would completely overhaul the way that the CHA would conduct its business, transform the failing buildings, and ensure that residents would be reintegrating into the fabric of the city.

may select a Housing Choice Voucher for use in the private market or may choose a temporary unit in their existing or another CHA housing development. Thus far, most residents have opted to move temporarily into the private market until their new unit is built. CHA negotiated a contract with all relocating residents to ensure that everyone who lived in CHA housing as of 10/1/99 has the option to return to a new or rehabbed unit, as long as they remain lease-compliant. This allows them the comfort of knowing that they will be able to return to a unit in CHA's portfolio should they choose to do so.

## BUILDING SUCCESSFUL COMMUNITIES

The Plan is not just about new buildings. It's about revitalizing neighborhoods where families of all income levels can thrive – places where families can be proud to call home. Creating successful mixed-income buildings in some of the city's most deteriorated neighborhoods is certainly no small task. It takes an incredible amount of coordination - not only between the CHA and the developer but with all the involved city agencies, local government officials, community leaders, and resident leadership. As each entity has a stake in the success of these new communities, all of them are represented on what is known as the "Working Group" for the site. This group discusses all aspects of the mixed-income site including bedroom sizes, site amenities, and community resources.

### Chicago Housing Authority Timeline



In addition to thoughtful planning and consideration of the actual housing site, resources beyond the federal funding are central to the Plan's success. Through the mayor's vision and commitment, the city is providing \$49 million in support through its infrastructure work on the new sites such as water, sewer and utility line installation along with new lighting, curbs, sidewalks, and streets. The Chicago Department of Planning and Development and Chicago Department of Housing have stepped up to implement sound community planning and Low Income Housing Tax Credits (LIHTC) to support the financing respectively. The support of other city agencies such as the Chicago Public Schools, Park District and Transportation Department has been vital when planning these new communities since the ultimate success of the sites also relies upon the proximity of these valuable resources.

And it's not only the city that has gotten involved with this massive effort. The philanthropic, educational, and business communities have also generously stepped forward to provide monetary and other resources to enable the CHA to improve as it moves forward to create thriving neighborhoods.

## **MIXED-INCOME DEVELOPMENTS AND NEIGHBORHOOD REVITALIZATION**

Two examples of CHA housing sites that have spurred economic investment in their respective areas are also two of the oldest and largest – ABLA and Cabrini Green. Both sites are comprised of four smaller housing developments (ABLA is an acronym for the Abbott, Brooks, Loomis, and Addams sites, and Cabrini Green is comprised of the Francis Cabrini Rowhouses, William Green Homes, Cabrini Extension South and Cabrini Extension North). Located on the Near West Side, ABLA was among the very first public housing built in Chicago with the Jane Addams Homes which opened in 1938. Cabrini Green opened in 1942 with its first housing development, the Francis Cabrini Rowhouses.

The high-rise buildings that were later constructed on both of these major sites eventually became the manifestation of failed public housing policy. The concentration of low-income, non-working families into high-rise buildings in order to keep construction costs to a minimum ended up being a drastic error. The sociological impact, including the families' isolation to the surrounding community, as well as the physical impact to the buildings themselves was neglected during the planning process. With large families living in high-rise buildings, ele-

All across the nation, people who are familiar with public housing have heard of Cabrini Green. In the 1980's it became Chicago's most notorious public housing site, a label that has continued to follow it through the last few decades. Although many public housing projects were associated with criminal activity, Cabrini Green was particularly high-profile given its close proximity to downtown and other affluent neighborhoods. This development, along with the neighborhood in which it resides, has been changing steadily since the late 1990's.



*Mixed-use retail and housing buildings that will be constructed as part of Roosevelt Square.*



vators were pushed beyond their limit, play spaces were located far away from the family's unit, and the buildings were isolated on large tracts of land, set well apart from streets, sidewalks, and daily urban life. With the continued deterioration of the buildings, and CHA's high-rises eventually failing HUD's building "viability tests," redevelopment became the only alternative for most of the buildings.

The CHA applied for and received HOPE VI grants in 1996 and 1998 to revitalize the ABLA Homes. After years of planning and community collaboration, the CHA broke ground on the first phase of Roosevelt Square, the new mixed-income site that will eventually replace ABLA, which is currently under construction. The new low-rise development will contain a total of 2,441 units, approximately one-third of which will be reserved for public housing, one-third for affordable housing and one-third for market-rate families. All the units are designed to blend seamlessly into the neighborhood architecture and there is no physical difference between the three types of units. The site plan also provides some mixed-use buildings with living and retail space along the streetscape. Along with the new construction, the neighborhood is experiencing a resurgence in economic activity. The historic street grid is being re-established so that all buildings have front doors facing the street with new alleys in the rear. Additional new market-rate construction and new retail are well underway.

The neighborhood, located near the existing "Little Italy" community with its restaurants and bakeries, is in close proximity to expressways and public transit. Nearby, the University of Illinois provides job opportunities for residents. The Duncan YMCA/Chernin Center for Performing Arts is within walking distance of the development along with newly-constructed Fosco Park, a 57,000-square-foot new community center with daycare, after-school programs, a pool, and gym for all neighborhood residents. Additionally, construction on new police and fire stations will begin. As new units are completed at Roosevelt Square, the community around it will provide resources for families at all income levels.

All across the nation, people who are familiar with public housing have heard of Cabrini Green. In the 1980's it became Chicago's most notorious public housing site, a label that has continued to follow it through the last few decades. Although many public housing projects were associated with criminal activity, Cabrini Green was particularly high-profile given its close proximity to downtown and other affluent neighborhoods. This development, along with the neighborhood in which it resides, has been changing steadily since the late 1990's.



*Old Town Square, a mixed-income community on Chicago's Near North Side with replacement housing for former Cabrini Green residents.*

The redevelopment plans for Cabrini Green were guided by several programs that have been implemented over the past ten years, most notably the HOPE VI grant that CHA received for the site and the Near North Redevelopment Initiative (NNRI), a city-driven neighborhood plan. In 1994, CHA received \$50 million in federal HOPE VI funds to renew this severely distressed public housing community. Soon after, in 1996, the city adopted the NNRI, a neighborhood plan that took a holistic approach to community planning and encouraged partnerships with private business including professional real estate developers. As a result, 12 off-site small mixed-income communities have already been built nearby to house former Cabrini Green residents and plans for additional sites and units are currently underway. Along with the new mixed-income units, the NNRI yielded a new commercial district with a grocery store and other retail as well as a new police station, park, library and community center. Throughout 2005, construction is continuing on additional mixed-income communities including a large-scale development called Parkside of Old Town. This new community will be built on land that housed some of the old Cabrini Green buildings and provide safe and modern replacement housing for former Cabrini Green residents.

CHA's experiences with these and the eight other large mixed-income sites currently under construction across the city have proven that everyone has a role in making the *Plan for Transformation* a success. The CHA and the Chicago Department of Human Services (CDHS) currently run the city's Service Connector Program, which is a city-wide initiative to link public housing residents (those who remain in CHA developments and those who have temporarily moved to apartments in the private housing market) with social services such as job training, educational

It would be untrue to say that the road has always been easy. It hasn't. A public housing revitalization plan of this magnitude has never before been implemented so we're learning more everyday as we move through the process and then applying what we've learned.

opportunities, drug treatment, and other services that they need to improve their lives and be successful. The city has recently announced a new program offering teachers and police officers financial incentives to purchase units in CHA mixed-income communities. Universities located near some of the mixed-income sites are offering forgivable loans to their employees in order to encourage them to purchase as well. Employers, faith-based institutions, and various community organizations are offering public housing residents additional resources that can help them be successful.

#### TODAY AND BEYOND

It would be untrue to say that the road has always been easy. It hasn't. A public housing revitalization plan of this magnitude has never before been implemented so we're learning more everyday as we

move through the process and then applying what we've learned. The Authority has dramatically shifted from its former role as a large municipal agency with multiple missions to a housing agency focused on creating viable mixed-income communities and connecting residents to resources that create self-empowerment and upward mobility. Thus far, we've completed almost 14,000 (or 56 percent) of the 25,000 units planned for redevelopment or rehabilitation. We're under construction at or near every single site that's planned for redevelopment. We've closed 27 mixed-income deals. Our families are accessing needed social services through the public and private social service agencies and the mixed-income developers have implemented supportive services for residents when they move into the new communities. And we're improving every day.

To call the CHA's *Plan for Transformation* extraordinary is an understatement. It is an ambitious effort to significantly change the way people think about and, more importantly, live in public housing. If successful, it will eliminate substandard living conditions and replace dilapidated high-rise buildings with new low-rise communities and economic opportunities for the poor. We're working hard every day to ensure that our goals are fulfilled. For us and the rest of Chicago, failure is not an option.



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# 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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Michael M. Mullen is the Chief Executive Officer of CenterPoint Properties Trust.

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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

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.



*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**

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*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.

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**Container-Care International, Inc.**

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*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.

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**Potlatch Corporation**

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*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.

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**Partners Warehouse**

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*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.

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**Sanyo Logistics**

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*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.

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**DSC Logistics**

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*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.

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**California Cartage**

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*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*



# the o'hare modernization

## PROGRAM

By Roderick R. Drew

**t**he city of Chicago, centrally located in the United States, has served as both a boat and rail hub before evolving into the premiere air transportation hub in the nation. Thanks to the presence of Midway International and O'Hare International Airports, Chicagoans have boasted about being home to the "World's Busiest Airport" since John F. Kennedy occupied our nation's highest office.

While a number of airports across the country have increased capacity by building new runways, O'Hare's last runway project was completed in 1971. Now, following more than 30 years of discussion about adding new runways at O'Hare, the city of Chicago is preparing to move forward with the O'Hare Modernization Program- the solution to the problem of delays and congestion at O'Hare International Airport and the most anticipated airport improvement project in the world.

O'Hare is the economic engine that drives the Chicago region's economy, contributing 450,000 jobs and \$38 billion in annual economic activity. That is why Illinois Governor Rod Blagojevich calls O'Hare the "economic jewel of the state."

O'Hare set an all-time record in flight operations in 2004, with more than 992,000 operations- the third consecutive year that O'Hare has eclipsed its all-time mark. However, the world's busiest airport also holds the dubious title of the "nation's most delayed airport."

Following a summer of intolerable delays at O'Hare, Congress held hearings on the growing problem in early 2001. At those hearings, Congress mandated local leaders to come up with a solution – or risk government intervention. Three years



O'Hare Airport is the last remaining dual hub airport in the country. Both United and American Airlines have hub operations at O'Hare.

later, delays at O'Hare once again focused national attention on the inefficiencies of the airport, an issue that was summed up best by U.S. Transportation Secretary Norman Mineta when he stated, "O'Hare flight delays are clogging our national airspace system and inconvenience the traveling public."

In an effort to mitigate delays, Mineta and Federal Aviation Administration (FAA) Administrator Marion Blakey orchestrated three rounds of agreements with the air carriers servicing O'Hare that voluntarily reduce flights during peak travel times through Spring 2008. Over the long-term, flight restrictions are anti-competitor and anti-consumer because they limit competition, give flyers fewer options and lead to increased fares. Flight restrictions also adversely affect the economic impact of O'Hare on the region's economy.

We know now what we knew in 2001- the ultimate solution to the problem of delays and congestion at O'Hare is the O'Hare Modernization

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Roderick Drew is the Director of Public Affairs for the O'Hare Modernization Program. Prior to joining the OMP, he spent three years as an Assistant Press Secretary for Chicago Mayor Richard M. Daley.

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## MAINTAINING THE AVIATION CROSSROADS OF NORTH AMERICA

O'Hare is the economic engine that drives the Chicago region's economy, contributing 450,000 jobs and \$38 billion annually. The "world's busiest airport" set an all-time record with more than 992,000 operations in 2004. However, O'Hare is also the nation's most delayed airport because it has reached critical capacity. Since 2001, intolerable delays have infuriated passengers, spawned congressional hearings and led to federal intervention to voluntarily reduce peak hour flights through early 2008. While short term help is needed, the long term solution to the problem of delays and congestion is the O'Hare Modernization Program- a \$6.6 billion program that reconfigures O'Hare's outdated runway system and creates a 21st century airport.

Program (OMP)— announced by Chicago Mayor Richard M. Daley on June 29, 2001.

### REDUCING DELAYS

Reducing delays at O'Hare can only be accomplished by modernizing the airfield itself. The airport is prone to delays because of its outdated intersecting runway configuration, designed before the era of modern jets. While the airport operates relatively smoothly during good weather, during certain weather conditions air traffic controllers are forced to remove an arrival runway – reducing O'Hare's arrival capacity by one-third and creating delays that impact the entire nation. The O'Hare Modernization Program will modernize the airport's intersecting runways into a modern, parallel configuration, allowing O'Hare to meet the capacity needs of the region well into the future.

By incorporating a parallel configuration, the OMP will substantially reduce delays and increase capacity at the airport. In fact, the FAA's own analysis of the program has found that in 2018, delays at O'Hare will decrease from today's average of nearly 18 minutes to less than six minutes per flight. More importantly, O'Hare will

By modernizing O'Hare, the region will realize a number of tremendous economic benefits. Two independent studies have found that the OMP will create at least 185,000 jobs and pump an additional \$18 billion in economic activity into the region's economy each year.

The OMP will also save air passengers and the airlines a combined \$750 million annually in reduced delays. The benefits of modernizing O'Hare far outweigh the costs; that is why the airlines have signed a \$2.9 billion agreement in 2003 to launch the program.



*The O'Hare Modernization Act was signed into law by Illinois Governor Rod Blagojevich on August 6, 2003. Among those present at the bill signing were U.S. Speaker of the House J. Dennis Hastert, then U.S. House of Representatives member William Lipinski, and Chicago Mayor Richard M. Daley.*

As part of the funding for the OMP, the city of Chicago submitted a \$300 million funding request to the FAA. The \$300 million is a reasonable amount to seek from the federal government given the importance of O'Hare to the national aviation system and the need for delay reduction at O'Hare. The federal money would be disbursed over a number of years, so the FAA will be able to fund other airport projects across the country.

experience significantly reduced delays while accommodating a forecasted demand of 1.2 million flights – an increase of more than 200,000 flights annually. The city of Chicago believes that the new configuration will be able to accommodate up to 1.6 million flight operations, providing the Chicago region with adequate capacity well beyond the foreseeable future.

With six east-west runways, the future airfield takes advantage of the prominent east-west wind direction in the Chicago region. That is significant because planes take off and land into the wind.

It is interesting to note that parallel runways are not unique- it is a proven configuration that we know operates safely and efficiently. Many of O'Hare's competitors are currently operating parallel runway configurations similar to our proposed airfield.

For example, Atlanta's Hartsfield Jackson has four parallel runways and is currently constructing a fifth parallel runway. Dallas-Ft. Worth International has five parallel runways and plans for a sixth. Parallel runways will allow O'Hare to remain competitive.

An example of Chicago successfully competing with other major cities happened two years ago when Boeing launched a nationwide search for a new headquarters. The finalists were Denver, Dallas, and Chicago – cities with large hub airports that can move people and goods rapidly. Boeing chose Chicago because of its central location, the ability to reach most destinations in the world on a single flight, its unmatched quality of life, and the excellent workforce.

In October 2004, oil giant British Petroleum PLC announced that it would spin off its \$13 billion petrochemical operation and make Chicago its global headquarters. Chicago and Houston were the finalist cities for the headquarters. The company's chief executive said Chicago won because of a

variety of advantages, including its central location, “diverse environment” and proximity to local universities.

Chicago also pitched BP on airline connectivity. According to World Business Chicago Executive Director Paul O’Connor, “We did a head-to-head comparison between us and Houston. Without O’Hare, we lose.”

Unless O’Hare is modernized, we will lose the opportunity to lure more companies, trade shows, conventions, and tourism to our region, all of which create jobs.

## PAYING FOR THE PROGRAM

One of the most commonly asked questions is how the city of Chicago will pay for the program given the seemingly precarious financial state of the airline industry. No local or state tax dollars will be used to fund the OMP. Like most projects of this magnitude, the OMP will be constructed and financed in phases.

The OMP will be paid for by users of the airport with revenues generated at the airport. This includes general revenue airport bonds backed by airport revenues such as terminal rents, landing fees, parking and concession revenue as well as Passenger Facility Charges (the \$4.50 ticket tax for every flight originating from O’Hare) and federal Airport Improvement Program grants.

As part of the funding for the OMP, the city of Chicago submitted a \$300 million funding request to the FAA. The \$300 million is a reasonable amount to seek from the federal government given the importance of O’Hare to the national aviation system and the need for delay reduction at O’Hare. The federal money would be disbursed over a number of years, so the FAA will be able to fund other airport projects across the country.

In addition, O’Hare issued an Official Statement on the health of the airport in advance of going to the bond market in August and December 2003. The Official Statement included a sensitivity analysis that assumed United Airlines would go out of service in December 2003. The analysis showed that while operations would dip in the very short term, passenger and air traffic would return to today’s levels in about three years. It is interesting to note that the August 2003 bond issuance for O’Hare debt was snapped up by more than 50 institutions in less than an hour – a testament to Wall Street’s confidence in the long-term strength of O’Hare.

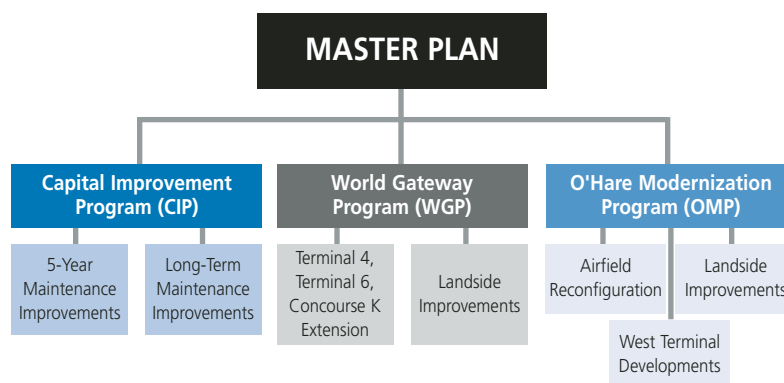
## O’HARE’S MASTER PLAN- FLEXIBLE TO FIT THE FUTURE GROWTH OF THE AIRPORT

The O’Hare Modernization Program is one component of the city of Chicago’s Master Plan for O’Hare Airport, which was submitted to the FAA in 2004. A master plan represents all that could be developed at O’Hare over the next 20 years. It out-

lines projects and funding sources that will allow the airport to meet future demand and gives airports and airlines flexibility to determine which projects move forward and when, based on demand.

There are two other components of the O’Hare Master Plan in addition to the O’Hare Modernization Program:

- O’Hare’s on-going Capital Improvement Program includes maintenance projects such as runway repairs and terminal and security enhancements. O’Hare would need it regardless if any other projects are built. This is not unique; all airports have capital improvement programs. O’Hare’s Capital Improvement Program is \$4.1 billion.
- O’Hare World Gateway Program was announced in 1999 and allows the airport the flexibility to build extra terminals when they are needed. The cost of the World Gateway Program is \$2.6 billion.



*O’Hare’s Master Plan includes the \$6.6 billion (in 2001 dollars) O’Hare Modernization Program; the \$4.1 billion Capital Improvement Program; and the \$2.6 billion (in 1999 dollars) World Gateway Program that builds terminals on the east side of the airport.*

The first phase of the OMP features \$2.9 billion in improvements, including: Planning, environmental studies, and preliminary engineering for the entire OMP. The first phase also features detailed engineering and construction for three runway projects:

- New northern runway 9L/27R
- Extension of Runway 10L
- Relocation of Runway 10C/28C, and
- Other enabling projects needed to build the three runways.

These projects represent 65 percent of all airfield work for the entire OMP.

## MINIMAL IMPACT TO EXISTING OPERATIONS

One key to the success of the OMP is to have a minimal impact to existing O’Hare flight operations. O’Hare modernization critics have falsely claimed that the city’s plan to rebuild O’Hare may actually degrade the airport’s safety. They believe

that the construction phase will cause constant disruptions to pilot and controller procedures and routines and thereby substantially boost the possibility of serious errors and inconvenience the traveling public.

It is worth pointing out that the first runway to be built as part of the program will be constructed almost entirely landside – and therefore has virtually no impact whatsoever on existing flight operations. Additionally, construction is constantly underway at O'Hare for a variety of capital improvement programs. As is now the case, it will take a coordinated effort among the Chicago Department of Aviation, Federal Aviation Administration, the OMP, and O'Hare's air traffic controllers to minimize the impact construction will have on existing flight operations. O'Hare has some of the finest air traffic controllers in the world. They have adapted to O'Hare's current configuration, and they will adapt to the future airfield while ensuring that it operates safely during construction.

### SUSTAINABLE DESIGN AND CONSTRUCTION

The city of Chicago strives to be a leader in sustainable design and construction. To that end, we have developed the OMP Sustainable Design Manual as an integral part of the overall design and construction standards, and it supports Chicago's ongoing efforts toward sustainable development.

We will continue to work to make O'Hare more environmentally friendly by going even further to incorporate concepts in sustainable design and construction methods – implementing Mayor Daley's vision of making Chicago one of the greenest cities in the world. The many greening programs in Chicago make it a city where people really want to live, work, and raise a family. They help us attract new employers and visitors, which keeps our economy strong and helps ensure a brighter future for everyone.

One sustainable design benefit to the OMP is the wetland mitigation program. We are replacing 150 acres of low quality wetlands on airport property with more than 400 higher quality passive recreation wetlands in the Des Plaines River watershed.

Wetlands also serve as natural flood control, slowing and filtering rainwater during storms. This is important because the Des Plaines Watershed is



*O'Hare's antiquated, intersecting runway configuration was built before the introduction of today's modern jet aircraft. O'Hare's air traffic controllers are forced to remove an arrival runway in certain weather conditions, reducing capacity by one-third and creating delays that affect the nation.*

notorious for heavy flooding. The wetland mitigation program will provide the funding to enhance and expand existing nature areas at no cost to local taxpayers or communities.

### STRENGTHENING TAXING DISTRICTS

Today, O'Hare Airport sits on approximately 7,000 acres. While we have tried hard to minimize the impact on the surrounding communities, we will need to acquire a total of 433 acres for the O'Hare Modernization Program. Land that is needed is in Chicago, Des Plaines, Elk Grove Village, and Bensenville.

With the help of our relocation specialists, the majority of the relocated

businesses have moved back into their current, or nearby, communities. This is important when considering the impact that land acquisition can have in the short term on tax revenue for school and community college districts. That is why the OMP has agreed to reimburse these districts for lost revenue in the short term. However, with the additional job growth and economic activity expected during and after completion of the Program, we are confident that the OMP will strengthen taxing districts surrounding O'Hare in the long term.

### ENVIRONMENTAL IMPACT STATEMENT

The FAA's Environmental Impact Statement is the most comprehensive level of review for an airport project. The EIS analyzes the purpose and need of a program, reasonable alternatives to the program as well as environmental impacts that could result from the proposed project. Part of the process includes input from other regulatory agencies and from the public.

The FAA issued its Draft Environmental Impact Statement (DEIS) a month ahead of schedule. Based on our review of the DEIS, we are confident that we will be able to move forward with this much-needed project once the FAA issues a Record of Decision on the Program.

The DEIS process initially examined 15 alternatives for reducing delays and increasing capacity at O'Hare, including the use of other airports. The Final EIS will make a recommendation from a list of four remaining options (including No-Action and the OMP).



According to the draft report, O'Hare's current intersecting runway configuration is the primary constraint on operations at O'Hare. The FAA also rules out the use of other airports as a viable solution to meeting the projected airport capacity needs of the region.

## FAA REGULATORY PROCESS

The FAA's regulatory process is the last remaining step before construction on the OMP can begin. Once the FAA completes its regulatory process, which is expected in September 2005, we will break ground immediately and all the delay reductions, capacity enhancements, and economic benefits associated with the OMP will be realized.

It is ultimately the FAA's decision as to whether the OMP moves forward, and we are encouraged that they have recently pledged to an "extremely aggressive" federal review schedule for this project. We will continue to work with the FAA while they complete their regulatory process. However, it is clear to the federal government, bi-partisan political leaders, and the business community that the long-term solution to the problem of delays and congestion at O'Hare is to add capacity at the airport. In fact, at the O'Hare Delay Reduction Meeting with the airlines in August 2004, FAA Administrator Marion Blakey said, "Let's be clear. We all know the long-term solution is more capacity at O'Hare – more pavement."

## NEW TERMINAL CREATES IMPROVED ACCESS TO O'HARE

The O'Hare Modernization Program reconfigures the airport to allow for a new terminal complex, including new roadway systems, to be developed on the west side of the airport.

The western terminal will include up to 60 gates, a parking facility, a secure automated people mover system, and could also include a Metra and CTA Blue Line train station. Travelers will finally be able to access O'Hare from the west side of the airport, park or get dropped off, then catch a flight or hop on a train – all without driving around to the east side of the airport as is required today.

A secure people-mover system will transport ticketed passengers arriving at the western terminal throughout the airport. This system will be available to all passengers regardless of the air carrier they are flying.

The city of Chicago has also been working with DuPage County, the Illinois State Toll Highway Authority, and the Illinois Department of Transportation on regional road improvement issues for the past year. This includes protecting a 300-foot corridor on airport property for a bypass road that could eventually connect with I-90 and I-294 and the extension of the Elgin-O'Hare expressway into the airport.

It is important to note that these roadway projects have been on the state of Illinois' drawing board for many years and remain under their jurisdiction. These projects are priorities for the city of Chicago. The Speaker of the House, Dennis Hastert, DuPage County, the Illinois State Toll Highway Authority, and the Illinois Department of Transportation have formed an alliance with the city of Chicago, that for the first time, increases the region's effectiveness in competing for scarce federal highway dollars. This unprecedented cooperation, under the leadership of Speaker Hastert, makes it more likely that these projects will be implemented.

## CONCLUSION

O'Hare is the economic engine that drives the region's economy. The FAA estimates that demand for O'Hare will continue to grow as evident from the record number of flights experienced at the airport last year. But, the airport has reached critical capacity.

Growth is inevitable at O'Hare. By doing nothing to modernize the airport, the state of Illinois, the city of Chicago and the region will lose flights and passengers to major metropolitan areas with large hub airports such as Dallas-Ft. Worth, Atlanta, and Denver. The OMP will allow O'Hare to meet that growth efficiently.

The cost and scope of the OMP has not changed since it was announced in 2001. But the cost of doing nothing at O'Hare is much greater. At stake are the Chicago region's economic prosperity and the efficiency of the national aviation system.

That is why the city of Chicago remains focused on the task at hand and continues to work diligently so that benefits of the OMP are realized. Because of this hard work, the OMP enjoys broad bipartisan support from the political, labor and business communities, because they understand the importance of maintaining the region's role as the aviation crossroads of North America.

Most importantly, delay-weary air passengers demand an end to chronic delays and congestion at O'Hare. Mayor Daley's vision, the O'Hare Modernization Program, will create a 21st century airport that will meet forecasted demand for the region well into the future.



*The O'Hare Modernization Program will reconfigure O'Hare into a modern, parallel runway configuration that substantially reduces delays and increases capacity well into the future. Once it is complete, O'Hare will have six parallel runways, a new terminal complex on the west side of the airport, and an automated people mover system to move passengers between terminals.*

# small to medium-sized

## ENTERPRISES COMPETING IN THE GLOBAL ECONOMY

By the Hon. Neil F. Hartigan and Ambassador Allan N. Lever



(left to right) Martin McAleese; Mary McAleese, President of Ireland; and the Hon. Neil F. Hartigan, chairman of the World Trade Center Chicago at an international networking breakfast sponsored by WTCC.

*The Hon. Neil F. Hartigan is the Chairman of the World Trade Center Chicago and is a prominent political and international figure in Chicago.*

*Ambassador Allan N. Lever, former ambassador to the Kingdom of Saudi Arabia from Canada among many other foreign posts, currently serves as President of the World Trade Center Chicago.*

*Both are key leaders for the growth of SMEs in the international sector of Chicago.*

**S** MALL/MEDIUM-SIZED ENTERPRISES Small to medium-sized enterprises (SMEs) are a major percentage of the US market, and more specifically that of Chicago. Therefore, these entities have an enormous effect on the Chicago economy by engaging in international economic development. International development, though at first glance an almost impossible task from the point of view for the executive officer of a SME, is definitely a reality and quite nearly an undeniable necessity within such an emerging global market which the city of Chicago presents.

Chicago has a long and illustrious history of innovation and economic leadership. Ever since its

formation, it has been the stage from which many American business legends have launched their empires. Yet, as with all historical stages, Chicago too has been made witness to both the dramatic rise and the tragic fall of these entities. Thus, what happens in between the gaps which are left in the economy? People do not stop working, waiting around for the next best company to arise. Most definitely they do not, especially in such a hard working city as this crown of the Midwest. There have been numerous gaps left throughout its history by shifting of the business world, and small business growth is the key to filling the gap left when that shifting occurs.

Case in point: while the US economy was slowing down over the past several years and the unemployment levels were rising all over the country, that downturn in employment within Chicago actually remained relatively low due to the job creation instigated by SMEs. While most of Chicago's larger corporations were cutting positions and counting their losses, over the past several years most SMEs were actually doing quite the opposite. And it is equally evident then that while larger corporations were and currently are struggling, there is an even greater compulsion for the smaller and medium-sized companies to succeed and prevail. It is in times of seemingly economic instability when SMEs are revealed as the true lifeblood of the American economy.

According to the U.S. Small Business Administration, SMEs are a major component of employers within the US domestic economy, currently employing 53 percent of the domestic workforce.<sup>1</sup> There are close to 22.4 million SMEs currently operating as part of the US economy which account for at least 50 percent of the gross domes-

### A RISING FORCE IN ECONOMIC DEVELOPMENT

There are many owners and CEOs of small or medium-sized companies who wonder how they can join an ever globalizing market. And what are the benefits of doing so? They have no departments for international market research like the big players; they do not have thousands of dollars at their disposal in their budgets. Yet in an increasingly international economy, in order to remain competitive it becomes necessary...or rather mandatory, for those business owners and their top executives to enter the world market. Will this help them? Most definitely. The World Trade Center Chicago is the primary facilitator of international economic development with small to medium-sized enterprises in the Chicago area and the greater Midwest region. Through its interaction with both inbound and outbound trade delegations, it continues in successfully building up the international economy of Chicago.

tic product. The majority are concentrated in the services and technology sectors, which is one of the fastest growing in the U.S. economy. Interestingly enough, most statistics agree that 55 percent of technological innovations are created by SMEs.

In regard to the international market, 96 percent of all U.S. exporters are classified within the SME qualification. To put this in perspective even more, only 1 percent of all U.S. SMEs is exporting. Current trends in outsourcing and globalizing markets practically require that SMEs must turn to the international economic sector in order to remain competitive. Imagine the markets that exist for those entrepreneurs who are willing to aid SMEs in their efforts at greater international economic development.

### WHAT CLASSIFIES A SME?

According to the Small Business Act passed by the U.S. government in 2004, a small business is one that "is independently owned and operated and which is not dominant in its field of operation." To determine this despite the immense variety of SMEs, the U.S. Small Business Administration<sup>2</sup> adheres to size standards that vary from industry to industry. These standards are listed by NAICS number and, depending on the industry, size standards are determined by several factors. For most industries there are two chief factors that are taken into consideration: number of employees and amount of annual receipts; though for some more unique industries, factors such as total electrical output, percent of volume dredged with own equipment, type of research performed, and methods used to fight and prevent forest fires are taken into consideration. This list is by no means exhaustive but it does serve to illustrate the variety of SMEs in our country as well as the intrinsic difficulty in defining and classifying them. This being the case, there are some general guidelines that can give some idea of what is meant by a SME. For most of the manufacturing businesses, a business must have less than 500 employees to be considered small or medium, and for the service sector, a business must have average annual receipts less than \$6 million.

### WORLD TRADE CENTER CHICAGO

The World Trade Center Chicago (WTCC), led by the Hon. Neil F. Hartigan, chairman, and Amb. Allan N. Lever, president, is the primary facilitator of international economic development with SMEs in the Chicago area and the greater Midwest region. Through its interaction with both inbound and outbound trade delegations, it continues in successfully building up the international economy of Chicago. The success of the WTCC is also very contingent upon the support of its partners such as the Chicagoland Chamber of Commerce, the city of Chicago, World Business Chicago & Chicago Sister Cities International Program, the state of Illinois,

the International Visitors Center of Chicago, Chicago – Cook County, and the U.S. Department of Commerce among others and its many corporate partners such as the Boeing Company and Motorola, Inc.

The WTCC provides a unique business match-making program which offers Midwest companies the chance to meet and explore partnership possibilities with members of visiting trade delegations. In 2004 it received delegations from Ireland, South Africa, and Tibet, among many others. During the visits of these delegations, individual appointments are made for each company with a researched potential business partner. The WTCC researches and puts companies in touch with each other in a mutually agreeable manner. It thus grows the international development of SMEs by often acting as their own tailored international department. In 2004 the WTCC successfully completed an ongoing matchmaking program for South African, Hungarian, and Irish companies among others.

On the other hand, in order to establish business contacts and sales leads in other countries it is often necessary to visit those countries. The WTCC works with many Midwest companies to form trade missions to other countries of interest. Several past examples include trade missions to Sardinia, Italy, and Riyadh, Saudi Arabia. With its global network comprised of more than 300 World Trade Centers spread throughout the world, the WTCC possesses unique global expertise. Having partners who already have experience and knowledge of their respective regions and countries spread throughout the world is an invaluable tool for any investor or entrepreneur looking to the international market.

However, in some cases, especially in the case of SMEs, it is not possible for a company to travel in order to establish international contacts. This could be due to an SME owner having limited time and money. In addition, most if not all SMEs have no international departments through which they can provide their own research and subsequent knowledge. This is where the WTCC steps in to eliminate



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these shortcomings. It offers its members a virtual staff of international trade and research specialists to answer all of their questions related to international trade and access to the same in over 300 cities globally.

## H<sub>2</sub>O+

One example from the Chicago area that the World Trade Center Chicago has worked with is a company which began as a SME and through help and international expertise has grown into quite a noteworthy example: WTCC Member, H<sub>2</sub>O Plus. H<sub>2</sub>O Plus is the first company in the world that focused solely on the benefits of water-based, oil-free skincare. The company currently designs, formulates, and manufactures all of its products to maintain its high standards of quality. With H<sub>2</sub>O Plus' exclusive laboratory and state-of-the-art facility, the company remains at the forefront of product innovation. It began as a small company until it was introduced to the international sphere. In 2004, the World Trade Center Chicago hosted a luncheon featuring His Excellency Mikhail Khvostov, Ambassador of Belarus to the United States and Mexico. While inviting members of the Chicago business community to this event, H<sub>2</sub>O Plus caught the WTCC's attention. The organization contacted the company and arranged for Roger Marks, president - international of H<sub>2</sub>O Plus, to meet with the Ambassador from Belarus. Marks explained the interests of H<sub>2</sub>O Plus in the region of Belarus to Amb. Khvostov.

Therefore, it was no surprise when H<sub>2</sub>O Plus announced its participation in the popular tradeshow InterCharm 2004, which took place in Moscow, Russia. The five-day tradeshow focused on cosmetics and perfumery. With a booth at this



With a booth at this tradeshow, H<sub>2</sub>O Plus established long lasting relationships with the Russian consumers. Furthermore, H<sub>2</sub>O Plus is very interested in establishing a presence in Russia and all of the former Soviet Republics. In 2003, the total attendees at this show numbered 73,000 of which 13,000 were attendees from all over the world. The company received unprecedented exposure at this event, the likes of which most SMEs only dream about.

tradeshow, H<sub>2</sub>O Plus established long lasting relationships with the Russian consumers. Furthermore, H<sub>2</sub>O Plus is very interested in establishing a presence in Russia and all of the former Soviet Republics. In 2003, the total attendees at this show numbered 73,000 of which 13,000 were attendees from all over the world. The company received unprecedented exposure at this event, the likes of which most SMEs only dream about.

H<sub>2</sub>O Plus manufactures its products in a facility here in Chicago and also one in Canada; all H<sub>2</sub>O Plus stores are company-owned. Outside the U.S. and Canada, the company enters into exclusive distributor arrangements based on a business model which has proven to be very successful to both parties. Following the tradeshow, Marks and a member of the Illinois District Export Council were in Moscow for several days meeting with interested parties, both from Russia and neighboring countries, to provide a more in-depth presentation of the H<sub>2</sub>O Plus brand and its success to date in other markets throughout Asia, Europe and Latin America. This is just one drop among the ocean of opportunities and success stories that are a part of the World Trade Center Chicago.

## CASE STUDIES:

### *South Africa Inbound Trade Mission – June 2004 & Hungary Inbound Trade Mission – September 2003*

On June 15, 2004, the United States hosted a delegation of South African business leaders scheduled to visit New York, Chicago, and Atlanta. After weeks of preparation and planning by WTCC and the former Consul General of South Africa, the Honorable Pateka Sonjani, the delegation arrived at Chicago's O'Hare International. The delegation attended a reception held at the Mid-America Club hosted by Motorola Inc. and its Director of Global Relations, Robert Langlois. Many of Chicago's top business leaders met with the South African delegates. The leader of the delegation, Wendy Luhabe, chairman, International Marketing Council (SA), spoke about the new image that South Africa is able to put forward ten years after apartheid. The following day the Chicago and South African business leaders participated in panel discussions, keynote speeches, and matchmaking processes.

On June 16 the South African Branding, Trade and Investment Conference began at the Chicago Club downtown on Van Buren Street. The African delegates and representatives of many Chicago and Midwestern businesses learned about South Africa's economic, industrial, and commercial potential. Moss Ngoasheng, chairman of COEGA Holdings (a South African firm), delivered the keynote address. He discussed the transition from apartheid to the current South African government and its impact on the economy, the GDP and other domestic fiscal





*Business leaders devote their time and attention to members of a delegation discussing profitable ventures in South Africa.*

trends, inflation and interest rates, and the South African trade deficit, debt, and budget. Three panel discussions followed on "Overview of Business Environment and Black Economic Empowerment," "South African Perspective: Infrastructure & Industry," and "US Perspective: Case Studies."

The SA delegation and Chicago business leaders heard Executive Vice President of Motorola, Robert Barnett, discuss the history of the SA telecommunications industry and Motorola's role in its substantial growth. He strongly endorsed international commerce and transaction. The delegation presented the Hon. John H. Stroger Jr., president of the Cook County Board of Commissioners, with a handcrafted ceramics piece featuring the Big Five, Africa's greatest wild animals. Matchmaking and networking activities followed this. The SA delegates, South Africans, and Americans alike walked away from the meetings feeling confident that these were the first of many to come. The events of the day did not stop there though. The effects of the trade relationships which were formed on that day continue to play very actively into our economy today.

Another one of the numerous inbound trade delegations to Chicago visited in September 2003; the World Trade Center Chicago and the Hungarian Investment & Trade Development Agency (ITD Hungary) presented the Hungarian Matchmaking Program and Luncheon 2003. Businessmen and women from the Chicago-area joined a selected group of Hungarian entrepreneurs to exchange ideas and explore business opportunities. Tamas Deutsch, Trade Commissioner of ITD Hungary; Hon. Kaarina Koskenalusta, Honorary Consul General of Hungary; and Robert Knuepfer, senior partner, Baker & McKenzie, explained the advantages of doing business in Hungary. The political and economic stability, the superior quality of the local labor force and the proactive attitude towards foreign investment were named among the many positive features of the emerging Hungarian mar-

ket. And again, many valuable trade relationships began because of this inbound trade mission in which SMEs were given an unusual opportunity to meet possible partner companies from Hungary.

Most SMEs generally discount the international market because at first it appears that the costs will outweigh the benefits. The enormity of tackling the international market without any leads is often the single most discouraging factor. Thus, when the 'where' and 'how' are provided for the SMEs, breaking into the global sector seems much more manageable. And subsequently, when there are trade delegations, both inbound and outbound, the SMEs establish the contacts to form business relationships. In both the South African and Hungarian examples, the WTCC is still following up with Chicago companies that began business relationships during those visits.

### **CHICAGO CONSULAR CORPS**

The WTCC realizes that there are many ways to help Chicago companies expand globally, besides the hands-on business provided by the matchmaking program. Establishing close relationships with the international representatives in Chicago is key. The WTCC works very closely with the Chicago Consular Corps (CCC). The CCC is represented by over 70 Consuls General as well as the Chicago International Trade Commissioners Association (CITCA) which is represented by nearly 30 trade officers. These relationships are the impetus of a number of programs in the Chicago area which facilitate trade by utilizing more concentrated international expertise. The CCC is the collection of foreign diplomats stationed in the Chicago area. A consulate is a level beneath that of a foreign embassy, and is strategically placed in a certain part of the target country in which international trade and tourism are major components for their nationals. A trade commissioner is the officer (usually within the consulate) who is responsible for increasing the trade between companies in his or her region and Chicago area companies.

The WTCC is also responsible for organizing periodic meetings of the Chicago Consular Corps, serving as its secretariat. As former Consul General to Chicago from Canada, Ambassador Allan N. Lever retains an honorary membership of the Corps, allowing him to work very closely with them to facilitate their goals for international trade and commerce, especially with regard to SMEs. At each of these meetings of the Corps, members of multinational corporations along with senior economic and government officials of Chicago are invited to make a presentation to the Corps. The

presentation is generally followed by a reception for the international business community where networking often occurs. Recent participants in this program include Diane Swonk, chief financial officer for Mesirow Financial, and various officials from such companies as Motorola Inc., General Motors, Citibank, the Boeing Co., Abbott Labs, Sara Lee Corp. and the Chicago Mercantile Exchange. These meetings provide excellent opportunities for increasing the commerce between Chicago and the countries of the different foreign diplomats.



(right to left) The Honorable Borys Bazylevskyi, Consul General of the Ukraine and elected Dean of the Chicago Consular Corps Ball, accompanied by his wife Yulia Bazylevskyi; Peggy Parfenoff, executive director of the International Visitors Center Chicago; and Ambassador Allan N. Lever, president of the World Trade Center Chicago at the CCC Ball to honor foreign diplomats. The WTCC and International Visitors Center Chicago sponsor the event.

## TRADE AND INVESTMENT SEMINARS

Working through the membership of the CCC, the WTCC also sponsors Trade & Investment Seminars, offering Consuls General the occasion to showcase their foreign dignitaries at events which feature and include many members from Chicago's International Business Community as well as those companies eager to gain access to it. This program has evolved into a series of networking seminars which in the past year alone have hosted such dignitaries as the Emir of Qatar; the Presidents of Ireland, Romania, the Dominican Republic, and of the Republic of Lithuania; several Canadian Premiers; as well as Ambassadors of Indonesia, Australia, Belarus, and Venezuela - just to name a few. These heads of state and foreign officials come to Chicago looking for ways to involve more U.S. companies in trading and active business with their own countries.

More often than not, they are specifically seeking U.S. SMEs to connect with their own companies of the same level. In promoting such relationships they hope not to stifle the growth of their own SMEs, which often inadvertently occurs in the

instance of large multinational conglomerates. Many of the foreign consulates in Chicago are also the base for trade officers appointed specifically to work with local organizations such as the WTCC, to promote international commerce through SMEs.

## CASE STUDIES:

### *Ireland Trade and Investment Program, March 2005*

#### *Pakistani Trade and Investment Seminar*

One such program occurred in 2005, when the WTCC cooperated with the Irish Consulate, the Chicagoland Chamber of Commerce, and Motorola Inc. to host the second Chicago St. Patrick's Day Economic Forum. The Forum featured Ireland's Minister of State for Finance H.E. Tom Parlon, T.D. as guest speaker and Andrew J. McKenna, chairman of McDonald's Corp. and Schwarz Paper, as the event chair. Among the many distinguished guests, the three panelists included Stan McCarthy, president of Kerry Ingredients Americas and executive director of the Kerry Group; Martin Swarbrick, vice president and director, Office of Business Excellence Government and Enterprise Mobility Solutions, Motorola, Inc.; and Anthony Coughlan, controller & chief accounting officer, Accenture.

Minister Parlon spoke primarily on Ireland's fiscal policies. Ireland's economy is currently among the fastest growing in the world. Most economists agree that Ireland has the potential for sustaining this economic growth for the rest of the decade. Ireland is the U.S.'s fourth most popular site for overseas investment. Ireland's government efficiently uses its public resources for education and national development and supports the country's high productivity rate and research. Tourism is also highly encouraged. The forum illustrated that there is a high interdependency between the U.S. and the European economy. It underlined economic ties between Ireland and Chicago and pointed out many business opportunities which SMEs could and should take advantage of. At the end of the meeting, Consul General of Ireland, Hon. Charles Sheehan, stressed that this forum has substantially served to benefit both countries in the past. He emphasized the continuity of the tight economic bond between the United States and Ireland.

Another example of a seminar for SMEs occurred when the WTCC welcomed Ambassador Jehangir Karamat as the featured speaker for a program on Trade & Investment in Pakistan. Ambassador Karamat stressed that enormous potential for trade opportunities existed and were increasing in number for all businesses interested in Pakistan. In the last five years the Pakistan economy has grown considerably. Large-scale reforms were made in the political, financial and macro-economic sectors. Growth in the economy was at 6.4 percent and

institutional reforms were and still are transforming Pakistan. Textiles are the mainstay of exports.

As a whole, Pakistan today is looking to expand trade into Asia as well as forming bilateral trade agreements with the US that will eventually lead to free-trade status. Ambassador Karamat also stated that security is better in Pakistan than in other parts of the world, urging all the companies present to seriously consider it as a viable option.

By promoting programs which highlight specific countries and their target industries, Trade and Investment seminars like these create awareness among SMEs of international development opportunities. These trade seminars provide the opportunity for each country to point out their most successful market sectors; those which would be most beneficial for investment and business ventures. This saves both time and money for SMEs that are no longer compelled to fund comprehensive research and investigation into foreign economies. By eliminating this step, international economic development for SMEs becomes that much easier and no longer an impossible reality for them to pursue those global partnerships.

#### HOW DOES THE SME GROWTH AFFECT THE ECONOMY?

With over \$8 billion in industrial machinery exports alone for 2004, and over \$20 billion in total exports, Chicago is very closely intertwined with the global economy. As stated earlier in the article, SMEs comprise about 90-95 percent of the US economy. Yet again, only 1 percent of those enterprises are exporting. If only 1 percent of SMEs are exporting and the value of Chicago's top four export commodities is over \$20 billion and growing per year, the opportunities are unlimited for SMEs to increase their share of the global market.

Our economy has been witnessing a tremendous change. Exporting is no longer "the job" of large corporations. SMEs are increasingly taking a role in the international trade arena. The Chicago area customs district hit \$25.9 billion in exports in 2004, experiencing an almost \$5 billion increase from 2003 and \$6 billion from 2002.

In the time of downsizing corporations, SMEs must realize the importance of international trade. Their ability to adapt structures to changing needs of global markets and flexibility to develop multinational strategies to overcome the problems of local markets now make SMEs another big player in our economy.

Knowing what we know now,  
SMEs are much better off than before.

The international economy is out there  
awaiting those who are willing to venture  
into it. Chicago has from its very beginning  
always been an extremely international city.

Chicago continues to grow into an  
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Chicago helps with that pursuit –  
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#### REFERENCES

- 1 "The Small Business Economy" A Report to the President by Thomas Sullivan, Chief Counsel for Advocacy and Chad Moutray, Chief Economist
- 2 <http://www.sba.gov>

## IEDC CALENDAR OF EVENTS

IEDC sponsors an annual conference and a series of technical conferences each year to bring economic development professionals together to network with their peers and learn about the latest tools and trends from public and private experts. IEDC also provides training courses throughout the year for professional development, a core value of the IEDC. It is essential for enhancing your leadership skills, advancing your career, and, most importantly, plays an invaluable role in furthering your efforts in your community.

For more information about these upcoming conferences and professional development training courses, please visit our website at [www.iedconline.org](http://www.iedconline.org).

### **Real Estate Development and Reuse**

July 14-15, 2005  
Trenton, NJ

### **Business Retention and Expansion**

July 20-21, 2005  
Atlanta, GA

### **Economic Development Marketing & Attraction**

August 17-18, 2005  
Saratoga Springs, NY

### **Technology-Led Economic Development**

September 8-9, 2005  
Baltimore, MD

### **Economic Development Marketing & Attraction**

September 12-13, 2005  
Louisville, KY

### **Neighborhood Development Strategies**

September 22-23, 2005  
Chicago, IL

### **Business Retention and Expansion**

September 22-23, 2005  
Chicago, IL

### **IEDC Certified Economic Developer Exam**

September 24-25, 2005  
Chicago, IL

### **2005 Annual Conference**

September 25-28, 2005  
Chicago, IL

### **Economic Development Planning**

October 13-14, 2005  
Tempe, AZ

### **Economic Development Planning**

October 25-26, 2005  
East Syracuse, NY

### **Economic Development Credit Analysis**

October 26-28, 2005  
Trenton, NJ

### **Advanced Bond Financing**

November 2-3, 2005  
Philadelphia, PA

### **Real Estate Development & Reuse**

November 8-9, 2005  
Savannah, GA

### **Economic Development Credit Analysis**

November 14-16, 2005  
Des Moines, IA

### **2006 IEDC Leadership Summit**

January 23-25, 2006  
St. Petersburg, FL

### **2006 IEDC Economic Development Summit**

March 20-22, 2006  
Washington, D.C.

### **2006 Annual Conference**

September 17-20, 2006  
New York, NY

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- THE HISTORY OF BUSINESS INVESTMENT IN THE SOUTH
- LABOR, TAXES, INFRASTRUCTURE, & BUSINESS COSTS
- WHAT PUERTO RICO HAS TO OFFER YOUR BUSINESS
- WHY INDUSTRY CONTINUES TO LEAVE THE NORTHEAST
- PROFILES OF SOUTHERN STATES AND CITIES
- FOREIGN INVESTMENT IN THE SOUTHEAST REGION
- A REVIEW OF AUTO MANUFACTURING IN THE SOUTH

**FOR ADDITIONAL INFORMATION AND RESERVATIONS:**

**LOCATION STRATEGIES      ATTN: TOM FRAZIER**  
**E-MAIL: frazier9393@bellsouth.net      FAX: 478-929-1627**  
**PHONE: 478-397-2588**

**WHERE: RAMADA INN SILICON VALLEY**  
**DATE: THURSDAY AUGUST 4TH      TIME: 9 AM TO 4 PM**  
**1217 WILDWOOD AVENUE, SUNNYVALE CALIFORNIA 94089**  
**PHONE: 408-245-6330      [WWW.the.ramada.com/sunnyvale02426](http://WWW.the.ramada.com/sunnyvale02426)**

## The Global Economy is Here...Now What?

The answers will be found at IEDC's 2005 Annual Conference, September 25-28 in Chicago. This year's program is the most comprehensive IEDC has presented, with over 40 sessions and 100 speakers and presenters. The conference includes general sessions that feature recognized leaders in economic development from around the world, as well as extraordinary thinkers and decision makers from business, academia and government.



Five broad tracks encompass the critical issues facing economic developers today and tomorrow:

- **Real Estate Development** speakers will present their vision for the future of urban, suburban and rural real estate development. Retail, office, industrial development, financing, transit related development, state of the art trends such as Green Buildings, and more are on the agenda.
- **Neighborhood Development** features sessions, roundtables and discussions on such key topics as financing neighborhood development, neighborhood business development, the cultural economy, and securing seed capital.
- **International Development** examines regional collaboration and competition, the development of 21st century jobs and the workers to fill them, international entrepreneurship and the cultivation of small businesses.
- **Best Practices** covers the key daily operations of every economic development organization: marketing, financing, business retention and expansion, entrepreneurship, and incentives.
- **Economic Future Trends** presents the best available facts and theories from the macro to the micro on workforce trends, technology development and its impacts, legislation and governance, and the return of healthy cities.

## AEDO Strikes Partnership with Georgia Tech EDI

The IEDC Accredited Economic Development Organization (AEDO) program is expanding through a new partnership with the Georgia Tech Economic Development Institute (EDI) in Atlanta. Under an agreement reached this spring, Georgia Tech EDI will utilize its Calibration Program to prepare Georgia organizations for the AEDO process and refer qualified candidates to IEDC. IEDC will refer Georgia organizations to the Calibration Program and encourage accredited organizations to participate in EDI benchmarking exercises and surveys.



The AEDO program continues to add and retain quality organizations. In January 2005, IEDC accredited the City of Virginia Beach Department of Economic Development. Over the past five years, the city has attracted scores of new businesses and thousands of jobs and the department has been instrumental in the development of the \$400 million Town Center at Virginia Beach.

Four organizations earned reaccreditation in the first half of 2005: the Research Triangle Regional Partnership in Raleigh, North Carolina; the Tyler Economic Development Council in Tyler, Texas;

the Placer County Office of Economic Development in Auburn, California; and Regional Economic Development, Inc. in Columbia, Missouri.

The AEDO program provides organizations with independent, authoritative feedback on their operation, structure and procedures, and recognizes excellence in economic development organizations across the country.

## IEDC Looks to Expand Its International Presence

As IEDC looks to expand its international presence and provide its membership with opportunities to learn about global best practices in economic development, it has strengthened existing partnerships and forged new bonds with internationally recognized organizations.

IEDC's most recent partnership is with the World Association of Investment Promotion Agency (WAIPA), whose mission is to improve cooperation among investment promotion agencies on a regional and global basis and facilitate the exchange of experiences in attracting foreign direct investment. Although WAIPA's primary focus is on investment promotion, both organizations still share a unique compatibility in membership profiles, organizational vision, and dedication to excellence.

In an effort to advance the partnership, WAIPA's President, Kai Hammerich, invited Steve Budd, IEDC's Chairman and Ian Bromley, IEDC's International Committee Chair, this past March, to participate in its Annual Conference in Geneva, Switzerland. While there, Mr. Budd and Mr. Bromley met with members of WAIPA's Consultative Committee to discuss the potential for working together on joint governance, knowledge sharing and global best practices. In addition, Mr. Budd and Mr. Bromley met with representatives from the Multilateral Investment Guarantee Agency (MIGA), and members of Mr. Hammerich's team from the Invest in Sweden Agency.


As a result of the successful meetings, Mr. Hammerich and delegates from WAIPA have confirmed their participation in IEDC's upcoming 2005 Annual Conference in Chicago.

## Author and Consultant Doug Eadie Works with Board's Governance Planning Task Force

Association governance author and consultant Doug Eadie, president & CEO of Doug Eadie & Company in Palm Harbor, Florida, has been working with the IEDC Board of Directors' Governance Planning Task Force over the past six months. Charged by Board Chair Steve Budd to come up with practical recommendations aimed at turning an already excellent Board into a higher-impact governing body, the Task Force, with Mr. Eadie's assistance, has identified a number of improvements in Board structure and governing processes that will be presented to the Board at its July meeting in Pittsburgh. The Task Force recommendations are based on a thorough analysis of IEDC governance issues and on advances in the field of nonprofit associations governance in recent years.

The Governance Planning Task Force took advantage of Mr. Eadie's work with nearly 500 nonprofits, including many international associations, over the past 20 years and also drew on his best-selling book, *High-Impact Governing In a Nutshell*, which the American Society of Association Executives published in 2004.

A long-time member of CUED and now IEDC, he presented a program "The Board-Savvy Economic Development Executive" at IEDC's 2004 Leadership Summit in St. Petersburg. His article, "Building a High-Impact Board-CEO Partnership: Leadership for Changing, Challenging Times" appeared in the Winter 2005 issue of *Economic Development Journal*.



THE GLOBAL ECONOMY IS HERE : **NOW WHAT?**



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## 2005 IEDC ANNUAL CONFERENCE

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