Memorandum

CITY OF DALLAS

DATE November 21, 2008

TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT **International Inland Port of Dallas (IIPOD): Status Update**

At your December 1, 2008 meeting, you will be briefed on the International Inland Port of Dallas: Status Update. A copy of that briefing is attached.

Should you have any questions, please contact me at (214) 670-3314.

A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Budget Director, Budget & Management Services
David Cook, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

International Inland Port of Dallas (IIPOD): Status Update

Key Focus Area
Economic Vibrancy

Economic Development Committee
December 1, 2008

Overview

- TranSystems independent analysis validated **Dallas** as a **highly competitive regional distribution center**
  - **Intermodal traffic** in **Dallas** and **container** traffic at **Texas ports** are both estimated to **double** in the **next 30 years**
- **Dallas** is **well-positioned to capitalize** on this growth and partnerships with the **Port of Houston** and the **City of Monterrey, Mexico** will be important to future success
- **New IIPOD development** will **slow down** dramatically in the **near term** due to global recession, reduced trade volumes, tight financial markets, and weakening consumer demand which will also result in **slower lease up of existing space**

Overview

- IIPOD is a **major strategic initiative for Dallas** and the region. Analysis of infrastructure needs and long range planning are critical to **future public resource allocation** and the development of effective public private partnerships.
- Key **next steps** include:
  - Going forward with an **infrastructure analysis** to rationalize future capital allocation
  - Continued focus on **technology pilot program** tied to container security-- requires support from Homeland Security Grant Program
  - Partnering with Port of Houston, Laredo, Monterrey as well as state and private sector to **upgrade cargo rail service** from the **Port of Houston** and **U.S. Mexico trade corridor**
  - **Logistics workforce training**

The Vision

- IIPOD becomes:
  - A successful **third phase** of **regional intermodal development** (building off DFW Airport and Alliance) and is a **key driver** in making Dallas the nation's premier logistics and distribution center
  - A **catalyst for Southern Sector** investment, job growth and development of sustainable communities that increases city-wide tax base

IIPOD
International Inland Port of Dallas

Global Economy in Recession

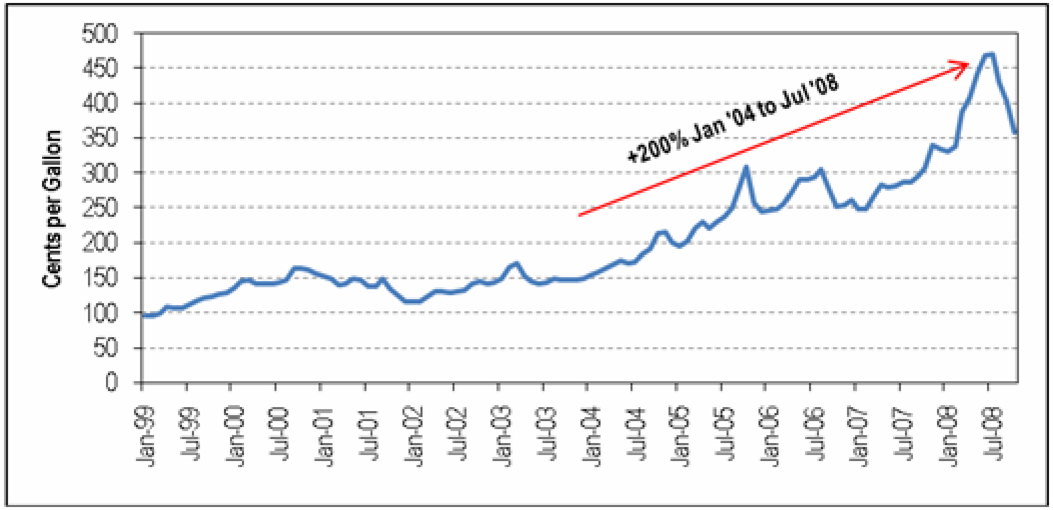
- **U.S., Europe** and **Japan's** GDP all expected to **decrease** in both the **4th Quarter of 2008** as well as **2009**.
  - U.S. Import values are declining rapidly, in large part because of oil
  - U.S. Export values are also declining, albeit more slowly
- **Credit market freeze** impacts commercial development as well as trucking companies

Trade Volume Down

- **Container volumes** are at their **lowest level since 2004**
- Total TEU's for 2008 are expected to be 7.1% lower than last year (15.3 million TEUs v. 16.5 million in 2007)
- Freight volume in the railroad industry will be 5% lower in 2009 than it was in 2006
- **Import growth** is expected to **slow** over **next decade**
- **Exports**, which had been sluggish until 2006, are **expected** to **outpace import growth** over same time frame
- Growth will continue at West Coast ports, but faster growth will occur at East Coast and Gulf Coast ports due to change in trade patterns (more use of all-water routes and the Suez and Panama Canal)

Oil Price Volatility Increases Viability of Regional Distribution Facilities

- **Gasoline/diesel** prices have been **volatile**, and have **recently dropped** significantly
- **Higher prices** increased the cost of transportation for goods movement and **may increase creation** of **regional distribution facilities**



U.S. Diesel Prices

Impact of Worsening Economy on IIPOD

- **Near term slowdown** of activity
  - New projects delayed
  - Slower absorption of existing space
- **Financial market turmoil impacts developer liquidity** and entire supply-chain
  - **Very limited** current construction funding
  - Future real estate financing will be at lower leverage, cost more and require additional sponsor support
  - **Anticipate requests** for more **public sector assistance**
- Public sector pressured by flattening property and sales tax revenues
  - **Need to evaluate infrastructure needs** and prioritize funding support

Dallas is Competitive

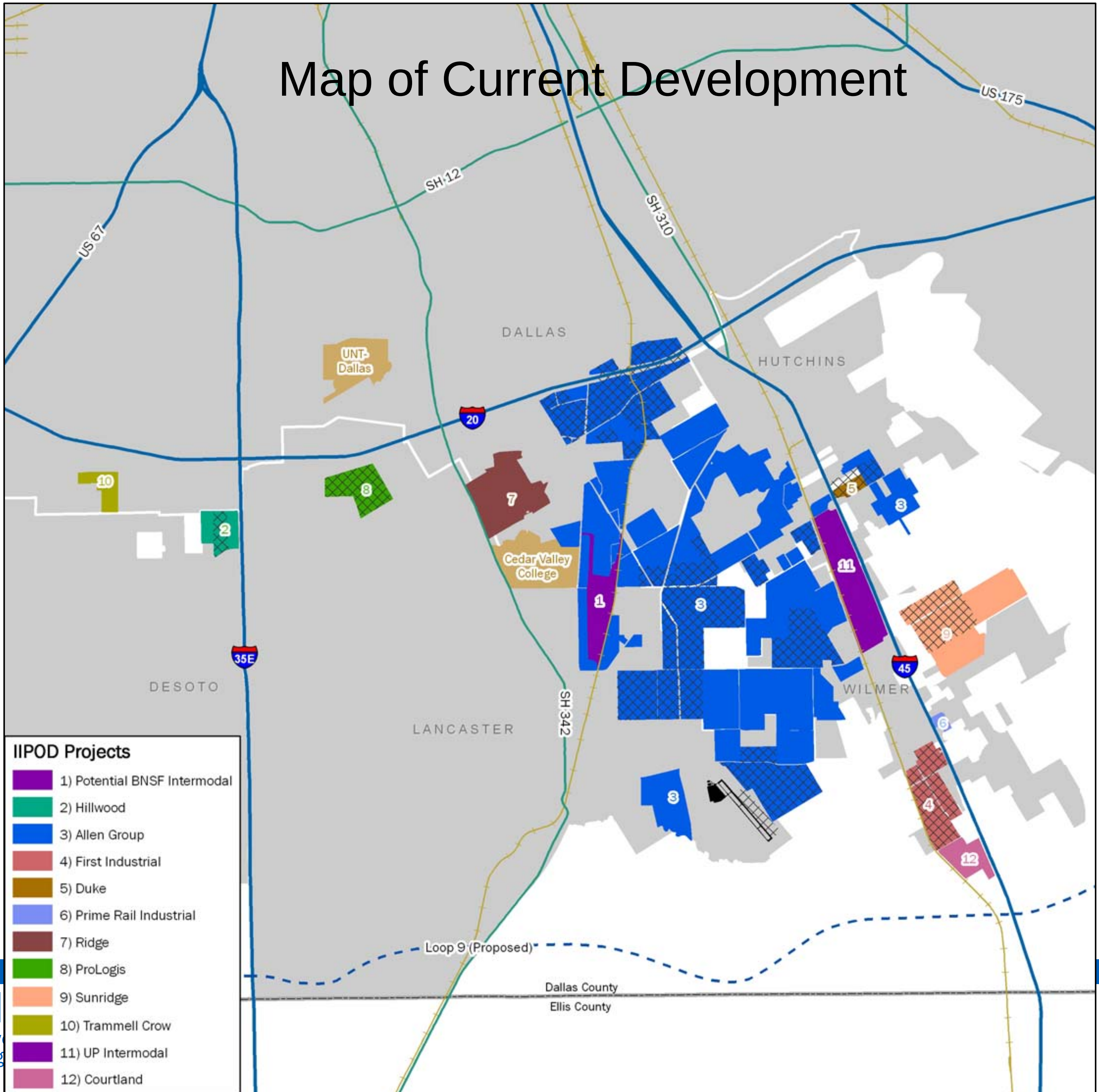
- Despite the current economic conditions, Dallas remains a competitive regional distribution location
  - **Transportation infrastructure** assets are excellent
    - Multiple interstate highways, future Loop 9, two Class One railroads and intermodal facilities
  - **Transportation costs** (**low**) and **lease rates** (**competitive**) make Dallas an attractive destination

Logistical Strengths of the Region

- The DFW region has the **third lowest distribution** costs of the top 50 U.S. consumer markets, trailing only Louisville and Memphis
- More than **600 motor carriers** and **100 freight forwarders** operate out of the region
- The **two largest FTZs** cover more than **9600 acres**
- More than **640 million feet of warehouse space**, with another 6 million under construction
- **2nd lowest price per square foot** for warehouse space in major metropolitan cities
- Good weather provides **year-round rail access**

Current Development and Initiatives Status

Map of Current Development



Current development

Developer	Location	Project
Allen Group	Dallas, Wilmer, Hutchins, Lancaster	6000 acres total, Approximately 825,000 sq ft built
Courtland	Wilmer	120 acres, First building 352,000 sq ft
Duke	Hutchins	39 acres First building 624,000 sq ft
First Industrial Realty Trust	Wilmer	350 acres, First building 500,000 sq ft
Hillwood	DeSoto	113 acres First building 500,000
Prime Rail	Wilmer	23 acres Container storage
ProLogis	Lancaster	200 acres, First building 650,000 sq ft.
Ridge	Dallas	303 acres
Sunridge	Wilmer	327 acres, First building 520,000 sq ft
Trammell Crow	Dallas	100 acres, First building 531,000 sq ft

Current development

- Over **1 million sq feet built** in **Dallas**
  - 820,000 by the Allen Group
  - 520,000 by Trammell Crow
- **7000 new direct jobs** for **Dallas**, and **30,000 total jobs in "box"** area over **20 years. Additional 30,000 indirect jobs**

Current Initiatives

- **Foreign Trade Zone acreage approved** by federal government, providing an **additional 2470 acres** with FTZ designation
- Launched the **iipod-texas.org website** in July 2008
  - Highlights multiple developers and multiple communities involved with the IIPOD project
  - Includes interactive maps which detail developers, FTZ sites, and transportation assets

IIPOD
International Inland Port of Dallas



Current Initiatives

- **Master Plan RFQ** was **issued by NCTCOG** in **July 2008** and **consultant** has been **selected**
  - Plan would **primarily focus on infrastructure** (water, sewer and road) **analysis** (see appendix A)
    - There are over 10 developers and 7500 acres currently scheduled or under development. There has not been a comprehensive review of infrastructure needs for the development as a whole
    - To adequately plan for water and road growth, a comprehensive infrastructure plan is necessary
    - All recommendations for zoning coming from the study would need to be approved by local elected officials
    - Does not create special taxing district

Current Initiatives

- Masterplan (cont.)
  - **Dallas City Council approved** involvement in **May 2008**
  - Has faced **unexpected opposition** from certain members of the **development community**
  - **NCTCOG** is holding a **briefing** meeting in **December** prior to **executive board action**
  - **Current partners** are **City of Dallas**, **NCTCOG** and **Lancaster**

Current Initiatives

- **Security Pilot Programs**
  - Two options being explored to **enhance container security** through technology and **streamline customs process**
    - Preliminary work defining programs completed
    - Next steps involve designing/applying technology and obtaining adequate funding
  - Would **provide** further **competitive advantage** to the Dallas region/IIPOD
- **Workforce Training Programs**
  - Working with **NCTCOG** and **area colleges** to enact workforce training

Current Initiatives

- **Monterrey “Twinned” Ports**
  - City hosted workshop in September with representatives from Monterrey (Interpuerto and INVITE), railroads, developers and elected officials to explore twinned port concept between Interpuerto and IIPOD
  - All parties agreed to concept and identified **three potential components** to make it a success:
    - **Secure transportation corridor**
    - **Customs/security preclearance**
    - **An additional rail crossing at Laredo**

Current Initiatives

- **Transportation and Logistics Data Study**
  - RFQ was issued in December 2007
    - City interested in evaluating the competitive position (location, infrastructure, industry, logistics, etc.) and opportunities for directly or indirectly advancing freight movement into, out of and through the Metroplex area
  - Council approved contract with **TranSystems Corp** in March 2008
  - Study provides **information on origin and destination** traffic for Dallas as well as **national benchmarks** for Dallas (more details in next section)

TranSystems Report and Major Findings

Background

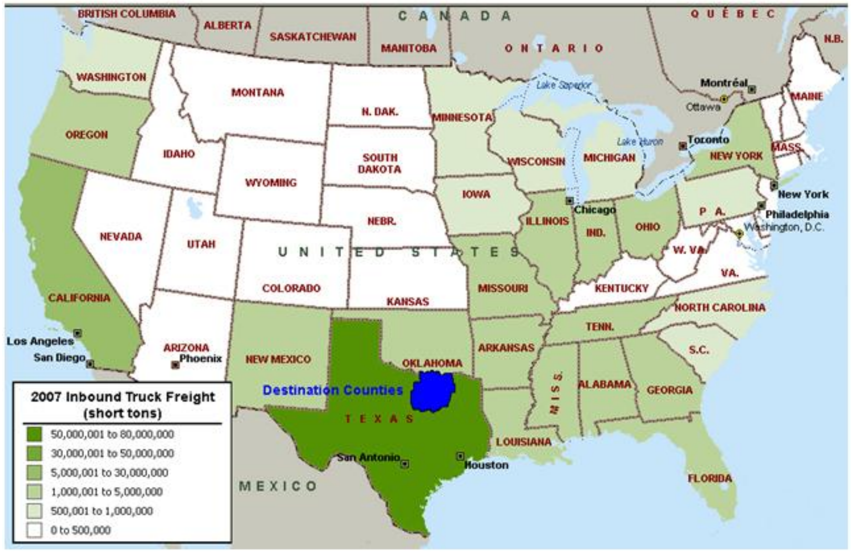
- **TranSystems** is a national transportation consulting firm
- Other clients include state and Federal governments, ports, railroads and airports
- Completed major transportation and goods movement assessment
  - City of Dallas wanted a better handle on **cargo flow in, out** and **through** Dallas
  - COD also wanted **third-party data to make a case for freight rail service** to/from Houston
- Three main tasks for IIPOD Competitive Assessment and Opportunities Study
  - **Existing** and **Projected Cargo Volumes**
  - Global, National & Regional **Freight Transportation Influences**
  - **Competitive Assessment**

Dallas is a Major Freight Hub

- 82% of Cargo is Truck and 18% is Rail
- Truck cargo grew at a compound annual growth rate of 5.3% from 1996 to 2007
  - Dallas had 386 million short tons of truck cargo in 2007
- In **2007**, Dallas handled **82 million tons of rail cargo**
  - Most was carload (i.e. coal, etc) but **13.8 million** tons was **intermodal**
- **Growth** is anticipated to continue but at a **slower pace** over **next 30 years**, in part due to current economic slowdown
  - **Intermodal rail growth** is projected to be **faster than truck** growth and will more than **double over the next 30 years**

Truck Cargo Volumes

- The **Dallas** region **consumes more** goods than it produces
  - In 2007, 30% of truck cargo went through Dallas and 30% was inbound. An additional 20% was intra region, and 20% was outbound
- **Dallas County** is the **largest destination** for **inbound goods** in the Metroplex
  - Texas was the primary origin, but many goods also came from California, Midwest and the Southeast



Inbound Cargo by Origin

Outbound Truck Cargo Volumes

- **Dallas County** is the **largest origin** of **outbound goods** in the Metroplex
- Top destinations for Dallas region cargo include Texas, California, Oklahoma, Missouri and Louisiana
- The vast **majority** of **outbound traffic** was **distribution-related**

Outbound Cargo by Destination

Rail Cargo Volumes

- **Inbound traffic volume** is significantly **higher than outbound**, consistent with the Dallas area as a **consumption and distribution** market.
- Most **(~80%) container traffic** had an **origin or destination in California**
  - Illinois (Chicago) is the second most popular origin and destination.

Trade with Mexico

- **76%** of all of the **U.S. trade** with **Mexico** goes **through Texas**
  - **Trucks carried 71%** of these goods (by weight)
- **Texas, California, Illinois** and **Michigan** are the top destinations for goods from Mexico
- Texas, California and the Midwest are the origins for goods going to Mexico

Gulf Ports Trade Volumes

- Texas handles the majority of Gulf Coast port volume, with **Houston** handling the most (95%)
  - Compound annual growth rate from 1997-2007 was 5.4%
  - **Growth** over the **next 30 years** is projected to be 4.5%, which will **more than triple throughput**
  - Throughput has increased because of **growth** of trade with **Asia** and **Latin America**

Global, National & Regional Freight Transportation Influences

- Identified key influences that will impact future freight flow in the Dallas region including:
  - **Economic** and **Population**
  - **Shipper** and **Transportation Industry**
  - **Ports**
  - **Transportation Infrastructure**

Trends that will Benefit IIPOD

- Dallas **regional economy** will **double** (**driven by population**)
- Texas is projected to have one of the fastest growing populations over the next 20-30 years; **Northern Mexico will also grow rapidly**
- **Free Trade Agreements** with Latin America will continue to **benefit Texas**
- **Port expansion projects** provide an opportunity for IIPOD
- Additional **transportation infrastructure** projects will benefit IIPOD

Recommendations from Shippers

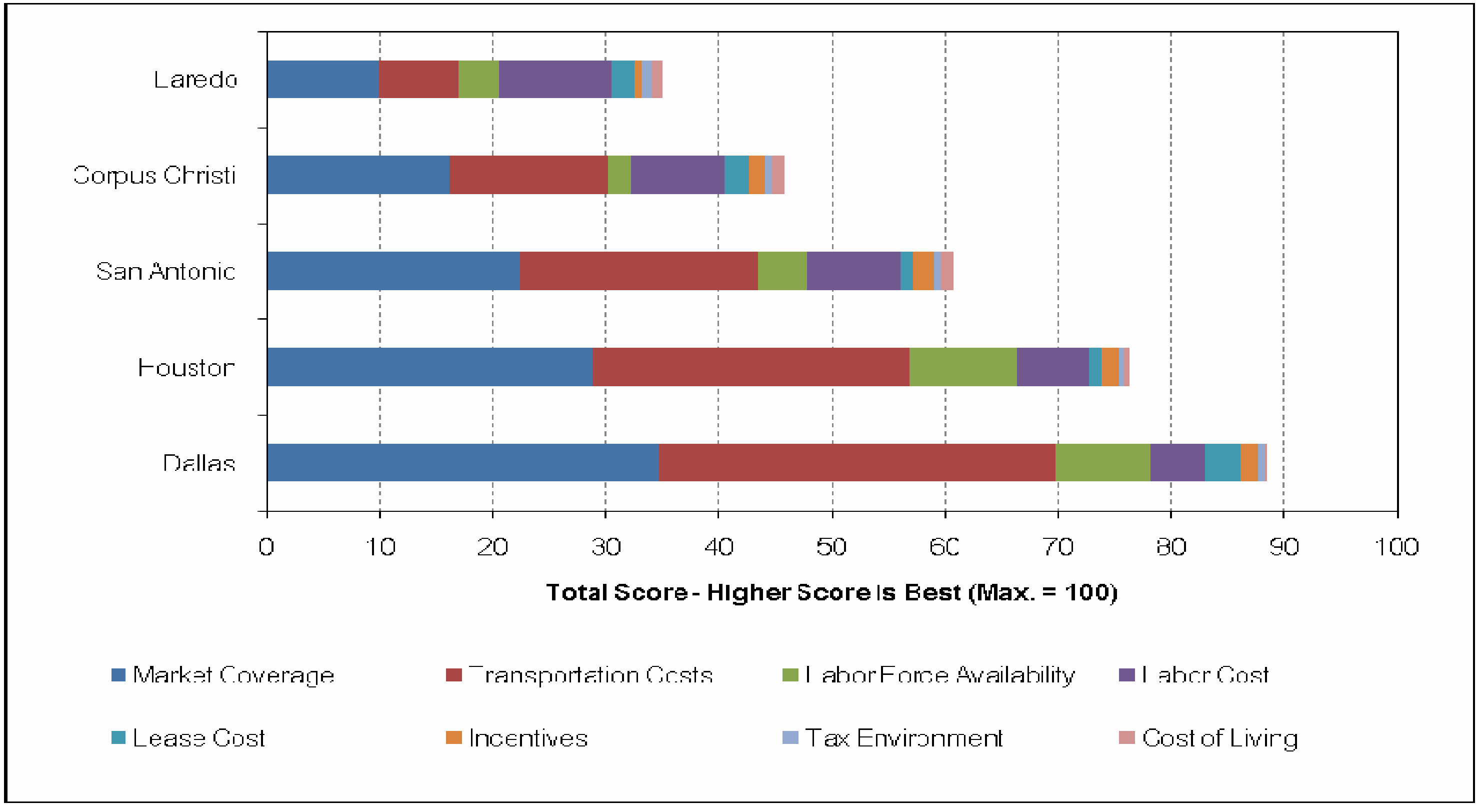
- Through confidential interviews, recommendations for potential Dallas enhancements were made:
  - Establish **intermodal rail connection** service with **Houston**
  - Identify companies that currently ship from the West Coast, Houston or other centers to provide **consolidation opportunities**
  - Integrate “**green technologies**” into the development process
  - Applying a **green approach** and **state of the art technology** may provide **market differentiation**

Regional Competition

- Compared local and next-day markets, transportation costs, available labor and competitive lease rates
- Dallas is **rated first** within the state, and also **compared favorably** to **Memphis** and **Kansas City** (cities with similar destination markets)

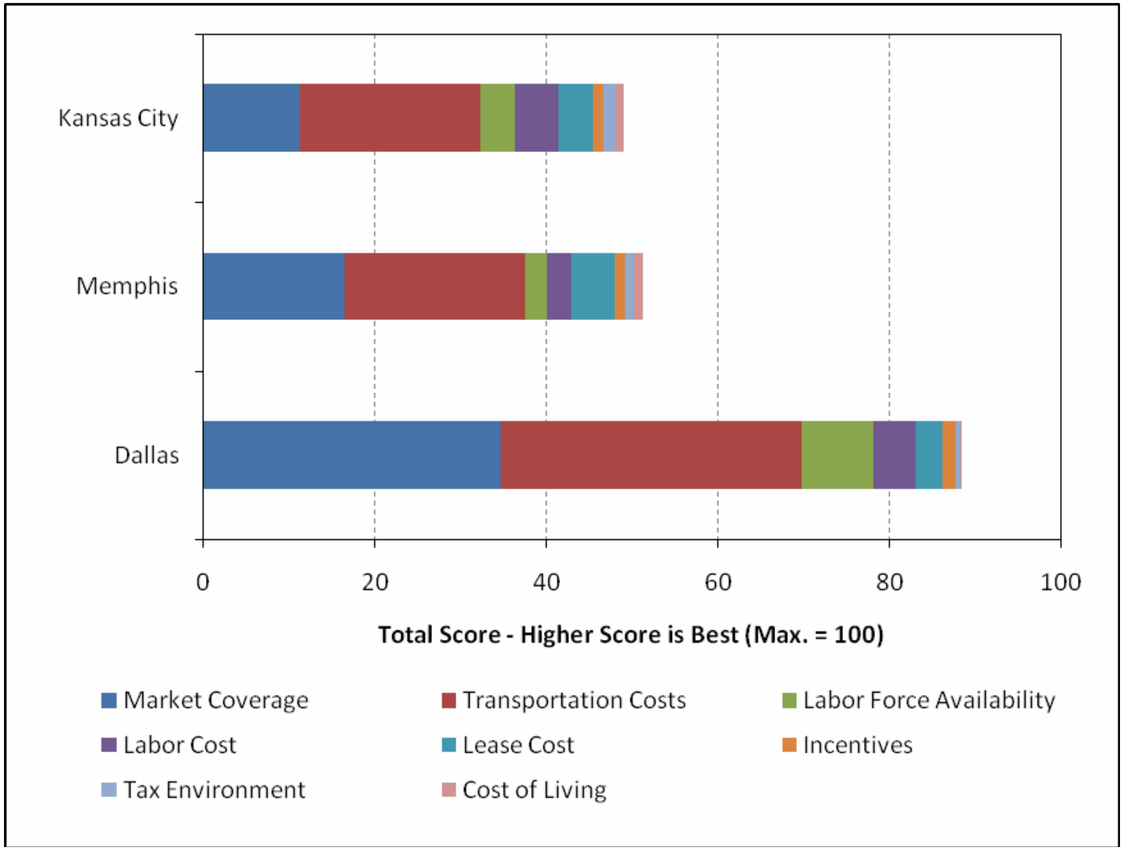
Dallas is Competitive State-wide

Dallas compared to Texas cities



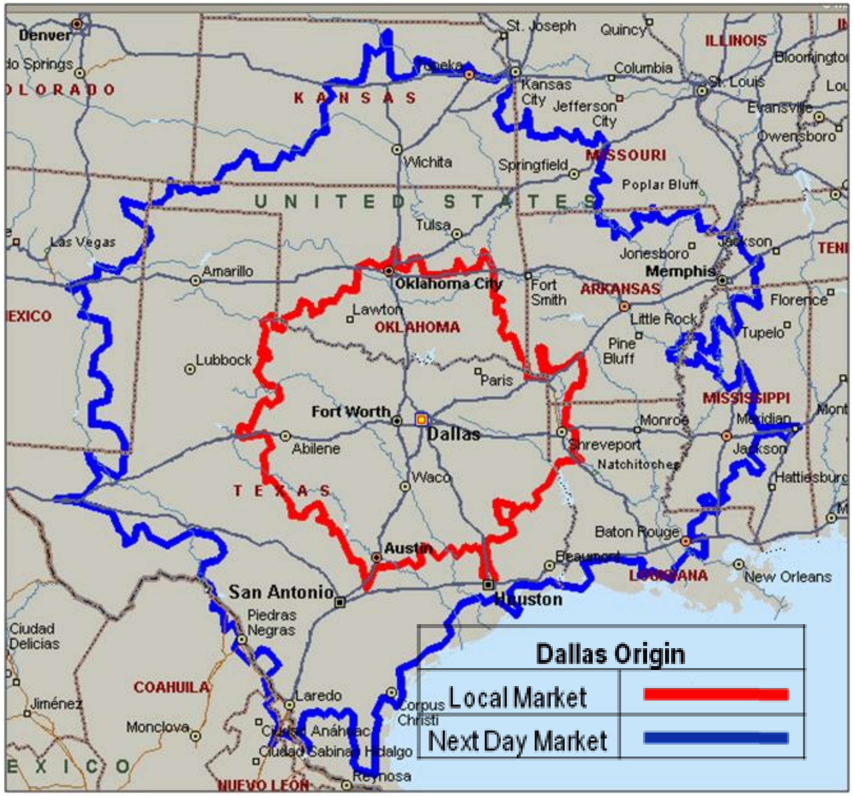
Dallas is Competitive Regionally

Dallas compared to regional cities



Dallas Rates Highly as a Regional Distribution Hub

- **Large customer base** within region and "next-day" window
- **Transportation costs** are **lower** than other locations
- **Labor force** and **lease rates** are **competitive**
  - **Southern Dallas warehousing rates lower** than Dallas'



Potential for Rail Service

- In general, **rail** is **not** considered **cost effective** for routes **less than 700 miles**
- However, study identified **multiple corridors using short-haul rail**
  - Norfolk/Virginia Inland Port (220 miles)
  - Norfolk-Columbus Heartland Rail (531 miles)
  - Savannah- Atlanta (279 miles)
  - Pacific Northwest Rail Corridors (153-252 miles)
- Central to success is **cooperation between port authorities** (water and inland), **major railroads, short-haul railroads**, and **shippers**

Potential for Rail Service

- Environment expected to be supportive of short-haul intermodal rail
  - **Increased container** flows will place additional strain on highway network
  - **Higher fuel prices**
- **Multiple shippers expressed interest** in frequent rail service between Dallas and Houston
  - Model is Savannah-Atlanta link

Port	BNSF Rail Miles	UP Rail Miles
Dallas – Houston	250	265
Dallas – Freeport	n/a	331
Dallas – Corpus Christi	466	408

Rail connections between the three major Texas ports

Agile Port Feasibility

- Agile Port Concept
  - **Agile Ports improve marine terminal throughput** without having to make major investments in terminal infrastructure through use of **inland staging area**
    - Applicable for both military and commercial interests
  - **Dallas** could serve as the **inland intermodal interface** component of Agile Port System, **assuming a shorter-distance rail connection** was established

U.S.-Mexico Corridor Opportunities

- **Monterrey** is the leading manufacturing center in Northern Mexico
- **Two rail corridors** between Dallas and Monterrey
  - UP: 723 miles
  - KCS: 1,050 miles (through Shreveport)
- **IIPOD** is **well-positioned** to take advantage of growth on the Monterrey-Dallas corridor because of the location, taking advantage of the **UP rail corridor and I-35**

Study Conclusions

- Over the **next 30 years, intermodal traffic** in Dallas will more than **double**
- In addition, **container traffic** at the **Texas Gulf** ports will also **double**
- **Dallas** is **well-positioned** to serve as a regional distribution facility and can capitalize on this growth
  - **Population** and **Ports growth** will **benefit Dallas** over the long run
- There should be an **opportunity for intermodal rail** between Dallas and Texas ports (notably Houston)

Study Conclusions

- **Dallas and Monterrey** will be an important U.S.- Mexico trade corridor
- Dallas is on the right track working towards freight rail service with Houston, looking at **green technologies**, and establishing technology-related pilot programs to improve security and speed customs clearance

Recommended Next Steps

Recommended Next Steps

- **Pursue additional partnership opportunities with Monterrey** related to a secure U.S.-Mexico transportation corridor, customs/security pre-clearance and a Laredo-area rail crossing
- **Engage Mayor's** task force on **Southern Sector Economic Opportunities** to ensure alignment of priorities
- Move forward with an **infrastructure analysis** (water, sewer and road) for IIPOD focus area and advocate the participation/involvement of impacted municipalities

Recommended Next Steps

- Continue to **develop technology pilot programs** to enhance container security and streamline the customs process. **Pursue Homeland Security funding** to support this initiative
- Build on TranSystems study to initiate discussions to **upgrade cargo rail service between** the Port of **Houston**, **Laredo**, and selective **Mexican cities** with State and private sector
- Continue to work with NCTCOG, UNT-Dallas and Cedar Valley Community College on **logistics work force training**
- Explore the **integration of green technologies** and buildings in the development process

Appendix A


City of Dallas
Office of Economic Development
www.Dallas-EcoDev.org

Task	*Deliverables per Scope of Work*	*Kimley-Horn Review*	*What we don't have*
Objectives and Project location	* Outcome: A development framework and implementation program that will result in a high-quality, well-integrated logistics hub in Southern Dallas County that spurs additional high-quality and orderly commercial, industrial and residential development * Boundaries: A planning area defined as I.H. 35 E on the west, Loop 12 on the north, the Dallas County/Ellis County line on the south, and the Trinity River on the east.	* Outcome: Site planning exercise * Boundaries: Detailed analysis was primarily limited to the Allen Group holdings in Dallas, Hutchins, Lancaster, and Wilmer.	Comprehensive review of the area defined by the NCTCOG scope of work, which would include more than just the Allen Group's holdings.
Task 1: Project communication—Communication strategy for project partners	Set up regular meetings/conference calls between partners, as well as FTP site, website, and monthly status reports.	N/A	
Task 2: Historic Review—Review recent existing and on-going plans to identify administrative and staffing issues, land use and economic development techniques that are in use.	*Technical report summarizing content of studies * Presentation of technical report to partners and stakeholders	*Not aware of creation of a summarizing technical report *Not aware of any presentation.	Document summarizing the review of the 24+ existing studies for the area.
Task 3: Technical Analysis—Review existing plans and studies to develop updated profile of community development potential, current population, and employment conditions and potential for the study area with five main components: Population and Employment; Housing; Labor; Transportation; and Comprehensive Economic Development Analysis.	* Prepare a Technical Analysis Report addressing each individual component of Population and Employment, Housing, Labor, Transportation and Economic Development. * Assessment of minority and low-income business and employment opportunities * A master map showing the study area boundaries, all existing municipality and special districts (with dev. tools and incentives) and ETJs, etc.	* Transportation study focused on thoroughfare planning and the thoroughfare network, with some modeling completed, some level of service predictions offered, and some existing and projected traffic volumes. Others studies on Population and Employment, Housing, Labor and Economic Development do not appear to have been completed, although there are public funding sources recommendations. * Does not appear to have been completed * No master map has been completed.	Studies on Housing, Labor, population and employment projections. Assessment on minority and low-income business and employment opportunities. A master map combining all communities studied onto one map.
Task 4: Assessment of Environmental Impact— Consultant will prepare an environmental overview and assessment of current env. resources and potential impacts on these resources. No field work will be completed; Review of LEED standards; Greenprinting and sustainable stormwater management; potential wetlands protection to meet regulatory requirements; Integrated environmental and adjacency impact mitigation as required by federal standards; traffic/congestion impacts from increased traffic; air quality impacts from increased traffic.	* Environmental Overview and Assessment report * Recommendations for mitigating adverse impacts to Local Government and NCTCOG staff * Recommendations for area greenprinting standards	* Documents reviewed are mainly phase 1 or 2 environmental site assessments (including wetlands) for specific tracts of land. An overall storm drainage study with some hydraulic modeling was completed for specific creeks and drainage ways within the corridor. There were also traffic/congestion impacts identified from increased surface traffic (to be incorporated into deliverables) * Not aware that recommendations have been provided to governments/NCTCOG * Not aware of greenprinting recommendations (map)	Environmental assessment that contains LEED and greenprinting recommendations, as well as assessments on noise or air quality impacts and the impact on the surrounding community. Recommendations on how to mitigate potential environmental impacts.
Task 5: Land Use Data Collection-- Review of local ordinances, building codes, special districts, PDs from the cities to look for consistency, opportunities to accelerate development and actions to improve. Review of best practices and case studies related to freight oriented development and logistics.	* Master list of current land use and recommendations for all cities within the study area. * Individual assessments, comparisons, and check lists will be developed for each city with possible opportunities for integrating and improving land use strategies and freight oriented development (FOD) best practices and strategies that will be complimentary with the area-wide vision and improve economic development options.	* Current land use and recommendations for all cities completed, but not a master list (to be incorporated into deliverables). * Recommendations do not appear to explicitly reference FOD best practices and strategies complimentary with the area-wide vision. * Does not appear to be a report for the Commercial Market study.	Master list of potential land use for each city as well as how each city's land use relates to other city's land use (i.e. comprehensive approach). Options to build more consistent, proactive approach.

Task 6: Infrastructure Capacity and Needs Assessment- Infrastructure capacity and needs assessment for the study area that looks at current transportation, water, sewer, and utility infrastructure needs as well as projections to 2030. Projections should include general location of the proposed improvement, an order of magnitude cost estimate, and anticipated needed completion date of each improvement focusing specifically on services to the area, not only within area.	* A technical report assessing infrastructure capacity and needs. * Recommendations for potential funding sources. * A unified Capital Improvement Infrastructure Staging Plan to the project study service area that will identify timing, funding options, and priorities for each local government within the project boundary's and a conceptual master plan incorporating all components.	* This work has been completed, with focus on the Allen Group's holdings * Some of this work has been completed * Staging plans are within each community's boundaries.	A unified Capital Improvement Infrastructure Stagin that incorporates all communities in the study, which considers multiple developers.
Task 7: Creation of Comprehensive Area Plan— Combining work from Tasks 2-6 to develop a draft Strategic Development Plan. This will serve as a guide for local governments in the study area	Include the following: upon completion of tasks 2-6, monthly reports documenting process to NCTCOG, first, second and final draft of the strategic development plan to NCTCOG and Project Partners.		A comprehensive advisory document incorporating coordinated, multi-jurisdictional visioning, strategies and even preliminary implemental proposals
Task 8: Public Involvement and Outreach: Consultant will develop a public involvement and outreach plan that builds on ongoing outreach activities involving organizations, agencies, developers, property owners, individuals and other stakeholders interested in project.	Evaluate need for a public involvement and outreach plan, which will involve meetings with stakeholders, focus groups, public meetings and government agencies	Not aware that any of these meetings have taken place	A public outreach strategy/efforts to reach all interested stakeholders.