
Illinois 'Inland Port' Capitalizing on PAB Program.

CHICAGO – The only intermodal freight facility to ever take advantage of a special 11-year-old federal private activity bond program is back for a third round of financing.

The CenterPoint Joliet Terminal Railroad LLC in Illinois hopes to close as soon as this week on a $100 million private placement to help fund its ongoing expansion, according to Tim Lippert, CenterPoint's vice president of finance.

Conduit issuer Illinois Finance Authority recently approved the transaction for the "inland port," which smooths the flow of freight among trains and trucks.

The private activity bond financing is CenterPoint's third, following its $80 million issue of surface freight facilities tax-exempt revenue bonds in 2012 and its first sale in 2010 for $150 million.

The project has an allocation under the U.S. Department of Transportation's freight transfer facility revenue bond program established in 2005 in the SAFETEA-LU federal transportation authorization, which authorized an initial $15 billion of PABs for qualified projects.

The program seeks to promote private investment in highway, bridge and intermodal freight-transfer facility projects of regional or national importance with tax-exempt PABs. Such projects aren't subject to state PAB volume caps.

The facility is the only intermodal facility financed to date under the U.S. Department of Transportation's private activity bond program, IFA executive director Chris Meister said in his board message.

"All other US DOT Private Activity Bond projects issued to date have financed privately-owned toll road, toll bridge, or commuter rail projects," he said.

CenterPoint's developers have another facility that had qualified for the program but ended up using private financing, and other intermodal projects that also initially qualified either used private financing or have stalled.

A total of 15 projects have used nearly $5.9 billion in approved PAB financing and another six, including CenterPoint, have allocations to use another $5.7 billion, according to USDOT.

Projects also must receive Title 23 Highway Funds or Title 49 railroad grant funds. The IFA said CenterPoint has a commitment from Title 23 satisfying both US DOT requirements to qualify for the tax-exempt issuance for the project. Those funds have gone to improve local bridges and highways that benefit the project.

"The program has lowered our cost of borrowing and having the support of the Illinois Finance Authority and the federal government helps the park in its marketing and in attracting tenants," Lippert said.

The project initially won a $1.2 billion allocation that was later scaled down because pieces of the build-out were slower to come to fruition than initially planned.

The project has a $400 million allocation remaining and can return to USDOT for more in the coming years.

“It was slow going due to the recession but has really been picking up,” Lippert said.

Proceeds will finance the acquisition of land, and construction and equipping of various capital improvements at the rail-to-truck and truck-to-rail intermodal facility.

The CenterPoint Intermodal Center is housed on a 4,000-acre Joliet site with distribution centers, container storage yards, and export facilities all in one campus.

The intermodal facility allows for the direct transfer of goods between and among trains and trucks, allowing customers to smooth the process of shipping goods from the U.S. coasts inland by rail for distribution by truck.

The overall project calls for rail improvements and the construction of between 15 million and 20 million square feet of related warehousing and distribution facilities as well as infrastructure improvements.

The conduit issuer is highlighting the thousands of temporary construction and permanent jobs created by the project and traffic relief it promises by helping to break the logjam that develops in Chicago as inland freight traffic travels across the country.

When finished, the campus will include an 835-acre Class I railroad intermodal facility, 450 acres of onsite container/equipment management and approximately 15 to 20 million square feet of industrial facilities.

“The project will provide critical transportation capacity for the region and distribution efficiencies for customers, while meeting local community, county and state interests through the creation of approximately 16,600 jobs and millions in new tax revenues,” IFA documents say.

CenterPoint plans a private placement with a syndicate of banks that currently finance line of credit and other credit facilities.

SunTrust Robinson Humphrey is placing the bond with a syndicate led by SunTrust Bank. Members of CenterPoint’s lending syndicate include Bank of America, BB&T, PNC Bank, Regions Bank, US Bank, JPMorgan Chase; and Wells Fargo Bank.

Interest rates are estimated to be in the range of 2% to 5% depending on their maturity which can go out 40 years, but the final terms are confidential on the unrated debt.

General counsel on the deal is Latham & Watkins LLP, bond counsel is Perkins Coie LLP and bank counsel is Dentons. IFA counsel is Kutak Rock LLP and IFA’s financial advisor is Acacia Financial Group Inc.

CenterPoint anticipates the total cost of the built-out facility to hit $1.26 billion with another $812 million being raised from future issuance through the IFA and the rest covered by an equity contribution.

Future issuance will be dictated by the project’s buildout needs over the next five to 10 years.

Lippert said it may return within the next 12 to 18 months for a fourth financing.

CenterPoint has 5 years to spend bond proceeds under the US DOT bond program, but it has typically privately financed its projects and then turned to the long-term tax-exempt allocation as needed to reimburse itself.

CenterPoint LLC is a real estate development company set up in 2007 to build and manage the facility. The borrower is primarily owned by CalEast Global Logistics LLC, a leading investor in logistics warehouse and related real estate; it's a joint venture of the California Public Employees Retirement System and GI Partners.

The Chicago region is a top spot for inland port/freight transfer centers in the country due its location. All six North American Class I railroads intersect in the region: Burlington Northern Santa Fe, Canadian National, Canadian Pacific, CSX, Norfolk Southern, and the Union Pacific.

Officials say 60% of freight traveling inland from the coasts either stops in Chicago, or travels through Chicago to other markets and supporters of such inland ports have long stressed the need for relief.

"Although it takes only two days for freight to be shipped from the coasts, it can take four days for this rail traffic to move through the city of Chicago," IFA documents said.

"Development of intermodal facilities around the outer suburbs of Chicago will help reduce rail bottlenecks, reduce truck traffic in the city of Chicago as well as create a more efficient supply chain for goods traveling inland from the coasts," the documents said.

The project completed its first on site building for the Stepan Co. as well as a 12-acre grain facility for The De Long Co. in 2010.

Other construction on the site has included an 18-acre container storage facility for Mediterranean Shipping Co., a 36-acre container storage facility for APL, construction of Home Depot's campus, an eight-acre container storage facility for Central States Trucking, Home Depot's Joliet campus, and a 485,000 square foot joint-venture speculative facility that's leased to International Transload Logistics.

Also, construction was completed on a 400,000-square-foot warehouse facility for Neovia Logistics, and construction began last year on a 1.1-millionsquare-foot building for Saddle Creek Logistics Services and a 1.4 million-square-foot-building for an undisclosed food manufacturer.

The Bond Buyer

by Yvette Shields

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