

Two new developments are helping bolster the Chicago region's historic role as a freight transportation and distribution center.

**B**uilt and shaped by railroads, Chicago is the only place where six of the nation's largest railroad lines meet and the only place where eastern and western railroads interchange railcars. More than one-third of the nation's rail and overland truck traffic and half its container traffic pass through the Chicago area. According to a study of the Chicago region's freight transport industry published last year by Business Leaders for Transportation, which represents freight transportation providers and users, the freight industry employs an estimated 117,000 in the region and generates \$8 billion in annual economic activity.



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# On Track

Intermodal freight—transporting the same cargo without repackaging by more than one mode of transportation—is the fastest-growing sector in the railroad industry. Rail-truck intermodal shipping is a growing method of transport due to burgeoning international trade as well as the potential cost savings. The growth of container shipping has also been driven by increasing overseas international trade, especially with the Pacific Rim.

In the Chicago region, intermodal pertains primarily to train and truck transport and involves two forms. The first type is container shipping in which cargo is transported in 20- or 40-foot-long standardized containers that are carried on trucks or rail flatcars for distribution within the United States. The physical transfer of the container off one mode onto another is known as a lift, a basic measure of intermodal yard activity. Shipping in standardized containers allows easier and lower-cost transfer among ships, trains, and trucks. The second type involves loading a truck trailer onto a specialized rail flatcar—often referred to as piggybacking—for long-distance transport to another city where the trailer is picked up by another truck.

Trains are cost competitive with trucks for distances exceeding 700 to 800 miles, according to Union Pacific Railroad (UP) spokesperson Mark Davis. Trucking companies using intermodal shipping find it an easier option than hiring and retaining cross-country truckers who must face a week or more away from home on a regular basis. A 100-car train hauling containers can take 200 to 300 trucks off the highway, points out Davis.

For container freight originating in West Coast ports and moving by train, the Chicago area is both a major destination and the major interchange point linking midwestern and eastern markets. As a result, Chicago has become the third-largest container port in the world after Hong Kong and Singapore, according to the Chicago Area Transportation Study (CATS), the regional transportation planning agency.

However, both the region and the intermodal freight industry risk being choked by this success. According to CATS research, intermodal shipping grew 7 percent annually in the 1990s nationally, and slightly under 6 percent annually in the second half of the 1990s in northeastern Illinois. Based on this growth, CATS forecast in 1997 (and reaffirmed in 2001) that daily trains in the region could increase from 1,800 to 2,400 in number within 20 years and that intermodal activity could increase from 4.6 million to almost 11.7 million lifts, requiring more than 7,000 additional acres of land for intermodal facilities.

Even if the CATS forecast proves to be overly optimistic, the region's infrastructure capacity has been stressed to its limits. Trucks shuttling containers among the region's more than two dozen intermodal yards crowd local highways and slow shipping times. However, two new developments are helping bolster the northeast Illinois region's freight-handling capacity.

Last October, Phase I of the 621-acre Logistics Park Chicago was opened in Elwood, about 40 miles southwest of Chicago. The logistics park, opened by Fort Worth, Texas-based Burlington Northern and Santa Fe Railway Company (BNSF), offers direct rail, truck, intermodal, and planned transload (an industry term for transferring bulk commodities such as lumber) services adjacent to distribution and warehousing, all at one location. A 124-acre intermodal yard, with two intermodal tracks, will increase BNSF's Chicago area lift capacity by 400,000 lifts to nearly 3 million annually, with room to add another 800,000 annually. BNSF expects to consolidate international shipments from West Coast ports, now spread over several yards, for Chicago-area distribution to enhance efficiency. The initial freight going through the facility is exclusively international, according to BNSF.

The logistics park contains a 151-acre automotive mixing yard, which allows trains to be built with railcars to carry automobiles as well as railcars to transport containers of auto parts. It also enables auto trains to be built more quickly for all western markets. The Gateway Hub, as it is referred to by BNSF, will be able to handle about 400,000 vehicles annually. A 105-acre switching and storage yard, with ten classification tracks, helps to speed the building of trains for their destination markets.

A total of 245 acres are leased for future development, with another 200 acres under option. Plans are underway for constructing the transload facility in the next year, and for adding more parking spaces for wheeled vehicles, according to Vann Cunningham, BNSF assistant vice president for economic development. The Phase II expansion is expected to occur over the next four to six years, depending on market conditions. "We intend to build similar logistics parks in other tier-one markets such as the Pacific Northwest and southern California," adds Cunningham.

The logistics park is the cornerstone of the more than 2,000-acre CenterPoint Intermodal Center (CIC), developed by Oak Brook (suburban Chicago)-based CenterPoint Properties Trust, a real estate investment trust (REIT) specializing in industrial property. Potentially, the park can contain up to 15 million square feet of industrial and distribution facilities when built out, costing more than \$1 billion, estimates CenterPoint, which is the largest industrial property owner in the 1.3 billion-square-foot Chicago area industrial market. It will generate as many as 8,000 to 12,000 new permanent jobs and up to 20,000 construction jobs, according to a recent study by the University of Illinois. It also has zoning for a power plant that could add another \$1 billion investment, and there are plans for a commercial area for hotel and retail uses.

The CenterPoint Intermodal Center is part of the broader redevelopment of the former Joliet Army Arsenal, a 23,500-acre site used from World War II through the Vietnam War by the U.S. Army to produce munitions. The Arsenal closed in 1976 and eventually was declared surplus and made available for disposition



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BURLINGTON NORTHERN AND SANTA FE RAILWAY COMPANY

in 1993. However, there were opposing views over how the site should be used.

Nearby municipalities favored industrial development of the site for tax revenues—as federal land, the Arsenal did not pay property taxes—and to replace the 8,000 jobs that the Arsenal had provided as late as the 1960s. Open space and conservation advocates saw an opportunity to link the Arsenal land to nearby state conservation areas to create a 40,000-acre prairie environment. Veterans groups wanted land to address the dwindling availability of burial space in the area. The Army wanted land for potential future uses such as training grounds. Complicating these varied goals was the need to remediate the environmental damage of decades of munitions production.

The state of Illinois formed the Joliet Arsenal Citizen Planning Commission in 1993 to evaluate these competing visions. It also created the Joliet Arsenal Development Authority (JADA), a public agency, to oversee redevelopment of the Arsenal with “diversified projects” to create jobs and promote economic development. Eventually, a compromise land use plan was reached that included:

- The 19,000-acre Midewin (a Potawatomi American Indian word meaning “healing”) National Tallgrass Prairie, the country’s first national prairie park, which was established by law in 1996. The Army began transferring land for the park to the U.S. Forest Service a year later. Land use planning and restoration are underway.
- The Abraham Lincoln National Cemetery, which occupies a 982-acre site that will provide a final resting place for veterans of the armed forces and eligible family members.
- Land for Army training.
- A Will County–owned landfill that encompasses 500 acres.
- Almost 3,000 acres for industrial development set aside in two parks. The 1,100-acre Island City industrial park near Wilmington owned by JADA is slated for future development. A recently completed marketing study recommends that the park focus on manufacturing rather than on the distribution-intensive activities that

have dominated recent county developments. The 1,800-acre Deer Run industrial park became the CenterPoint development.

In August 2000, CenterPoint took control of 1,800 acres from the Army, purchased a 375-acre farm to enable annexation of the site to the village of Elwood, and announced the start of the 2,032-acre CIC, anchored by the BNSF. At the same time, Des Plaines, Illinois–based DSC Logistics bought a

57-acre parcel from CenterPoint for a 1 million-square-foot future distribution facility. This culminated the numerous discussions and negotiations that CenterPoint had begun in 1997. The development was the answer to “two intersecting problems,” explains John Gates, CEO and cochairman of CenterPoint. “One was the tremendous shortage of container handling space in the metropolitan Chicago area. The second was what to do with the Arsenal property.”

Finding a new site for an intermodal facility is a challenge. The site needs to be about two miles long to accommodate freight trains, with hundreds of acres for tracks, parking, and storage. Many communities are unwilling to accept seven-day-a-week, 24-hour-a-day train and truck traffic. The Arsenal presented its own set of challenges. At 25,000 acres, the site was the largest contiguous parcel in Illinois, but at that time, it was somewhat distant from the major centers of development in the Chicago area, according to Gates. It also was a designated Superfund site.

More than 50 governmental agencies ranging from the U.S. Army to the Illinois Department of Natural Resources to the village of Elwood had an interest in the project, as did many private advocacy groups. Mike Mullen, president and COO of CenterPoint, cites an example of differing perspectives: “The Army’s environmental cleanup plan jumped around the site. We needed the site to go east to west [creating a contiguous parcel]; otherwise, we couldn’t build the intermodal facility in a timely way,” he explains.

A public/private initiative was negotiated. More than \$200 million in public funding for infrastructure was committed by multiple levels of government, including \$125 million in tax increment financing (TIF) bonds by Elwood. An Illinois enterprise zone was recently approved and a foreign trade zone established. The partnership runs in both directions. CenterPoint has donated 81 acres to the U.S. Forest Service to add to Midewin and 60 acres for wetlands, and has provided \$2.4 million to fund an addition to Elwood School District #203 high school and \$1 million for a new village hall.



The Army chose the location for the Arsenal in the 1930s based on its central inland position, rail access to both coasts, and nearby industrial suppliers—the same factors that shape its redevelopment. CenterPoint Intermodal Center already has attracted a number of transportation and service firms drawn by its transportation advantages, which include BNSF’s Logistics Park, potential rail service from both BNSF and the Union Pacific, and proximity to Interstate 55 and Interstate 80. It has also attracted the following firms:

■ International, Inc., a shipping container maintenance, repair, and storage company based in Galena Park, Texas, outside Houston, which has a 50-acre land lease with direct access to BNSF Logistics Park, broke ground on a 36,900-square-foot facility in August.

■ Potlatch Corporation, a Spokane, Washington–based paper and wood product manufacturer, opened in January a 408,000-square-foot facility (with room to expand) to distribute tissue products to retailers in the Midwest.

■ Partners Warehouse, a freight transportation provider that processes bulk cargo shipments between rail and trucks, opened in January a 300,000-square-foot facility, occupying half of a 600,000-square-foot structure; the rest is available for lease.

The Arsenal redevelopment represents a “new frontier for development as far as we’re concerned,” says John Grueling, CEO of the Will County Center for Economic Development in Joliet. “It will draw further development down I-55, providing a third center of development in the county.” Will County, at the southern end of the Chicago metropolitan area, has experienced a recent population and development boom. The population grew more than 40 percent in the 1990s, ranking Will County among the top 5 percent of counties nationwide. It has been especially popular with warehouse and distribution facilities that are drawn by available and affordable land along the Interstate 55 corridor extending southwest from Chicago. Grueling cites 19 million square feet of space built in the county since 1999, much of this in the northeast corner, but also in the Arsenal area. The CIC development also is spurring housing growth. The village of Elwood, home of the CIC, has approximately 700 homes currently, but is reviewing plans for a subdivision of 1,000 units, according to Grueling.

The Union Pacific Railroad (UP) is building its own intermodal facility, known as Global III, about 75 miles west of Chicago in Rochelle. It will be the largest intermodal facility in the world, claims CenterPoint’s Gates, whose company is managing construction. The \$181 million facility will occupy a 1,200-acre site, of which 750 acres are being developed, and the rest are being used for wetlands mitigation and stormwater detention.

The site is on the Union Pacific main line connecting Chicago and points west, minutes from the intersection of interstates 88 and 39. The intermodal yard will contain two arriving and departing tracks, each more than 7,200 feet long; four intermodal loading tracks; and additional storage tracks for a total of more than 38 miles of new track.

Construction began in November 2001. Phase I, a switching yard intended to speed the resegmenting of train cars for varied destinations, opened last fall; the intermodal yard is expected to open in July. The intermodal facility will be able to handle 350,000 lifts annually in 2003 and will have room to expand to more than 700,000 lifts. The facility will employ 150 workers and is expected to lead to additional warehouse and distribution activity in the area.

The key attraction of the Rochelle location is that it is on the UP’s main line, close to Interstate 88, and a large site was assembled, reportedly from 16 parcels, to meet rail yard, trailer parking, and container storage needs. Moreover, the surrounding community had been seeking an intermodal yard to enhance its economic development for some years and had built a shortline railroad to connect UP and BNSF tracks, according to Ken Wise, director of the Greater Rochelle Economic Development Corporation. The location “opens up opportunities for new business as well as providing an opportunity to relieve congestion at other facilities,” says Davis.

The project required various infrastructure improvements. An existing road, Brush-Grove Road, was realigned and a portion was



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closed to accommodate the development. New access roads are being built to connect the Global III to Illinois Highway 251 a few hundred yards from the four-way interchange with Interstate 88 that runs parallel to the yard on the south, and to connect the yard to Illinois Highway 38 while bypassing downtown. The railroad and state and local governments jointly are funding the road improvements. Lee County extended an enterprise zone to the yard and work continues on establishing a foreign trade zone.

Berms are being built on the south and east to block noise and enhance appearance. Potential flooding of the Kyte River, which runs through and around the site, was another concern. The area had a detailed flood control project and plan, and, notes Davis, "We had to meet or beat the current situation." Retention ponds were built and a release process established. In recent rains, downstream flooding "was less than it would have been before the development," Davis adds.

Though the Global III intermodal facility is not yet completed, Wise cites nearby developments that have been attracted by it. Erie Foods International, based in Erie, Illinois, is building a

200,000-square-foot warehouse in Rochelle, drawn in part by future intermodal shipping. A group of Korean businessmen has been discussing buying 30,000 acres for the production of soybeans, attracted in part by the promise of lower freight rates, known as backhaul rates, offered by companies with trailers or containers that have brought freight to the area and without freight to haul back would return empty. Wise says that major REITs have optioned or purchased 1,200 acres of land in the area in recent months, and that \$100 million of new construction is scheduled for this year. CenterPoint has 388 acres under control for an industrial park nearby and is considering additional acreage. DP Partners, a Reno, Nevada-based industrial developer and new entrant to the Chicago market, has optioned 300 acres on which it plans to build up to 5 million square feet of distribution facilities.

Economic growth and development opportunities are also in the works in outlying areas. Wisconsin-based battery maker Rayovac is building a 560,000-square-foot distribution center in Dixon, Illinois, about 25 miles west. And several communities along nearby I-39 as far north as Janesville, Wisconsin, and as far south as Bloomington, Illinois, a total distance of about 150

miles, are marketing themselves as the "I-39 Logistics and Distribution Corridor," hoping to attract users by their proximity to the intermodal park. Communities and companies located within about 60 miles of an intermodal facility would be the primary beneficiaries, but companies that are 100 to 200 miles away also could benefit, depending on their freight transportation patterns, points out BNSF's Cunningham.

The two intermodal and logistics projects—CenterPoint Intermodal Center and Global III—have very different development challenges and histories, yet each promises benefits in speed and efficiency for area shippers, reduced highway congestion, and new development opportunities. "Together," says John Gates, "these two developments have greatly enhanced and solidified the Chicago area's position as the intermodal hub of North America." ■

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