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CenterPoint Intermodal Center–Elwood

Elwood, Illinois

Project Type: **Logistics Center**

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PROJECT TYPE

CenterPoint Intermodal Center–Elwood (CIC-Elwood) is a 2,500-acre (1,012-ha) integrated logistics center used for the transfer, distribution, and warehousing of consumer materials and goods. Located in Elwood, Illinois, 50 miles (80 km) southwest of Chicago, the brownfield redevelopment includes a 775-acre (317-ha) intermodal terminal—a facility for the transfer of freight from rail to trucks. CIC-Elwood also contains 8 million square feet (743,224 sq m) of warehouse and distribution space in eight structures. In 2012, when the project is expected to be completed, it will contain approximately 12 million square feet (1.1 million sq m) of warehouse space in 15 buildings, with a total investment approaching \$1 billion in public and private financing.

LOCATION

Exurban

SITE SIZE

2,500 acres/1,012 hectares

LAND USES

Intermodal Rail Yard, Warehouse/Distribution Center

KEY FEATURES

- Intermodal Facility
- Distribution Warehouse
- Redevelopment



- Brownfield

WEB SITE

www.centerpoint-prop.com/projects/article.aspx?id=151&mode=ALL

PROJECT ADDRESS

Arsenal and Baseline roads
Elwood, Illinois

DEVELOPER

CenterPoint Properties
Oak Brook, Illinois
630-586-8000
www.centerpoint-prop.com

ARCHITECT

TranSystems
Schaumburg, Illinois
847-407-5274
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GENERAL CONTRACTORS

TranSystems
Schaumburg, Illinois
847-407-5274
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Harbour Contractors, Inc.
Plainfield, Illinois
815-254-5500
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ENGINEER (MECHANICAL AND ELECTRICAL)

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GENERAL DESCRIPTION

A brownfield redevelopment of the U.S. Army's Joliet Arsenal, CenterPoint Intermodal Center–Elwood (CIC-Elwood) is an integrated logistics center (ILC) used for the transfer, distribution, and warehousing of consumer materials and goods. It is located in Elwood, Illinois, a small town on the southwestern edge of the Chicago metropolitan

area. Also known as an inland port, CIC-Elwood is a location where goods delivered by rail are transferred to trucks at an intermodal terminal. From there, goods are stored at an on-site distribution center, shipped to a warehouse elsewhere in the Chicago area, or trucked directly to their final destination.

The project area consists of 2,500 acres (1,012 ha): 775 acres (317 ha) are devoted to the intermodal terminal built by CenterPoint and operated by the Burlington Northern Santa Fe (BNSF) Railroad; eight warehouse/distribution facilities occupy close to 500 acres (202 ha); and landscaping, stormwater detention ponds, and open space account for an additional 300 acres (121 ha). Future distribution facilities and warehouses will take up the remaining acreage.

A second phase is planned on a 3,600-acre (1,457-ha) site two miles (3.2 km) to the north. The developer is in the approvals process with the city of Joliet, and expects to formally announce the project by the end of 2008. Phase II will include an intermodal terminal and an additional 17 million square feet (1.6 million sq m) of warehouse and distribution space. When the project is complete in 2012, it will comprise approximately 12 million square feet (1.1 million sq m) of warehouse and distribution space in 15 buildings.

CenterPoint began operations in 1984 as Capital and Regional Properties Corporation, a publicly traded real estate investment trust (REIT) on the New York Stock Exchange. In March 2006, it was acquired by the California Public Employee Retirement System (CalPERS), the largest pension fund in the United States. CenterPoint is a major owner, manager, and developer of industrial real estate in the Chicago area, with over 24 branded business parks. CIC-Elwood was the first ILC developed by CenterPoint.

DEVELOPMENT TYPE

ILCs are a growing part of the global supply chain for the delivery of manufactured products. As international trade has increased—in particular, goods imported to the United States—so has the use of shipping containers as a primary means of delivery. For example, a product imported to the United States may be manufactured in Asia and placed in a shipping container for transport. The container is then shipped by boat to an American seaport (often the port of Los Angeles/Long Beach—the largest in the United States). Once there, the container is either placed on a truck for delivery to a West Coast location or shipped by rail—which is more efficient per mile—to the interior of the country. The container is then removed by crane from the train to a trailer (this process is called a “lift”) and trucked to a distribution warehouse, where it is unloaded and sent by truck to retail stores or other final destinations.

Containers typically are not unloaded and warehoused at distribution centers near seaports for two reasons: one, the high cost and lack of available land near the port of entry; and two, it is more efficient to move containers by rail to a location near their final destination than to use long-distance trucks. According to CenterPoint, one gallon of diesel fuel moves one ton of freight 414 miles (666 km) by rail, but just 100 miles (161 km) by truck.

At seaports in the 19th century, a dray was a cart without fixed sides used to transport goods from dockside to warehouse. Today, *drayage* refers to shuttle trips made by trucks to move containers from rail yard to warehouse. Thus, the advantage of locating distribution warehouses near an intermodal center is a reduced drayage cost.

Intermodal terminals have evolved to perform the task of lifts, and numerous examples are found primarily in existing rail yards in core cities. However, there often is no available land nearby on which to build distribution warehouses, so ILCs began to locate on the outskirts of existing rail-hub cities where ample land is available—taking advantage of intermodal capacity and low drayage costs. The development of ILCs has increased in recent years, as they are able to attract more tenants at higher rents than comparable industrial parks, where drayage costs are higher.

Large ILCs, such as CIC-Elwood, are known as inland ports because they have the ability to process international trade despite being located away from traditional land, air, and coastal borders. Specifically, inland ports must contain an intermodal terminal to transfer containers, be larger than 1,000 acres (405 ha), have direct rail access

to and from one or more major seaports, possess foreign trade zone status, be located near the employment base of a major metropolitan area, and be situated near major east–west and/or north–south highways or interstates.

Although numerous ILCs exist to transfer freight, few meet all the criteria of an inland port as defined. To date, there are only eight in the United States in addition to CIC-Elwood: AllianceTexas in Fort Worth, Texas, which opened in 1994; Global III (also developed by CenterPoint), which opened in 2003 in Rochelle, Illinois; and five others that opened in 2007 and 2008 in California, Ohio, Indiana, Kansas, and Texas.

PLANNING

The 25,000-acre (10,117-ha) Joliet Arsenal manufactured munitions and trinitrotoluene (TNT) for the U.S. Army from the 1940s until 1976. In 1987, the property was declared a Superfund site by the U.S. Environmental Protection Agency (EPA). As was the case with numerous base closures across the country around this time, in 1993 the U.S. Army declared the site to be excess property. In 1995, the state of Illinois formed the Joliet Arsenal Development Authority (JADA) to consider the reuse of the site for economic development.

After considering several options, JADA apportioned over 3,000 acres (1,214 ha) of the former arsenal for an industrial park; 19,000 acres (7,689 ha) of the arsenal were cleaned up and reserved for the creation of the Midewin National Tallgrass Prairie; and an additional 982 acres (397 ha) was purchased by the U.S. Department of Veterans Affairs for the creation of the Abraham Lincoln National Cemetery.

In 1998, CenterPoint was selected by JADA to develop the industrial portion of the site. At the time, inland ports were a relatively unknown concept; however, CenterPoint recognized the advantages of locating a distribution facility on the outskirts of the Chicago area. The developer also understood that the size of the site and its location near major roadways, employment centers, and proximity to freight rail lines presented an excellent opportunity to develop an intermodal hub and distribution center. Furthermore, the location—away from the congested rail yards of the core city—was an advantage in regard to efficiency.

CenterPoint approached BNSF—whose main line freight tracks run adjacent to the site—to partner on the project, and they agreed to pursue the redevelopment together.

APPROVALS AND FINANCING

CenterPoint worked closely with various local, state, and federal government agencies, including the village of Elwood, the city of Joliet, the Illinois Environmental Protection Agency (IEPA), the EPA, the army, and a U.S. congressional delegation including Senator Dick Durbin and Representative Dennis Hastert.

Since declaring the Joliet Arsenal a Superfund site, the EPA has been the principal party responsible for its cleanup. Extensive soil remediation—including the removal of explosives (primarily TNT) and heavy metals (chiefly lead and arsenic)—was required. According to the EPA, nearly 4,500 cubic yards (3,440 cubic m) of contaminated soil has been treated, stabilized, or removed from the former arsenal.

Once CenterPoint was selected as the developer, it managed portions of the cleanup process in order to keep the development on schedule and spent millions on cleanup.

Despite the number of federal, state, and local agencies involved, the coordination on planning, financing, infrastructure, and remediation progressed smoothly. Elwood—a town of fewer than 2,000 residents—had not previously encountered a project of this size: the municipality had to create an entire zoning code prior to the annexation of the CIC land into the city limits.

Public financing, totaling \$200 million, was obtained from a variety of sources, including \$125 million in tax increment financing (TIF). An additional \$75 million was used to construct new water and sewer systems for the site, clean up contaminated water, and upgrade essential off-site roadways and bridges. Of the \$75 million, a

combination of Illinois Department of Transportation and federal grants provided \$50 million; \$10 million was obtained through an Illinois Department of Commerce and Economic Development grant; and \$15 million came in the form of a traditional loan.

DEVELOPMENT AND CONSTRUCTION

On October 1, 2000, Congress officially conveyed the 2,500-acre (1,012-ha) parcel (10 percent of the overall Joliet facility) to CenterPoint for development of the intermodal logistics center. Construction and site preparation began immediately, and the BNSF intermodal terminal and first warehouse opened in October 2002.

The site lacked drainage systems, roads, and rail connections upon acquisition, so the developer had to construct all necessary infrastructure. This included construction of the rail spur from the BNSF main line, the various rail tracks and roads in the intermodal terminal, internal roadways on the site, stormwater systems, and a wastewater treatment plant.

CIC-Elwood is shaped like an inverted "L," with the BNSF logistics center at its base. The rail yard, running north-south, is situated on the west side of the project area, and the various distribution warehouses are arranged along the spine of the L on an east-west axis.

The BNSF intermodal terminal consists of a switching yard and the intermodal facility. At the terminal, cranes straddle a rail car and truck trailer, and lift containers from the trains onto trucks. It is served by the aforementioned rail spur off the main BNSF freight line, which bypasses the site to the west. The terminal is approximately one mile (1.6 km) long and contains several rows of rail and truck lanes, in order to accommodate a high level of traffic. The intermodal terminal handled 750,000 lifts in 2007, with a capacity of 1 million annually.

A simple internal road system connects the intermodal facility to the warehouses to the east, providing easy truck access throughout. The road system accommodates truck traffic within the borders of CIC-Elwood, helping relieve congestion on area highways.

Three highways provide truck access from CIC-Elwood to the greater Chicago area and the regional interstate system: Interstate 55, directly connected to the CenterPoint-built Arsenal Road, lies one mile (1.6 km) to the west; Interstate 80 intersects I-55 ten miles (16 km) north of the site; and State Highway 53 runs along the eastern side of the site.

CIC-Elwood comprises approximately 8 million square feet (743,224 sq m) of warehouse/distribution space. Seven of the existing buildings are leased to or owned by the users, including Sanyo Logistics, Potlatch, DSC Logistics, California Cartage, Georgia-Pacific, and Wal-Mart. An eighth structure, a speculative warehouse, is expected to be completed during the third quarter of 2008. A ninth building is expected to be completed in December 2008 and will be occupied by Bissell Homecare, Inc.

Building sites measure from 25 to 100 acres (10 to 40.4 ha) and structures range in size from 200,000 to nearly 1.8 million square feet (18,581 to 167,224 sq m). The average tenant occupies just over 1 million square feet (92,903 sq m), and typical ceiling heights in the buildings are 30 feet (9.1 m). Most buildings have more than 100 truck docks located on the two long sides. This design, called cross-docking, allows for maximal flexibility and ease of access for warehousing goods.

Most buildings occupy one-third to one-half of their respective site, and much of the remaining land area is used for truck parking, loading, and staging areas. To handle significant paved areas and the associated runoff, numerous stormwater detention basins are found around the site.

Although CIC-Elwood has no "green" features, CenterPoint is looking into sustainable design for potential projects: for example, the developer is considering seeking LEED certification for future distribution centers. It is also weighing the benefits of wind and solar energy, although no formal decisions have been made. The developer

emphasizes that fuel savings are achieved from receiving the majority of container traffic from rail rather than trucks.

MARKETING

Since opening in 2002, CIC-Elwood has been a success. The developer reports that, since the ILC opened, BNSF has gained 10 to 15 percent of market share for rail freight in the area. The original plan for CIC-Elwood called for a ten-year absorption schedule. However, the project has performed better than expected, and CenterPoint now anticipates that final buildout will occur prior to 2012.

Typical rents at CIC-Elwood range from \$3 to \$4.20 per square foot (\$32.29 to \$45.20 per sq m). The developer reports that most tenants pay a premium to lease space at CIC-Elwood compared to other distribution warehouses in the area. Although interest has been high for the spec warehouse, no leases have been signed as of September 2008. This reflects a submarket with a nearly 20 percent vacancy rate in 2008. Nonetheless, CenterPoint expects to begin a second building when the first one is complete, as they are confident that their location will have a competitive advantage when the market rebounds.

The rent premium paid by tenants is offset somewhat by reduced drayage. CenterPoint indicates that Wal-Mart, for example, incurs \$40 in drayage costs at the CIC, whereas costs would exceed \$200 at other locations in the Chicago metropolitan area. For Wal-Mart, which moves 100,000 containers through CIC-Elwood each year, the savings are substantial: reduced drayage costs save more than \$14 million annually.

The marketing program for CIC-Elwood involves reaching out to a variety of worldwide industries and companies. CenterPoint maintains contact with ocean carriers, third-party logistics firms, the trucking industry, maritime ports, rail carriers, and retailers. CenterPoint also attends conferences with trade groups such as the Intermodal Association of North America and the Retail Industry Leaders Association, expanding its options outside of the Chicago area.

To date, the project has created 5,000 jobs, and CenterPoint expects the number to exceed 8,000 at buildout—two-thirds of the number at the Joliet Arsenal during peak production. Also, the village of Elwood anticipates \$27 million per year in tax revenues when the project is complete.

EXPERIENCE GAINED

This was the first intermodal center that CenterPoint has developed, and one of the first inland ports in the country. It took just 24 months from the date the site was conveyed to the developer to the time the intermodal facility and first distribution warehouse opened. The developer overcame significant challenges and learned several lessons from the process.

- CIC-Elwood is strategically located and enclosed in a campuslike setting. This lowers traffic congestion by keeping trucks off major roadways, in addition to reducing drayage costs. Understanding these issues and getting the design right were critical to the success of the project.
- The biggest challenge that CenterPoint faced was the environmental cleanup. Although this was largely handled by the EPA through its Superfund program, the developer did pay for and oversee some remediation itself in the interest of keeping the project on schedule.
- The lack of existing infrastructure required extensive coordination among the developer and various government agencies. The collaborative effort enabled the rail spur, roads, the stormwater management system, and the wastewater treatment facility to be built in a timely fashion.
- Additional truck parking and container staging and storage had to be provided on site, particularly for companies that were not leasing warehouse/distribution space at CIC-Elwood. Although it is indicative of the project's success, the developer understands the need for additional space in future projects.
- Because CIC-Elwood is one of the few inland ports in the United States, CenterPoint receives numerous inquiries from cities, chambers of commerce, and economic development agencies about the ILC. It

provides tours for delegations of these groups. The developer is willing to provide information on CIC-Elwood and discuss future inland port developments, but is honest about the unusual market dynamics that make it successful.

PROJECT DATA

LAND USE INFORMATION

Site area (acres/hectares): 2,500/1,012
 Total number of buildings (existing/planned): 8/15
 Gross square footage of building area (existing/planned): 8 million/12 million
 Gross square meters of building area (existing/planned): 743,224/1.1 million

LAND USE PLAN

Use	Area (Acres/Hectares)
Intermodal rail yard	1,000/405
Buildings	1,100/445
Paved areas (including surface parking)	100/40.5
Landscaping/open space	300/121.5
Total	2,500/1,012

EXISTING BUILDINGS

Building/Tenant	Building Size (Square Feet/Square Meters)	Ceiling Height (Feet/Meters)	Number of Truck Docks
California Cartage	213,500/19,835	26/7.9	168
Georgia-Pacific	1,000,213/92,923	30/9.1	120
DSC Logistics	1,022,554/94,988	30/9.1	116
Potlatch	624,367/58,006	30/9.1	10
Sanyo/Partners	600,000/55,742	30/9.1	50
Wal-Mart building #1	1,579,531/146,743	30/9.1	151
Wal-Mart building #2	1,767,531/164,209	30/9.1	154
Building #8 (spec)	1,182,500/104,858	30/9.1	N/A
Bissell (planned)	499,200/46,377	30/9.1	N/A

TENANT INFORMATION

Percentage of entire project completed (as of September 2008): 70
 Number of tenants: 10
 Average tenant size (square feet/square meters): 1,001,037/92,999
 Largest tenant size (square feet/square meters): 3,347,062/310,952
 Rental range per month (per square foot/square meter): \$0.25-\$0.35/\$2.69-\$3.76
 Land sale price range (per square foot/square meter): \$5-\$10/\$53.82-\$107.64
 Drayage charge: \$25-\$50
 Average length of lease: 3-5 years

DEVELOPMENT COST INFORMATION

Total Development Cost: \$1 billion
 Private: \$800 million
 Public: \$200 million

DEVELOPMENT SCHEDULE

Planning started: October 1999
 Site purchased: October 2000

Construction started: October 2000
Sales/leasing started: October 2002
Phase I completed: October 2002
Project completed (projected): 2012

DRIVING DIRECTIONS

From Chicago O'Hare International Airport: Merge onto I-190 East toward Chicago. Take Exit 1D to merge onto I-294 South (partial toll road). Take the Stevenson Expressway/I-55 South (partial toll road). Merge onto I-55 South for 31 miles (50 km). Take exit 245 for Arsenal Road, turn right. After 2.6 miles (4.8 km), make a right at Baseline Road.

Driving time: One hour in nonpeak traffic.

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This Development Case Study is intended to serve as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI—the Urban Land Institute.

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Courtesy of CenterPoint Properties

CenterPoint Intermodal Center–Elwood (CIC-Elwood), located 50 miles (80 km) southwest of Chicago, is a 2,500-acre (1,012-ha) integrated logistics center used for the transfer, distribution, and warehousing of consumer products.



Photo by Sam Newberg

A brownfield redevelopment of the U.S. Army's Joliet Arsenal, CIC-Elwood contains 8 million square feet (743,224 sq m) of warehouse and distribution space in eight structures.



Courtesy of CenterPoint Properties

Served by a rail spur from Burlington Northern Santa Fe Railroad's main line, the inland port handles over 750,000 lifts—the transfer of shipping containers from rail cars to trailer trucks—annually.



Courtesy of CenterPoint Properties

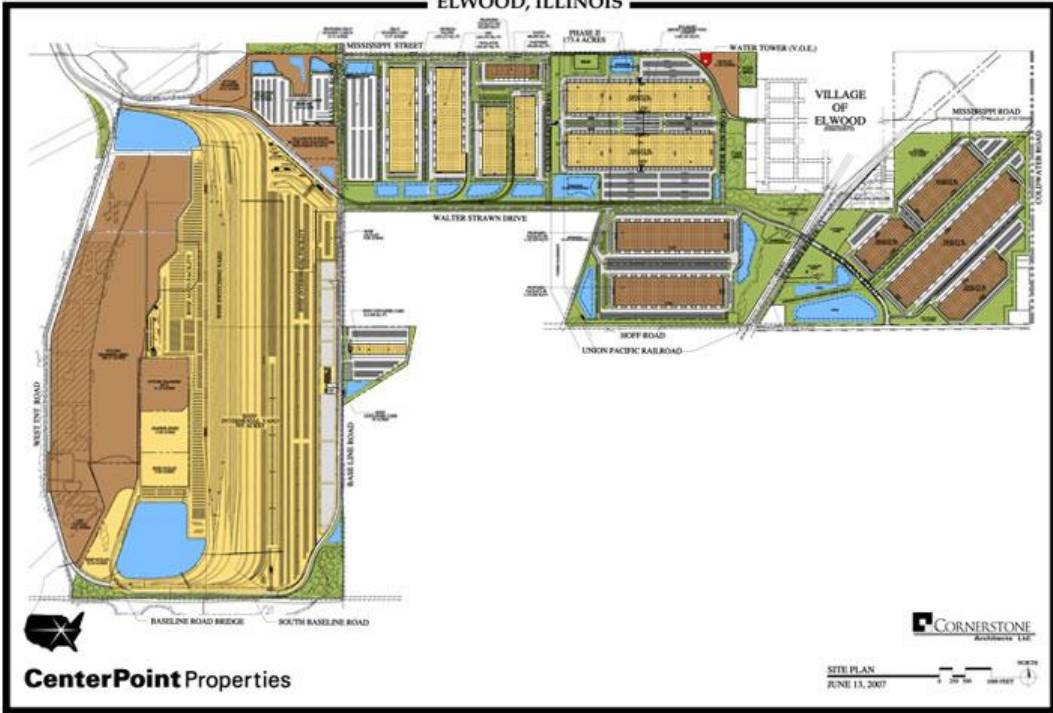
CIC-Elwood is able to command premium rents for its warehouse space—ranging from \$3 to \$4.20 per square foot (\$32.29 to \$45.20 per sq m)—because tenants incur low drayage costs.



Courtesy of CenterPoint Properties

CenterPoint Properties, the developer of CIC-Elwood, is planning a second 3,600-acre (1,457-ha) phase two miles (3.2 km) to the north, which will add an additional 17 million square feet (1.6 million sq m) of warehouse and distribution space to the firm's portfolio.

CENTERPOINT INTERMODAL CENTER
ELWOOD, ILLINOIS



CIC-Elwood site plan.