



**CenterPoint Properties®**

# Strategic Partnership for The Port of Virginia

Introduction and Conceptual Proposal

Joint Subcommittee Studying Public-Private  
Partnerships Related to Seaports in Virginia

December 3, 2009



# Presentation Agenda

- I. CenterPoint Properties Overview
- II. The Case for a Strategic Partnership
- III. CenterPoint's Strategic Partnership Proposal





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# CenterPoint Properties Virginia Port Authority

## CenterPoint Properties Overview



# CenterPoint Properties Overview

- » Experienced industrial and infrastructure developer, owner and operator
- » Multi-billion dollar balance sheet
- » Completed the largest intermodal centers in North America
- » Deep transportation industry relationships
- » Successful projects with leading container importers / distributors
- » 30 to 40 million SF industrial portfolio
- » Expert in managing large-scale / multi-constituent projects
- » Assembled and entitled irreplaceable contiguous land positions
- » Expert in public-private partnerships





# CenterPoint is Committed to Virginia

## CenterPoint Intermodal Center-Suffolk, VA

- The Mega-Park for The Virginia Port Authority and Hampton Roads
- \$350 million CenterPoint investment
- 900-acre integrated logistics center
- 25 miles to VPA
- 5 to 6 million SF for cross-dock, transload, CY, CSX carload service
- Adjacent to 1.5 million SF Target distribution center



# Connectivity: Virginia to the Heartland

- » Port of Virginia growth requires the capture of Midwest destination volume
- » Hampton Roads to be linked to the Midwest industrial base via:
  - Norfolk-Southern “Heartland Corridor”
  - CSX “National Gateway Program”



- » **CenterPoint**, as the largest owner and developer of warehouse and distribution space in the Chicago market, can drive VPA volume

# VPA's Largest Destination Market: Chicago



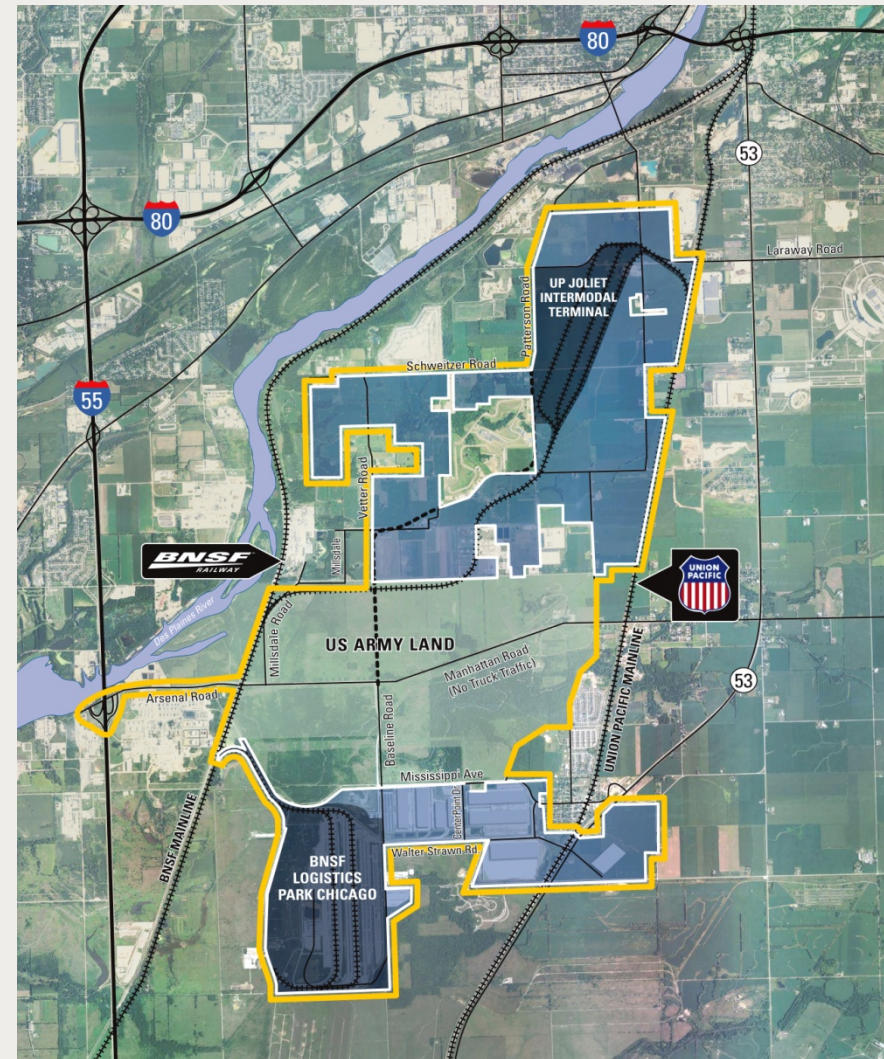
- » 36% of VPA intermodal imports currently destined for Chicago (3x next location)
- » 1.3 billion SF industrial market (13x Hampton Roads)
- » 12.25% of nation's industrial space
- » Top 5 container hub in the world
- » 60% of nation's rail freight moves through Chicago
- » Only place in North America all six Class I railroad's converge
- » 1,200 trains, 37,500 freight cars daily
- » Vital U.S. transportation, agricultural and manufacturing hub



# North America's Largest Master-Planned Inland Port

## CenterPoint Intermodal Center-Joliet, IL

- » \$3 billion CenterPoint investment
- » Terminals:
  - » BNSF 750-acre terminal
  - » UPRR 750-acre terminal
  - » NS and CSX accessible
- » 3 to 6 million TEU annual capacity
- » 30 million SF of industrial facilities
- » 6,000+ acres, 35 square miles
- » 550+ acres for container operations
- » Foreign Trade Zone #22
- » Barge terminal / transloading / agriculture export hub
- » Full remediation and reutilization of the former U.S. Army Joliet Arsenal







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## The Case for a Strategic Partnership

# Situation Assessment: Strengths

- » Deep water, natural harbor, no air draft restrictions
- » Can accommodate super post-Panamax vessels
  - Panama Canal Expansion (2014)
- » Expansion capacity
  - APMT/VIT venture
  - Marine terminal at Craney Island
- » Competitive Class I railroad service
  - Norfolk Southern Railroad (Heartland Corridor)
  - CSX Railroad (National Gateway)
- » VIT operating expertise and global marketing platform
- » Strength of maritime community



# Situation Assessment: Challenges!

- » Need “on-port” infrastructure to improve efficiency and capacity
- » Need “off-port” road improvements to ease regional congestion
- » Slowing economy, lower tax revenues aggravating funding shortfall
- » Facing growing competition for volumes
- » Not set up to “cross sell” or provide full supply chain solutions
- » Cannot replicate Front Royal intermodal terminal outside Virginia
- » No capital to fund the marine terminal at Craney Island

# What the VPA Needs

- » Capital for port modernization
- » Capital for regional transportation improvements
- » Capital to construct the marine terminal at Craney Island
- » Intermodal experience that will enhance rail capability, increasing port volume while reducing truck traffic
- » Distribution center development experience to attract port customers
- » Allied inland destination developments that will attract rail cargo to the port





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## CenterPoint's Strategic Partnership Proposal

# CenterPoint's Proposal Meets VPA's Needs: Volume

- » **CenterPoint to drive container volumes in partnership with VIT and VPA**
- » Infrastructure development experience to modernize the port facilities, increasing efficiency and capacity
- » On and off port distribution center development to attract and retain customers
- » Inland rail and business park connectivity to streamline overall supply chain
- » Railroad relationships and infrastructure development experience to promote true rail connectivity
- » Ocean carrier relationships to supplement VIT's global reach
- » Retailer / container importer and exporter relationships to establish Virginia as dominant East Coast port of call



# CenterPoint's Proposal Meets VPA's Needs: Capital

- » **The Port of Virginia transformed from capital consumer to a capital provider**
- » **Subsidy returned**
  - Transportation Trust Fund averaging \$30.0 to \$35.0 million per year
- » **New proceeds and payments to improve port**
  - Up-front cash payment
  - Ongoing payments to VPA for security and oversight
  - Increased payments to host communities
  - All future capital improvements borne by CenterPoint
  - Profit Sharing to Commonwealth
  - Future capital for marine terminal at Craney Island
- » **Capital covers both port modernization and overdue regional transportation projects**

# Example Benefits of CenterPoint Capital

## I-564 Intermodal Connector

Cost Estimate: \$170m

Current Funding Status:  
\$71.8m Federal/State  
Match

**CenterPoint  
Partnership: Funded  
100%**

## US Route 58 Widening

Cost Estimate: \$54m

Current Funding Status:  
N/A

**CenterPoint  
Partnership: Funded  
100%**

## I-64 Widening Phase I

Cost Estimate: \$443m

Current Funding Status:  
N/A

**CenterPoint  
Partnership: Funded  
100%**

**Total Funding Gap: \$595m**

**CenterPoint Partnership**

**Funded 100%**

# Partnership Philosophy & Structure

- » Not a One-Time Sale:
  - VPA retains ownership; CenterPoint granted concession
  - All CenterPoint funded infrastructure reverts back to the Commonwealth
  
- » Partnership Structured to Align our Interests:
  - CenterPoint and the Commonwealth shared goal – volume growth
  - Significantly increased payments to host communities
  - Profit sharing to ensure public interest is protected
  - Continuity assured through preservation of VIT as operator
  
- » Long-Term Perspective:
  - A 60-year partnership encourages private investment
  - Pension Fund capital most closely mirrors Virginia's economic development goals
  - Low leverage, no additional pressure on port fees



# Partnerships: The Global Trend and Model

- » Dominant Global Model is Privatization
  - Only 18% of world ports using public model similar to VPA-VIT
  - Privatization models show increased productivity, efficiency and financial benefits
  
- » U.S. Trend Towards Private Operators
  - 34 U.S. Maritime ports are privately operated
  - Port of Baltimore-recently announced 50-Year PPP concession
  - Port of Oakland-recently announced 50-year PPP concession
  
- » Hampton Roads Privatization Established
  - APMT: Private Terminal at Hampton Roads
  - Three private coal piers (DTB, Pier IX and Lambert's Point)
  - Private stevedore operators at VPA

# Private Concession/Lease Model Dominant in U.S.

<u>Location</u>	<u>Ownership Model</u>
1.) Los Angeles	<b>Private Concession/Lease</b>
2.) Long Beach	<b>Private Concession/Lease</b>
3.) New York	<b>Private Concession/Lease</b>
4.) Savannah	Public Ownership & Operation
5.) Oakland	<b>Private Concession/Lease</b>
6.) Hampton Roads-VPA Hampton Roads-APM	Public Ownership/VIT Operation <b>Private Ownership &amp; Operation</b>
7.) Seattle	<b>Private Concession/Lease</b>
8.) Tacoma	<b>Private Concession/Lease</b>
9.) Houston	Mixed Public & Private Terminals
10.) Charleston	Public Ownership & Operation
11.) Baltimore	<b>Private Concession/Lease</b>
12.) Mobile	<b>Private Concession/Lease</b>
13.) Montreal	<b>Private Concession/Lease</b>
14.) Halifax	<b>Private Concession/Lease</b>
15.) Vancouver	<b>Private Concession/Lease</b>

# CenterPoint is Virginia's Ideal Partner

- » CalPERS backed, patient and friendly capital
- » Unmatched infrastructure development expertise
- » 25+ year successful track record, demonstrated creativity
- » Significant Public-Private-Partnership experience
- » Extensive strategic customer base and relationships
- » Inland facilities relationships that can drive port growth
- » Proposed partnership aligns interests, shares benefits and keeps maritime community intact
- » Funding that solves port and regional infrastructure issues
- » A proven commitment to Virginia and the VPA
  - \$350 million mega-park underway
  - East coast headquarters: Norfolk, VA



# Q & A



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