

Memorandum



CITY OF DALLAS

DATE September 14, 2007

TO The Honorable Mayor and Members of the City Council

SUBJECT **International Inland Port of Dallas: Converting Vision to Reality**

At your September 19, 2007 council meeting, you will be briefed on the International Inland Port of Dallas: Converting Vision to Reality. A copy of that briefing is attached.

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

A handwritten signature in blue ink, appearing to be 'A.C. Gonzalez'.

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 Jay Robinson, Judiciary
Ryan S. Evans, First Assistant City Manager
Charles W. Daniels, Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Maria Alicia Garcia, Director, Office of Financial Services
David Cook, Chief Financial Officer
Jerry Killingsworth, Director, Housing Department
Karl Zavitskovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Verna Martin, Assistant Director, Office of Economic Development
Chandra Marshall-Henson, Assistant to the City Manager

International Inland Port of Dallas (IIPOD): Converting Vision to Reality

September 19, 2007



Office of Economic
Development
WWW.DALLAS-EDD.ORG



Purpose

- ❑ To describe the IIPOD vision
- ❑ To show how changing global trade patterns create opportunities
- ❑ To outline key components of IIPOD
- ❑ To review the Urban Land Institute's (ULI) Advisory Panel recommendations
- ❑ To discuss status of current initiatives
- ❑ To recommend a strategic approach and next steps

The Vision

- ❑ **IPOD is successfully developed into:**
 - A third phase of regional intermodal development (building off of DFW Airport and Alliance) that 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, increasing city-wide tax base

IPOD

International Inland
Port of Dallas



Changing Global Trade Patterns Create Opportunities

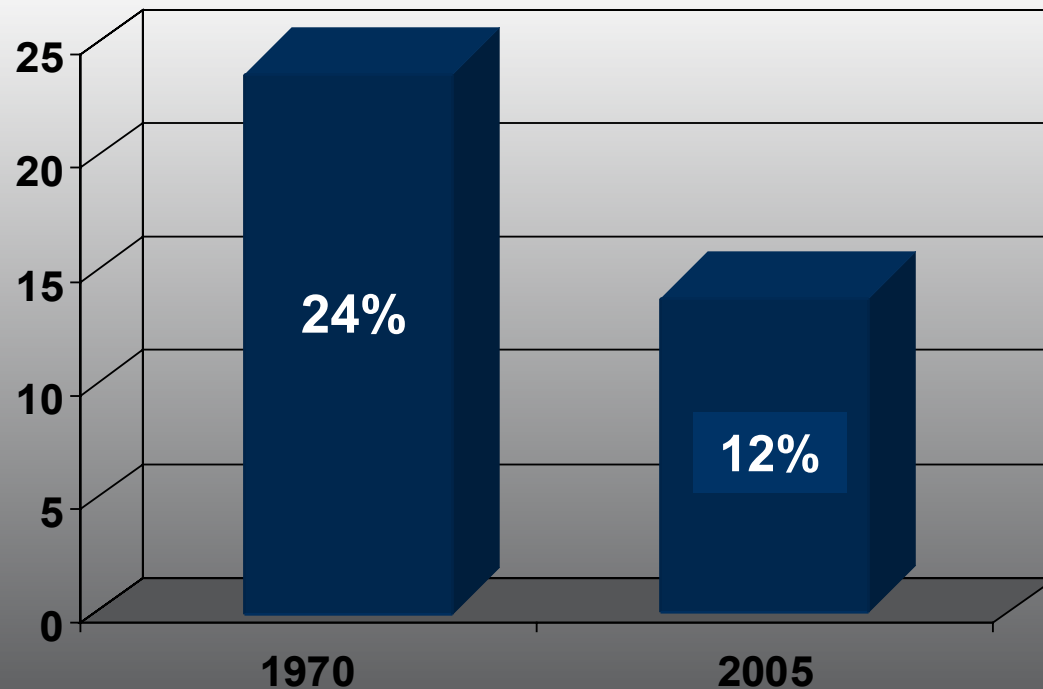
Globalization Impact on U.S.

Shift Away from Manufacturing to Services

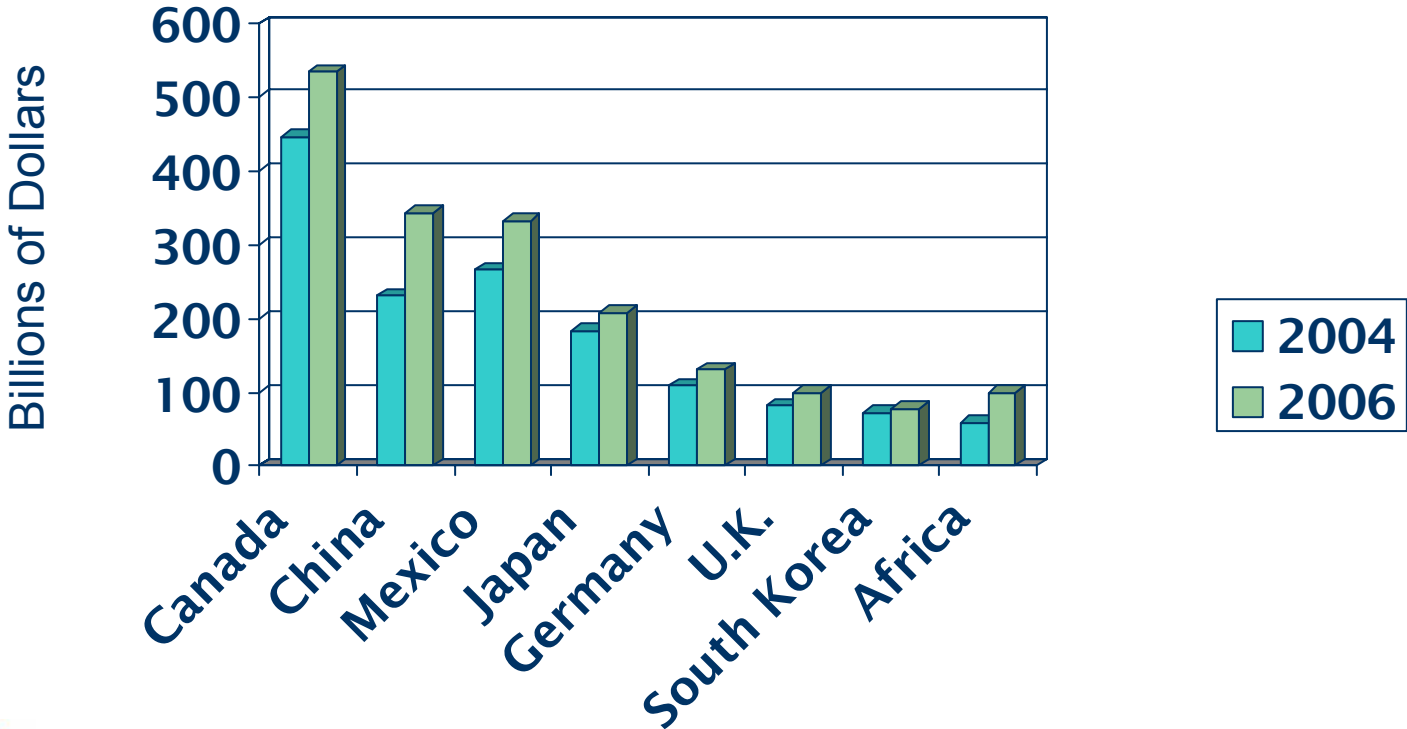
Lower Production Costs Abroad

More Efficient International Trade Markets

**MFG As %
of U.S.
Economy**



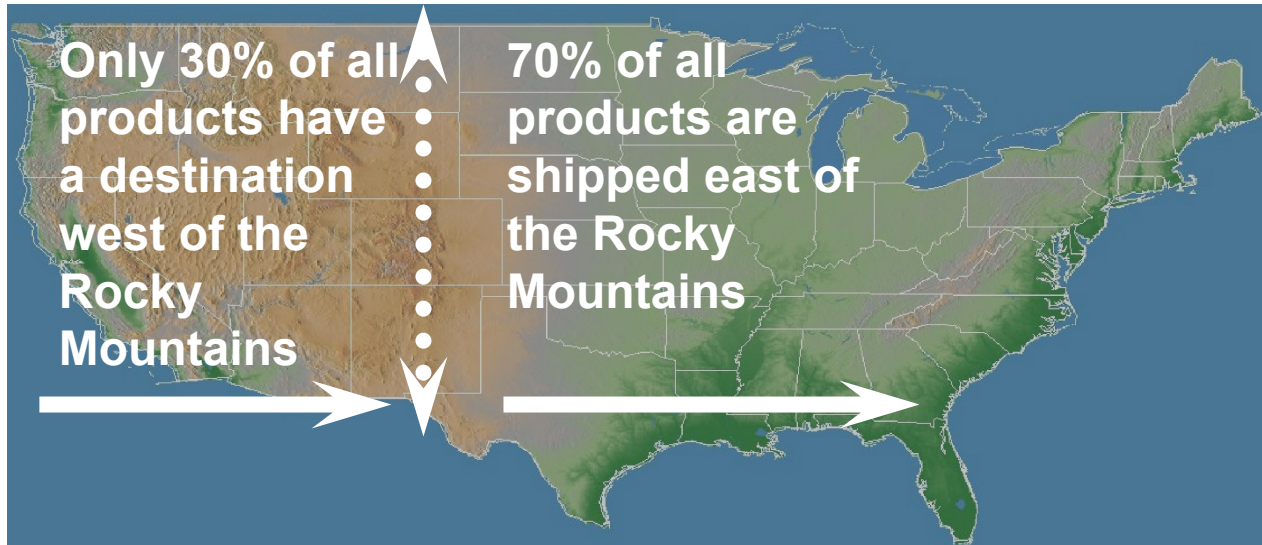
Growth in Trade with U.S. Trade Partners



Key Trade Facts

- ❑ Over one third of goods to the U.S. originate in the Pacific Rim. This has grown 91% over 10 years.
 - China is the leading source of Pacific Rim imports, overtaking Japan (led in 2001)
- ❑ The fastest growing region is Latin America, with a growth rate of 177% over the past 10 years.
- ❑ Dallas is positioned to benefit from both of these growth regions, through service from the West Coast ports and the Port of Houston.

Trade Moves in U.S. From West to East



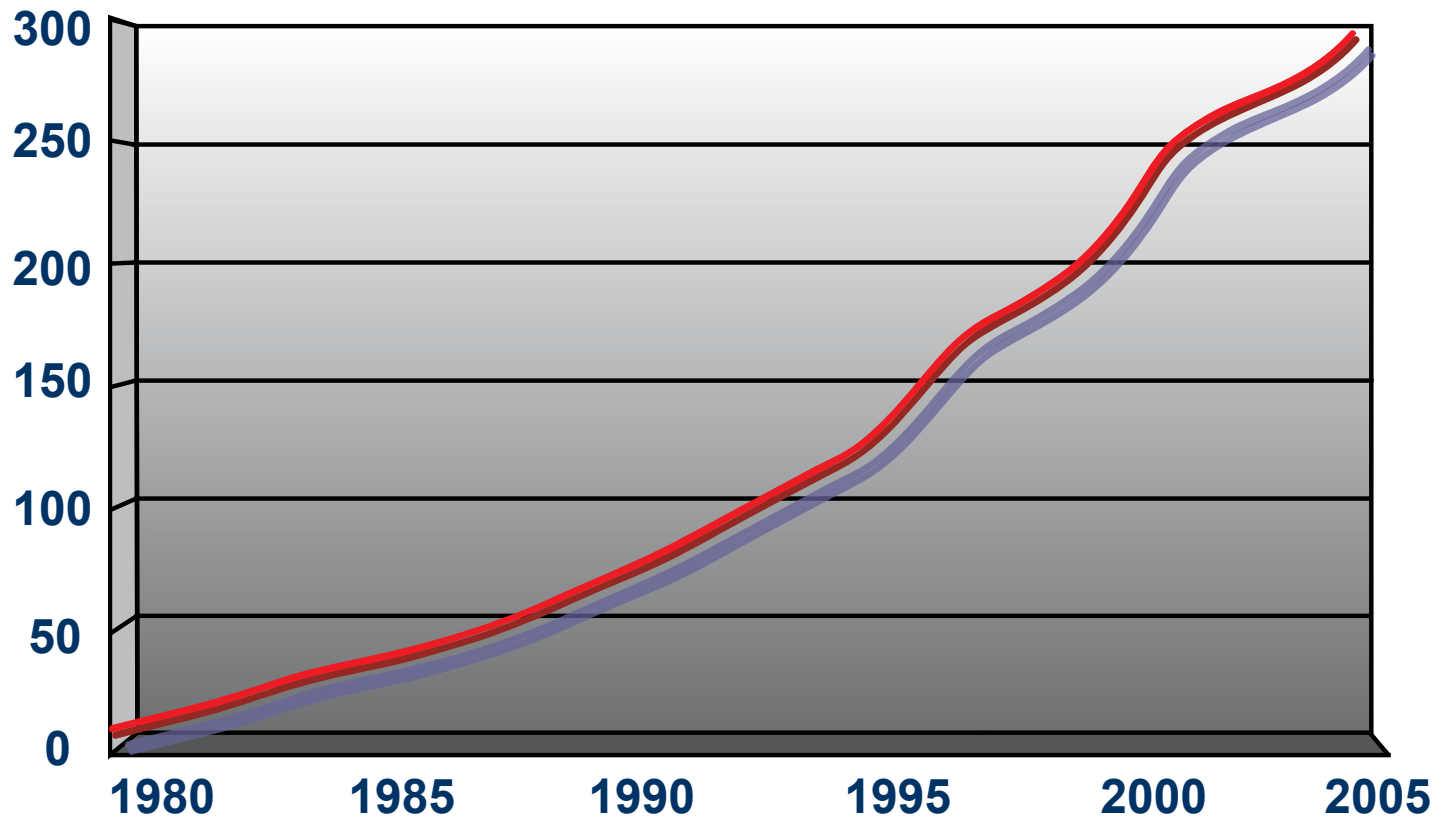
- ❑ Products are shipped via ocean container from Asia to USA
- ❑ Containers clear U.S. Customs at the Port of Los Angeles/Long Beach
- ❑ Delays in clearance at congested ports
- ❑ Results in delays and damaged/missing products

Logistical Trends

- ❑ Use of Larger Ships
- ❑ Limited Expansion Capacity of L.A./L.B. Ports
- ❑ Increasing Use of Rail
- ❑ Improvement in Inventory Control Techniques & Shipping Technologies
- ❑ Emergence of Large Distribution Centers

World-Wide Container Traffic

Million TEU*



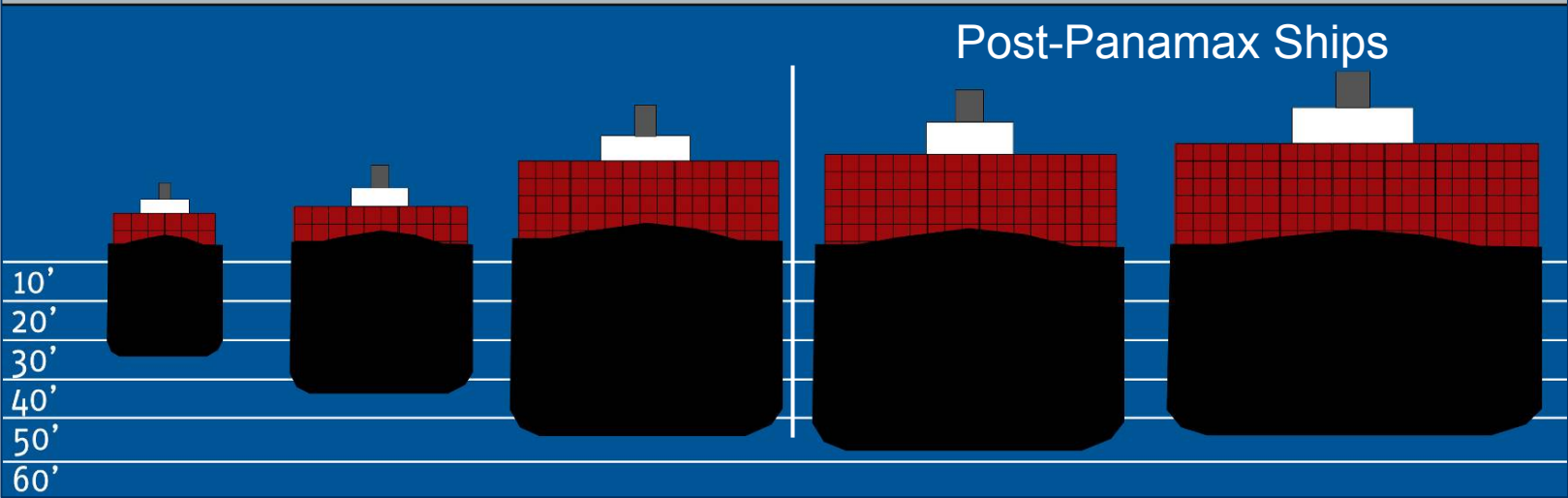
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*TEU: Twenty-foot Equivalent Unit

Growth in Ships

Pre-1970	1970-1985	1985-2000	2000-2010	Post-2010
1,700 TEUs	2,300 TEUs	4,800 TEUs	8,000+ TEUs	13,000+ TEUs
<10 Boxes Wide	10 Boxes Wide	13-16 Boxes Wide	17 Boxes Wide	21 Boxes Wide
<30' Draft	33' Draft	44' Draft	48' Draft	44' Draft
450' Length	620' Length	900' Length	1,150' Length	1,350' Length



The Panama Canal and Port of Houston

- ❑ In October of 2006, Panamanians voted to expand the Panama Canal.
 - Estimated cost of \$5.25 billion with completion in 2014.
 - Expansion will allow ships with up to 12,000 TEUs to use the canal
- ❑ The U.S. is the primary origin and destination of goods shipped through the Panama Canal
- ❑ Houston is the primary container port in Texas and handled 1.6 M TEU's in 2006
 - This number is expected to grow more than 25% annually with the expansion of the Panama Canal
 - Houston does not face the same congestion and delay issues as the Ports of L.A. and Long Beach

U.S. Container Movement



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 in major metropolitan cities
- ❑ Good weather provides year-round rail access

Growth at Alliance

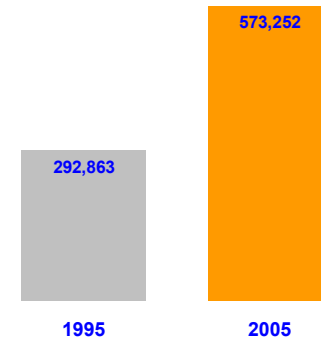


Alliance, 1993
(above) and today
(right)



Growth at Alliance

- ❑ Intermodal lifts have increased 96% since 1995
- ❑ 41% of business is international (increase of 31% in 2006)

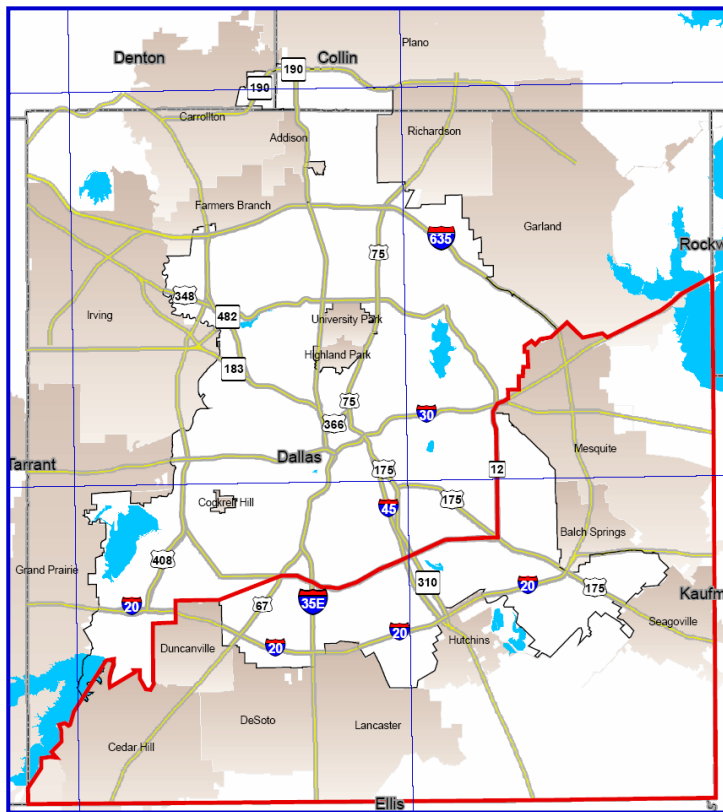


Intermodal lifts at Alliance

- ❑ Overall, there are 24,000 employees at AllianceTexas, 140 corporate residents and 24.4 million sq. ft. office space
- ❑ \$5.76 billion was invested for a **\$26 billion** economic impact

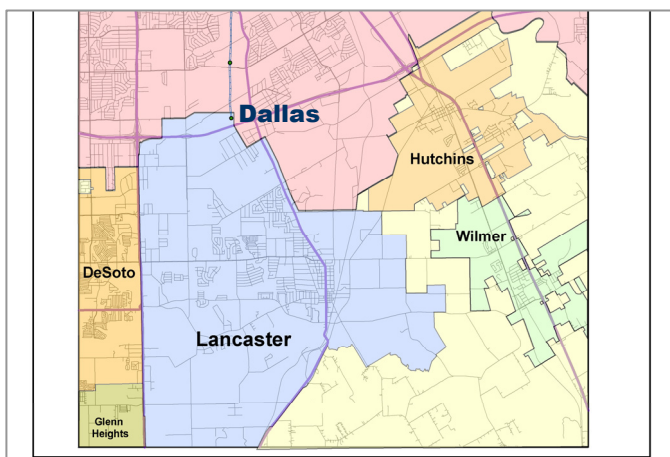
Components of IIPOD

Map of IIPOD Communities



- Impact area covers 234,000 acres and encompasses 12 municipalities.
- Located in Southern Dallas County, at confluence of I-35, 45, 20 and future Loop 9

Components of IIPOD

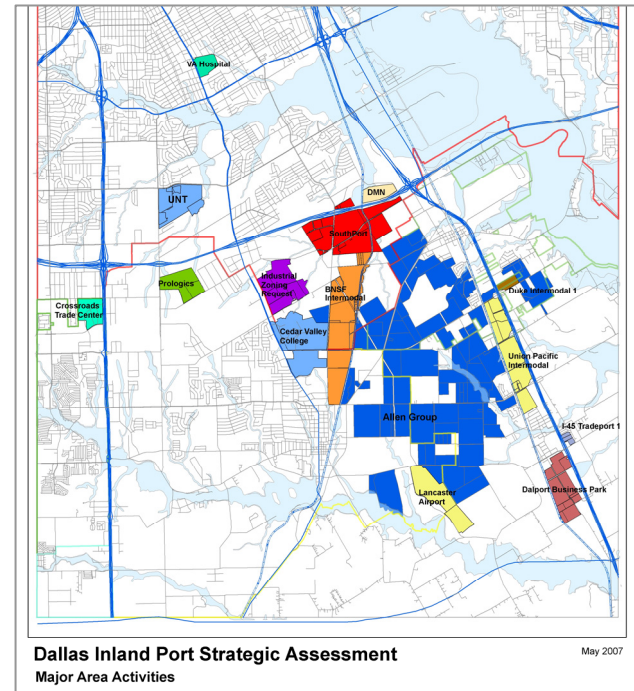


The “Box” Area

- ❑ Third phase of comprehensive regional intermodal development (complementing DFW and Alliance)
- ❑ Initial development anticipated to focus on the “box” area south of I-20.

Development in IIPOD Area

- ❑ Serviced by one of UP's largest rail intermodals and future BNSF intermodal within 2 miles
- ❑ Centered around the 6000 acre Dallas Logistics Hub (Allen Group), approximately 25% of which falls within Dallas City limits. Other major developers include: Prologis, Trammell Crow, Duke, First Industrial and Hillwood
- ❑ 7 projects planned or under construction. Allen's first two projects in Southport break ground in 3rd Quarter
- ❑ Estimate 7000 new direct jobs for Dallas and 30,000 total jobs in "box" area over 20 year period. Additional 30,000 indirect jobs.



ULI Advisory Services Panel

ULI Advisory Services Panel

- ❑ The Urban Land Institute (ULI) is an independent non-profit education and research organization with 30,000+ members worldwide
 - Represents entire spectrum of land use and real estate development disciplines
- ❑ In June of 2006, a seven member ULI Advisory Services Panel spent five days in Dallas looking at the Inland Port concept.
- ❑ Results of visit included a presentation and written report which currently serve as the framework for IIPOD.

ULI Advisory Services Panel: Overview of Findings

❑ Conclusions:

- Southern Dallas County is a prime trade corridor location
- Dallas-Fort Worth is already a major trade hub with tremendous long-term development potential
- Key success factors are: regional cooperation, establishment and expansion of strategic partnerships with other corridor cities, states and ports

❑ Challenges include

- Need local water/sewer distribution infrastructure
- Inadequate arterial and local roads
- Ozone non-attainment area
- Multiple jurisdictions need to deal with area-wide issues

ULI's Recommendations

- ❑ Key recommendations include the following:
 - Develop a comprehensive master plan
 - Address environmental issues
 - Organize area municipalities through Interlocal Agreements
 - Create a communications program
 - Increase rail opportunities and connections
 - Leverage public sector funding to improve infrastructure

ULI's Key Recommendations

- ❑ Develop a comprehensive Master Plan (in progress)
 - Encourage uniform building codes among municipal jurisdictions
 - Create compatible zoning and subdivision regulations
 - Explore ways to expedite building plan review/approval and building inspections
 - Engage experienced planning and urban design team
 - Include development regulations and capital improvement program in implementation plan
 - Focus on sustainability to realize long-term development potential
- ❑ Address environmental issues (in progress)
 - Engage environmental stakeholders
 - Set reasonable and cost effective environmental standards/expectations

ULI's Key Recommendations

- ❑ Organize area municipalities through Interlocal Agreements (in progress)
 - Formalize and broaden existing interlocal agreements within IIPOD coalition
 - Form a non-profit trade corridor development organization to create a unified voice
 - Include all key stakeholders
 - Pool resources
- ❑ Create a communications program (in progress)
 - Work closely with all interested parties and keep public informed and involved
 - Continue leadership involvement in ROTCC

ULI's Key Recommendations

- ❑ Increase rail opportunities and connections (in beginning stages)
- ❑ Leverage public sector funding to improve infrastructure (in progress)
 - Prioritize infrastructure investments
 - Municipal airport in Lancaster and Mesquite should focus on general aviation and corporate uses as there is significant excess capacity at both Alliance and DFW

Current Initiatives Status

Current Initiative Status

❑ Master Planning Process

- Key ULI recommendation is initiation of comprehensive master planning process to maximize long term development and create sustainable communities
- Hired consultant to develop scope of work and first steps of master planning process
- Ready to move forward with RFQ and RFP
- Will require Council approval and local match funding from IIPOD municipalities and stakeholders.

Current Initiative Status

- ❑ Environmental Stakeholder Engagement
 - Environmental Working Group created to ensure impact area properly treated in State Implementation Plan and local environmental concerns are addressed
 - Representatives from U.S. EPA, State, Cities, COG, environmental groups, and developers.
 - ROTCC
 - MOUs with EPA regions 4 and 6 and Southeast Diesel Collaborative to implement green and safe international trade corridor.

Current Initiative Status

□ Governance

- Collaborative agreements in place with Cedar Hill, DeSoto, Duncanville, Lancaster and Mesquite, Dallas County, Balch Springs, Hutchins and Seagoville
- Plans to create a professionally staffed, stakeholder funded non-profit for the purpose of fundraising, outreach, promotion and marketing on hold pending interlocals and other funding needs assessment.

□ Communication and Outreach

- ROTCC holds quarterly meetings throughout the U.S. for educational purposes
- IIPOD coalition meetings quarterly involving all targeted communities

Current Initiative Status

□ Rail Issues

- Ongoing discussions with Port of Houston, Harris County and Laredo regarding efficient short haul rail to Southern Dallas County
 - Contact made with UP and BNSF (little current interest) as well as short haul rail lines
- Preliminary conversations with Mexican cities of Monterrey and Guanajuato

□ Public Infrastructure Support

- \$35 million of 2006 bond issue targeted for strategic infrastructure development in IIPOD “box” with focus on potential BNSF intermodal site. Matching funds from state and federal sources total \$25+ million

Current Initiative Status

- ❑ IIPOD Project Development
 - 7 projects planned or under construction
 - Allen's first two projects in Southport (860,000 sq. ft) break ground in 3rd Quarter 07.
- ❑ BNSF Intermodal
 - Signed Letter of Intent between BNSF and Allen Group; due diligence process underway
 - Pending approval by DART and "T" for additional BNSF trackage rights.
- ❑ Foreign Trade Zone Expansion
 - Supported foreign trade zone expansion application prepared by Ernst and Young for DFW Airport Board endorsement
 - Federal government approval expected 2nd Quarter 2008.

Current Initiative Status

□ Agile Port System

- The physical design, business processes and operational characteristics that increase the velocity of intermodal cargo moving through ports and terminals
- MOU's with Maritime Administration, Port of Houston, Panama Canal Authority, Inland Port of Guanajuato and Mexican West Coast ports
- Visits and discussions with various Mexican cities who are developing similar inland port concepts
- Developing a RFQ proposal for an Agile Port feasibility analysis to better assess the value proposition (will require Council approval)

Current Initiative Status

- ❑ Enhanced security thru technology
 - In discussions with two groups regarding pilot programs to use different types of technology to augment container security
- ❑ Workforce Training
 - Working with COG on workforce training issues
 - Ongoing discussions with UNT, UTD, Paul Quinn and Cedar Valley Community College

Potential Challenges

Potential Challenges

- ❑ Regional project with regional sensitivities but the City also needs to achieve benefits
- ❑ Alliance views IIPOD as a threat
- ❑ Infrastructure costs are substantial

Recommended Next Steps

Recommended Next Steps

- ❑ Engage Mayor's task force on Southern Sector Economic Opportunities to ensure alignment of priorities
- ❑ Renew and expand interlocal agreements with IIPOD cities and Dallas County
- ❑ Implement public infrastructure investment ('06 bonds) to support recruitment of BNSF rail intermodal
 - \$35 million allocated (\$4.75 M in June and \$18 M in November)

Recommended Next Steps

- ❑ Promote Construction of new projects within the City of Dallas sector of IIPOD
 - Goal: 1 M sq ft of new industrial space in FY07-08.
- ❑ Promote Public/Private funding of IIPOD master planning process and Agile Port feasibility analysis
 - Estimated City of Dallas funding participation (Master plan \$200k, Agile Port study \$150K) earmarked in PPP but subject to Council approval
 - Prepare RFQs and RFPs for council approval
- ❑ Continue to promote expansion of the FTZ
 - Final federal approval expected within 8 months

Recommended Next Steps

- ❑ Actively explore upgrading cargo rail service between the Port of Houston, Laredo, selective Mexican cities with state and private sector
 - Longer term initiative with high priority for the region
- ❑ Explore the implementation of a 501(c)6 organization for fundraising, marketing and potential oversight of IIPOD.

Appendix A: Comprehensive Master Plan

- ❑ **Two Strategic Initiatives:**
 - **Support Ongoing Activities –adequate and consistent services to support current needs**
 - **Strategic Vision – to develop opportunities and guide regional actions**

Comprehensive Master Plan

□ Create a Strategic Vision

- Create a shared vision for the area that reflects each jurisdiction's goals
- Identify new project opportunities consistent with current activities and defined goals
- Identify human capital needs
- Create an environment for outcomes that are:
 - Economically efficient
 - Aesthetically pleasing
 - Environmentally sensitive and sustainable

Strategic Vision Components

- ❑ Strategic vision has 6 components:
 - The Vision
 - Prosperous Economy
 - Livable Community
 - Healthy Environment
 - Opportunity and Equity
 - Implementation, Long-term Coordination & Monitoring

Master Plan Next Steps and Timing

- ❑ Create a Strategic Leadership Team – Stakeholders/Project Champions from multiple jurisdictions and interests
 - Market project
 - Assist in fundraising
 - Oversee project and contract
- ❑ Brief council members and mayor/ Council Committees/ Dallas Council
- ❑ Brief all jurisdictions/stakeholders
- ❑ Secure funding
 - Up to \$1.5 million
- ❑ Process RFQ/RFP
- ❑ Six month timeline