Logistics MANAGEMENT

December 3, 2008

Logistics real estate: Allen Group to host Bridge Terminal Transport container yard at Dallas Logistics Hub

By Jeff Berman

DALLAS—Commercial real estate developer The Allen Group said this week it has executed a lease with Bridge Terminal Transport (BTT) in which BTT will develop a build-to-suit container yard at the Dallas Logistics Hub (DLH).

BTT is a maritime container hauler that covers major U.S.-based port locations and inland rail sites and also provides global container services, agency, logistics, and terminal activities. The DLH is a 6,000 acre multi-modal logistics- and manufacturing-focused industrial park, which is being developed by The Allen Group. It is the largest new logistics park currently under construction in North America. Allen Group officials said that with this move BTT will relocate their container yard operations from an existing facility near the Love Field Airport to a DLH site within the City of Hutchins. They added that will close proximity to Union Pacific's Dallas Intermodal Terminal (DIT) and Interstate 45, the container yard will store inbound and outbound containers transferring through DIT, as well as chassis and trailers for customers.

Construction for the new container yard is underway, and it is expected to be completed by February 2009.

In an interview with *LM*, Daniel J. McAuliffe, president of the Allen Group's Texas operations said that based on company information the UP DIT is operating at approximately 350,000 lifts, with the ability to operate at 385,000 and expand to 685,000 with some physical and operating changes.

With the addition of DDT into the fold, McAuliffe said that the proximity of the DLH location to the UP DIT is attractive to shippers because "by choosing this location they can better service their customers' needs and decrease the drayage costs."

Another benefit of this new container yard, explained McAuliffe, is that it is will be the first storage facility within the DLH that will allow for accessible integration between the DIT and distribution customers in and around the logistics park.

When asked if there are future plans for any other marine container haulers to take up residence at the DLH, he said that the Allen Group is currently in discussions with several other operators considering opportunities at the DLH, some as small as ten acres and others are more than 50 acres.

The DLH, which had an official groundbreaking ceremony for its first two industrial buildings in November 2007, is master-planned for the potential development of 60 million square feet of vertical logistics and manufacturing space. Along with Union Pacific's intermodal facility, it is adjacent to the BNSF rail line, major highway connectors—I-20, I-35, I-45 and the proposed Loop 9—and Lancaster Airport, which is in the master stages to facilitate cargo distribution. DLH development is part of four cities in Texas: Dallas, Lancaster, Wilmer, and Hutchins.

Dallas Observer
dallasobserver.com

December 3, 2008

Dallas' Inland Port of Gall

Old boys act like a bunch of hicks over the inland port that could mean progress in South Dallas

By Jim Schutze

I write a lot about how the city, Dallas proper, needs to defend itself against the suburbs. Sometimes I feel as if we are an urban Jerusalem surrounded by Nebuchadnezzar and all his Babylonian, golf-playing horde.

But lately I'm wondering: Who's the horde? Them or us?

I'm talking about this "inland port" thing, but please put that term out of your mind, because it doesn't make any sense. How can there be a port in Dallas? How will the ships get here? Won't it scrape all the paint off their bottoms?

They already do get here. Sort of. Look, it's not something any of us can grasp easily, because it's so new and beyond our ken. Trains haul shipping containers here from Pacific Coast ports and the Port of Houston. The containers are hoisted onto trucks in Dallas and then hauled to the Northeast or to warehouses the size of small towns in southern Dallas and Dallas County.

The bottom line is that this new "logistics" industry could make Dallas the biggest shipping center on the continent.

I know. Who knew?

There are other spots around the nation where this operation could develop instead, and some of them already are being developed in competition with this one. The one reason for it to be here is Richard Allen, a shipping magnate from California.

Allen came here five years ago, looked around, said, "This is it," and bought 6,000 acres in southern Dallas County. If this is it, it's because of him.

I wrote about this whole thing November 13 in a column called, "The Big Stall." I said Dallas County Commissioner John Wiley Price and Dallas Mayor Tom Leppert are working together to screw up and sabotage the inland port in ways that would seem to benefit the Ross Perot family, which owns a directly competing shipping facility in Tarrant County around their privately owned Alliance Airport.

The Perots are not the bad guys here. They're just pursuing their own interests. Ross Perot Jr. calls the southern Dallas inland port a "direct threat" to the shipping center his family has developed at Alliance.

The problem is the mayor of Dallas and Commissioner Price. They should be fighting for the interests of their own constituents. Instead, they are pushing for land-use studies and rules and enforcement for the Dallas inland port, all of which threaten to stall the inland port and turn the advantage toward the Perots at Alliance.

I suggested in my last column about this that Leppert and Price have joined in a kind of sicko good-old-boy embrace: They want to help a well-connected local family ward off competition from an outsider, even if it means screwing their own constituents.

As if to prove my point, Commissioner Price called me the day after the story came out and accused me and Allen of being "carpetbaggers."

I moved here from Detroit 30 years ago. I checked with my wife that evening. She's a Dallas native. I asked how long I'm going to be a carpetbagger. She said until I die. OK, so I give Price a point on that one.

But he also was calling Richard Allen a carpetbagger, a point he made again in a letter to the *Observer*. "The only thing worse than a carpetbagger is a convening or collaboration of the same," he said in the letter.

Carpetbagger? This guy is trying to change southern Dallas from an impoverished Third World slum into a boomtown.

I need to say right here that John Wiley Price's position on this is not universally shared. A couple weeks ago I attended a breakfast meeting of the Oak Cliff Chamber of Commerce at which Richard Allen was the featured—and, I must say, *honored*—guest. The proceedings opened with an invocation in which the pastor called on the deity to bless Richard Allen.

Then Allen was introduced by John Ellis Price (no relation). This Price is vice chancellor of the University of North Texas over the new UNT southern Dallas campus, where he is developing a whole "logistics" curriculum to prepare students for management positions in the industry expected to spring up in and around the Allen Group developments.

Vice Chancellor Price opened by making sure everybody in the large audience understood that his relationship with Allen is more than professional. Speaking to Allen, who was standing at his side, but also to the audience, Price said: "On my most recent visit to California in October, I had a chance to meet you and members of your family and friends. I had an absolutely delightful time."

Vice Chancellor Price said he spent part of his time driving Allen's vintage pickup on the streets of San Diego. Then he launched into a description of the Allen project and what it promises:

"The 6,000-acre master plan with 60 million square feet of distribution, manufacturing, office and retail development is slated to become one of the biggest economic engines for northern Texas," he said.

"The Dallas Logistics Hub is projected to create 31,000 new direct jobs, plus 32,000 new indirect jobs. The hub also expects to increase the tax base for the municipalities of Dallas, Lancaster, Wilmer and Hutchins by $2.4 billion. The economic impact of the facility, construction and employment for operations within the hub from 2006 to 2035 is projected to be $68.85 billion dollars."

He was addressing a well-dressed, snappy-looking crowd of about 100 business and professional people who had been clinking their breakfast plates up to that point. But when he started ticking off those numbers, you could have heard a pin drop. Every face turned upward, as if to a trumpet fanfare from on high.

The inland port area is at the southwest corner of the intersection of Interstate 20 and I-45 and includes a goodly portion of Lancaster, a city of approximately 35,000 souls 12 miles south of downtown Dallas in southern Dallas County. Lancaster, a sleepy hick town 20 years ago, is now an upwardly mobile bedroom community with a population that's about half black, according to census estimates.

The night before the Oak Cliff Chamber breakfast, I attended an evening workshop session of the Lancaster City Council. They were debating whether to participate in the "master-plan" project that Leppert and Commissioner Price are pushing for the inland port area.

You have to know the dodge here. Allen Group has already done $6 million worth of planning for its own project. Various local and regional governmental agencies have shelves overflowing with plans already completed for everything from water to roads in the area.

Now, just as Allen Group is ready to open its doors for business and start selling and leasing warehouse space, John Wiley Price and Tom Leppert come along and say they need 18 months to do more planning.

Allen says top potential clients already at the table, companies like Target and Walmart, won't ink deals if unresolved planning and political problems are still hanging fire, especially given Dallas' history of trying to create new supervisory "districts," authorities and rule-making bodies for the area.

Meanwhile, Allen's pain is the pleasure of the well-connected Perot interests, who threw a closed-door Christmas party for Leppert last December in Ross Perot Jr.'s penthouse atop the W Hotel.

Commissioner Price called me another time specifically to deny any connection with the Perots or that he wants to delay or injure the inland port in any way. It's a claim that flies in the face of a clear trail of evidence.

In May 2007, Price tried but failed to delay creation of a foreign trade zone at the Dallas inland port for a year, specifically so that a Perot-owned property could be added to it. In June of this year he tried but failed to stall construction of a bridge badly needed to make the inland port viable.

I have been making Public Information Act demands for correspondence and documents on this topic. One letter—a mere sample of what I'm seeing—tells it all. Two years ago Commissioner Price wrote to Richard Allen expressing contempt for the thousands of jobs promised by the Allen Group project.

"During slavery everybody had a job," Price told Allen.

Commissioner Price has his history wrong. No slave had a job. That was the problem.

Price also said to Allen, "I am fully cognizant of the notion that Southerners are slow and incapable of keeping pace." Is that really how Dallas talks to outsiders willing to invest new money in our community?

Seems to me Dallas has one set of rules and one kind of manners for the local good old boys, another set for outsiders. Wouldn't that make us the hicks?

At the Lancaster workshop session I attended, city council member Todd Love said he thought the call for more planning was a subterfuge: "I want to understand this, because I smell something," he said. "It seems to me that this is a competition, and the competition is between Alliance Airport and our new opportunity here."

Councilman Love said the call for yet another study was a threat to the success of the inland port. "This has put an air of uncertainty over this and has hamstrung and hampered the development community from going forward."

Finally Love said what you'd expect to hear, it seems to me, from an elected official anywhere in or near southern Dallas or Dallas County.

"I am not interested," he said, "in anyone coming and getting our nice little golden goose that lays the egg.

They've already got geese that lay their eggs. I want to see ours flourish, and I want to see it flourish now."

The Lancaster council wound up voting to table consideration of the plan. My own counting of heads, based on what each council member had to say, led me to believe a majority of them favor the plan but were willing to wait a few weeks and think about it.

You know what else about the Lancaster City Council? It's about half minority, with a membership that ranges from young to senior. I am going to guess and peg economic status at middle and above. Every single one I heard speak was head and shoulders over most of the Dallas City Council in terms of sharpness and business sophistication.

I thought they were the hicks and we were the cosmopolites. Could the contrary be true? Knock me over with a feather. Maybe I have misspent my life. How much are golf lessons, anyway?

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The Allen Group build-to-suit container yard at DLH

Bridge Terminal Transport selects DLH for relocation of a new container yard facility

The Allen Group, developers of the Dallas Logistics Hub (DLH), a 6,000-acre multi-modal logistics park in Southern Dallas County, announced today an execution of a lease with Bridge Terminal Transport (BTT), one of the largest marine container haulers covering all major port locations and inland rail sites within the United States. BTT is a market leader in worldwide container services, agency, logistics and terminal activities.

The company will relocate their container yard operations from an existing facility near the Love Field Airport area to a site at DLH that falls within the City of Hutchins. With close proximity to Union Pacific's Dallas Intermodal Terminal (DIT) and Interstate 45, the container yard will store inbound and outbound containers that transfer through DIT, as well as chassis and trailers for customers.

"We are pleased to work with Bridge Terminal Transport to provide them with a perfect location for its Dallas container yard facility," said Daniel J. McAuliffe, President of The Allen Group's Texas operations. "This will be the first storage facility within the Dallas Logistics Hub that will allow accessible integration between the DIT and distribution customers in and around the logistics park."

Construction is currently underway and expected to be fully operation by February 2009. The project will also create 15 full-time jobs. BTT was represented in the real estate transaction by Bob Hagewood of Stream Realty Partners, LP.

The Dallas Morning News

December 8, 2008

Execs brace for plunge with typical Dallas grit

It goes against Dallas' entrepreneurial DNA to be pessimistic.

So it was fascinating to hear and watch local business leaders as they tried to grapple with reality at *The Dallas Morning News* Economic Summit last week.

They see truly hard times brewing. Yet they can't shake an innate belief that Big D will emerge from the havoc faster and in better shape than the rest of the nation.

The News periodically invites local top executives to share their thoughts in a roundtable discussion to provide a wide range of viewpoints when tough times warrant.

Ironically, there wasn't an economist in the room. These executives don't need an advanced degree to know which way their businesses and industries are headed. They were chosen because they're not afraid to tell it like it is, not the way they wish it was.

When words like *horrific, scared* and *alarming* came out of their mouths, you had to sit up and pay attention. *Fear* cropped up more than a dozen times in the two-hour discussion.

"We're going to be in this for a while. The severity of it is only now being understood," said Dallas Mayor Tom Leppert. "To say that we're somehow immune to what's going to happen is just folly. I don't think any of us here would say that."

These are people used to commanding their businesses' destinies. Yet they expressed the same frustrations and powerlessness as the rest of us when it comes to dealing with a financial world spinning beyond our control.

"This feels like the 100-year flood with the economy," said Gary Kelly, chief executive of Southwest Airlines Co. "The unbelievable complexity [of the intertwined world economy] makes it impossible to predict how this plays out."

Consumers buying less is leading to fewer exports from China, which is leading to less activity for the developing Dallas Logistics Hub in southern Dallas County.

Wilson Chu, a partner with Haynes and Boone LLP, called it the "round-trip impact."

Capital for growth just isn't available, several participants complained.

"For a company like Southwest Airlines, which is investment-grade, Triple-B rated," said Mr. Kelly, "there is basically no access to capital right now – at least not at rates that anyone in this room would be willing to pay. We raised money in the spring at about 5.25 percent. Today, with spreads where they are, it's probably 10 or 11 percent, just to put it into perspective."

Real estate developer Lucy Billingsley, who is building Arts Plaza in downtown Dallas, said downtown is a secure long-term bet – residentially and commercially.

But getting permanent financing has developers worried. "To get permanent financing, they're going to have to put in about 15 percent more equity. That's not how they profiled the investment," she said.

Any project not already coming out of the ground won't be built anytime soon, she added. "I would say it would be impossible."

Jim Keyes, chief executive of Blockbuster Inc., said Wall Street has turned a blind eye to his company, even though it has posted increases in earnings and same-store sales for three quarters.

"Our stock is trading 50, 60, 70 percent down," he said. "Here's your classic U.S. business that's not being given the ability to grow because of fear and uncertainty unless we do it from within – unless we self-fund. That's the half-empty picture, and it's pretty alarming."

The 'half-full'

But there's a "half-full provision" that has Mr. Keyes, the former chief executive of 7-Eleven Inc., more hopeful: A fill-up costs a lot less than it did a few months ago. By his calculations, that has put about $200 a month back into consumers' hands.

"The good thing about the American consumer, they spend what's in their pockets," he said. "It is better than a tax break or refund for the consumer, and it will stimulate purchases, hopefully, on Blu-ray players and movie rentals."

Norm Bagwell, chairman of Bank of Texas, said a midsize local company may have a better chance of getting financing than a large international corporation because local banks are still lending regionally. But businesses aren't exactly beating down bank doors these days.

"We've seen businesses delay capital expenditure projects," he said. "Many of the acquisitions that were anticipated are being pulled off the table."

If you think we'll ever see a return to free-flowing, easy money, forget it, said John Young, chief executive of Energy Future Holdings Corp., formerly TXU Corp. "The terms and conditions by which people could borrow were irrational."

Prudent employers will be forced to tighten spending and cut jobs – the dirty work that good times allowed them to postpone.

But when Albert Black, owner of On-Target Supplies & Logistics, used the term *right-sizing*, he visibly shuddered. "We're going to have to do it. But where do those people go?"

His logistics company in Oak Cliff has weathered downturns before. But this one is "more severe and worse than we thought."

He's worried that some of his employees, who have worked hard to move into the middle class, have taken on too much debt, particularly with home equity loans. "That burden is going to be difficult for them to repay with the uncertainty of employment."

Suit up, show up

Despite the anxiety, this was not a whiners' convocation.

Given the national residential real estate meltdown, Mary Frances Burleson, president of Ebby Halliday Realtors, said her company's 6 percent slip in sales volume and a 12-day increase in the time it typically takes to sell a Dallas home today looked OK to her.

"We have some agents who are not smart enough to work hard during this marketplace, but some who are," she said. "I tell people, 'You get up, you suit up and you show up and work smarter than you ever have before.' "

Shad Rowe, a Dallas money fund manager, made a lot of money in the late 1980s as a short-seller. "I capitalized on the idea that Texas would be a precursor to economic problems elsewhere."

Now he's going long on Texas, making investment choices geared to his belief that the Lone Star State will shine brightest in hard times. "There is a resourcefulness, a fearlessness and a lack of apology and a moving on that's unique to Dallas and Texas."

Mr. Chu agreed. "This region will take its lumps, but the enthusiasm and entrepreneurialism that permeates through this community will be to our advantage."

We know this from experience.

Phil Ritter, senior vice president of Texas Instruments Inc., said downturns can regenerate the economy.

"People leave companies like TI, start new companies and create the next wave of innovation," he said. "If you go into the colleges and universities and places like UT Southwestern and see the types of research going on and the commercial opportunities that exist in that research, it should give us all optimism that we're going to be able to turn that into a competitive asset for this region."

The newest Dallas transplant among the group, Mr. Young, who took the top job at the big utility earlier this year, put it this way:

"Would you rather be somewhere else? Boston, New York, Chicago – take your pick. Most people have come here by choice. I've been here less than a year.

"You have a better starting point here. Is it perfect? Probably not. But is it where you want to start from when things come back, whenever that is? Probably so."

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December 10, 2008

Public says 'no' to 18-month master plan

By Bill Conrad

Lancaster residents and business owners came out in force against the Southern Dallas County Infrastructure Analysis Project at a public hearing Dec. 8.

The project calls for an 18-month study of the area surrounding The Allen Group's 6,000-acre Dallas Logistics Hub and other developments in southern Dallas County.

The public hearing was scheduled so that the Lancaster City Council could hear from Richard Allen, chief executive officer of The Allen Group, as well as other interested parties.
In total, 15 people spoke against Lancaster's involvement in the project while eight others filled out paperwork stating their opposition, but declining to speak at the hearing. No one spoke in favor of going forward with the study.

The belief held by the opposition to the study centers around what will happen to the Dallas Logistics Hub if the study is undertaken. While Lancaster wouldn't be required to adopt changes suggested by the study, Allen said he has never seen a study that cost hundreds of thousands of dollars that didn't result in changes being made.
Allen said the study would not stop development completely, but would slow it down considerably. Allen also said that if this study begins, developers who are planning on coming here may not wait for the study, and may build their warehouses elsewhere in the DFW area.

"I have a meeting scheduled with Target next week on a two million square foot facility," Allen said. "They need to know exactly what they are buying. I have discussed this issue with Target's vice president and he is very, very concerned."

Allen noted that he has to fill out a 23-page document for Target, detailing nearly all of the aspects of development including taxes and set-back requirements. He said as of right now he can answer those questions, but if the study is carried out, he will no longer have the answers for Target.

Allen said his company has spent more than $6 million on studies of the area over the past three years and has worked with Lancaster, Dallas, Wilmer and Hutchins, as well as Dallas County, to acquire all of the necessary permits and development agreements. He said they have already completed two warehouses, one 635,000 square feet and the other 195,000 square feet and are in discussions with potential renters. Future development on the Allen Group's property is ready to continue he said, but would be slowed if the plan is carried out.

The Allen Group's main competitor in DFW is Ross Perot Jr.'s Alliance Airport in Fort Worth. Allen pointed out the advantages the Lancaster area has over Alliance, including access to three existing highways and potentially Loop 9 and intermodals for the Union Pacific and potentially Burlington Northern Santa Fe railroads.

A fear expressed by several speakers at the meeting, but not specifically addressed by Allen, was that companies that were interested in developing in Lancaster would choose Alliance over the Dallas Logistics Hub if the 18-month study was carried out since there would not be a cloud of uncertainty over Perot's development.

Allen also said the study wouldn't just impact development by companies such as The Allen Group, it would also affect the area's chances of receiving federal funding.

"Right now our federal government under (Barack) Obama is discussing the need for more infrastructure in order to boost the economy," Allen said. "That is going to be built in regions that have approvals. We have all of that. South Dallas County will not have the opportunity to take advantage of any of those dollars if this study goes through."
Allen was just one of the 15 people who spoke in opposition of the plan. The others included former city councilmembers, long-time business owners and local clergy.

Former Lancaster mayor Margie Waldrop spoke about opportunities that Lancaster has missed in the past, and urged the council to not miss out on this one.

Bob Borden, a long-time Lancaster businessman, chamber of commerce board member and former city councilman said Lancaster missed out on an opportunity to become a first-class city in the early 1990s when plans to make Lancaster airport into a reliever airport for DFW International Airport failed. He said the council worked long and hard to gain approval, only to have small groups of people exert enough pressure to kill the project. He told the current council they had another opportunity to make Lancaster great and to not let outside pressure affect their decision.

Other members of the business community spoke in support of The Allen Group and against the study, saying Lancaster needed a boost economically right now, not in 18 months. The common theme echoed throughout city hall was that anything that hurts development is bad for Lancaster, and that the plan would not only hurt development, but also hurt the city since revenue from the Hub and other development projects would potentially go to Fort Worth, and not Southern Dallas County.

Speakers also talked about making Lancaster great and giving Lancaster residents something to be proud of. Stanley Jaglowski told the council to notice the passion exhibited by the speakers before them and said it was time to pull the trigger on a development that will make Lancaster great.

Mark Gonzales of the Lancaster Ministerial Alliance said the council should not impede progress by supporting the 18-month study. He said it was time for Lancaster to make headlines for the right reasons.

Councilwoman Nina Morris said that she was disappointed and shocked that no one showed up to speak in favor of the study. Morris also said that the council's job was to vote the way their constituents want them to, so it is important for people to share their feelings on the study with their councilmembers.

In the hallway after the hearing adjourned, people who had spoke at the hearing wondered who was actually behind the push to implement the 18-month plan, since no one spoke in favor of the project.

The issue of an interlocal agreement between Lancaster, Wilmer, Hutchins, Dallas, Dallas County and the North Texas Central Council of Governments first came before the council June 23 and was approved. Of the six entities that NCTCOG originally said would participate, only three remain. Wilmer and Hutchins elected to not participate from the start and Dallas County pulled out in October, leaving only Lancaster, Dallas and NCTCOG. NCTCOG is holding a public meeting Dec. 15 to update the public on the changes made to the interlocal agreement. The Lancaster City Council will vote at a called meeting Dec. 16 on whether Lancaster should remain a part of the project.

The council's vote must be made before Dec. 18, when the contract with the consultant is finalized.

Dallas Observer
dallasobserver.com

December 10, 2008

What's Commish John Wiley Price's Real Beef With the Inland Port?

By Jim Schutze

I will put my bleeding heart up next to anybody's bleeding heart. Community activist and blogger Sharon Boyd once told me, "Schutze, you're so liberal you won't even take your own side in an argument."

Richard Allen is trying to figure out what Dallas County Commissioner John Wiley Price means when he says Allen must provide equity in his company to minority investors. Courtesy of The Allen Group

I favor most forms of affirmative action, especially where minority contracting is concerned. Tell me any of that stuff about how the white boys used to carve up the pie for themselves at the country club: I believe it all. To me it's extremely important to open the doors, break down the barriers and create a level playing field.

But even on a level playing field you have to know what the damn game is.

For the last three years Dallas County Commissioner John Wiley Price has been brow-beating a major investor and developer in Southern Dallas over something Price calls variously "equity" or "minority investment opportunity" in the developer's company.

That company, The Allen Group of San Diego, can't get a straight answer about what either of those terms means. I have had several conversations myself with Commissioner Price, trying to get him to tell me. I get the same thing from him that The Allen Group does—a lot of talk, a lot of vehemence, a lot of vagueness.

Ominous vagueness.

The Allen Group has amassed 6,000 acres of land in southern Dallas and Dallas County for a project promising to bring more than 60,000 new well-paid jobs to a severely depressed area. It is the prime developer of what is being called the southern Dallas inland port—a vast rail, trucking and warehousing center that could transform economically blighted South Dallas into one of the nation's primary shipping hubs. I have written about this deal several times, twice in the last 30 days. I hope I'm not getting too OCD about it.

But look: The economic analysis touted by both the city of Dallas and The Allen Group shows the inland port eventually generating 31,000 new "direct" jobs (in the port itself), 32,000 "indirect jobs" (suppliers, service, hotel, etc.), \$2.4 billion in new tax base for the cities of Dallas, Wilmer, Hutchins and Lancaster and for Dallas County, with a \$68.5 billion total economic impact in the region by 2035.

Given the city's appalling history of racist neglect in southern Dallas, this promise of real jobs seems almost miraculous. But Commissioner Price is derisive of these jobs. In fact, he is derisive of jobs in general. Whatever he means by equity, it definitely does not mean jobs.

We argued about it on the phone. "To get equity," I said, "that's simple. You have to put in money. You buy equity."

"But that's not the problem," he said. "You have to get the opportunity to get there to do that. It wasn't the fact that we didn't have people who could perform. Equity in that particular scenario is ability. You don't have to have any money to get involved in that. The commerce and the equity is our intellectual capital."

I still don't get it. If the word "equity" is used to mean ownership, and if you're talking about The Allen Group, which owns land, then the way to get an ownership stake in that company is to put some money in. You can't get land with "intellectual capital," whatever the hell that is anyway. You can't even buy groceries with intellectual capital.

You buy land with money.

I asked him several times what he meant by equity. A chance to get contracts with the company? A share of the company itself? But he would not be pinned down.

"Either way, Jim. I don't give a damn how you try to define it. We understand the difference. We understand when we're getting locked out."

We argued a lot about the job thing. In a letter to The Allen Group, Price had said, "During slavery everybody had a job."

When Price and I talked about it on the phone, I said, "During slavery nobody had a job."

He said, "They did have a job. What was it called then?"

"It's called slavery," I said. "They stole their lives."

"Slavery, Jim, that's an institution. And the effort of the institution was working. And working traditionally is a job.

"I am going to tell you," he said, "the nickname that most African-Americans have for a job. It's called a slave."

So jobs suck; 63,000 new, well-paid jobs suck.

It's one thing for Commissioner Price and me to argue this point. But put yourself in the shoes of Richard Allen, CEO of The Allen Group. On a series of issues from water rights to building a bridge to the creation of a special trade zone vital to completion of The Allen Group's development, Price has thrown roadblocks in the company's way. At the same time, he has peppered the company with demands for "equity."

At the behest of Price two years ago, the North Central Texas Council of Governments (NCTCOG), which was funding a major bridge project in the inland port, demanded that Allen "describe the efforts and results to date of The Allen Group's work to identify local minority investors."

Richard Allen was puzzled. Anyone of any ethnicity was free to approach him at any time with an offer to invest in the inland port project. But to make the point clearer, Allen tells me he purposefully set aside a parcel of land within the development area, then approached prominent black business persons to see if they might be interested in investing.

No minority person showed up with money, Allen says. "We jumped through a lot of hoops. Investment opportunities were provided for minority investors in this project, but they were not taken.

"So I guess to the extent that equity means an opportunity to invest in a project, as in capital to purchase equity, that opportunity was provided but not taken advantage of."

What is Allen then to conclude? A powerful local politician tells Allen he's not interested in jobs. Jobs suck. He wants "minority investment opportunities." Allen is not sure what that even means, but he tries to provide something anyway. But no minority investor shows up to invest.

The politician leading the charge, meanwhile, continues to talk about "equity" and "minority investment opportunities" that apparently don't involve money. So what do they involve?

Intellectual capital?

Give me a break. Tonight, try something for me, will you? Go into the corner convenience store and tell the newly minted American citizen behind the cash register with the .38 in his waistband that you'll be paying with intellectual capital. Hope I see you around again.

The thinly veiled threat in all of this is that Allen is going to be identified as some kind of racist. Two years ago the NCTCOG, which holds the purse strings on a lot of state and federal money, demanded that Allen provide a list of all of his own employees broken down by name, ethnicity and gender. Which he did.

Michael Morris, transportation director of the NCTCOG, told me the demands made on The Allen Group were in keeping with "standard practices in the region and federal requirements that we're under."

Maybe. When I asked other local and state units of government if they ever make similar demands of potential contractors, I got mixed results. The Texas Department of Transportation told me it absolutely does not. Frank Librio, a spokesman for Dallas City Hall, said the city does require companies who want to do business with the city to list their employees by ethnicity but "does not require vendors to sell equity shares as a condition of selection for contracts."

I asked Morris to show me one thing in the NCTCOG's charter that would authorize it to pressure a recipient of public funds to sell shares of itself to anyone. I did not hear back on that particular request.

The Allen Group had never done government work before coming here, Allen says, so it had never been required to keep records of the ethnicity of its subcontractors. It had operated mainly in the Central Valley of California in communities that are Latino-majority. Allen tells me virtually all of the subs his company uses in California are Latino.

More to the point, Allen sent Senator West a list of references including minority political leaders, some of whom West knows, with an implicit invitation to ask the people on the list if they consider Allen to be a racist or know him to operate his business in a way that discriminates against minorities.

In all the veiled accusations Price has made, I have heard nothing about Allen's references. If Price had been able to coax even a single negative word out of anybody, I think we would have heard it loud and clear.

I have negotiated for a week with Senator West's assistant, Kelvin Bass, for some kind of response or clarification, but have heard nothing from the senator in time for this article.

In the much disputed bridge project on Wintergreen Road in the City of Hutchins—held up by Commissioner Price because he said he was afraid The Allen Group would not include enough minorities—The Allen Group was responsible for engineering and design, not construction. Its minority participation goal for the project, which Allen says he exceeded, was 55 percent.

The NCTCOG's own minority participation goal for projects it oversees is 13 percent. When the bridge finally was built, the construction contractor was Austin Bridge and Road, Inc., a division of Austin Industries, whose longtime second-generation CEO (now retired), William T. Solomon, has been (as was his father) an influential business leader in Dallas for decades, a key member of the private and influential Dallas Citizens Council and a member of the board of directors of the Belo Corporation.

What was Austin Bridge's stated minority participation goal in the $6 million construction project for the Wintergreen bridge? 4.9 percent.

Price and the NCTCOG said nothing about Austin Bridge's measly showing. Not a peep.

I asked Richard Allen to characterize this overall situation, to tell me what he thinks it means. He declined. He said he'd leave that to me and my readers.

OK, readers. Let's try. Here is my metaphor:

Allen is the captain of a huge oil tanker in the Middle East. Some guys in a speedboat have just pulled up, climbed up over the stern and are approaching with machine guns, angrily shouting, "Equity! Equity!"

I'm afraid I already know what my own next move would be. Promote the first mate to captain, give him my hat and jump. But I have to hand it to Allen. So far he's still on deck with the hat on.

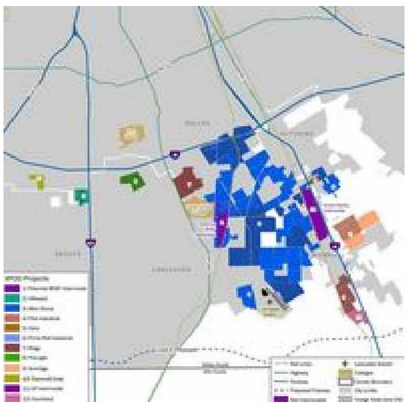
Dallas Observer
dallasobserver.com

December 11, 2008

For Now, At Least, Mayor Leppert Won't Try to Sink the Inland Port

By Jim Schutze

It's over.



Dallas Mayor Tom Leppert just cried "Uncle!" in the battle over the Southern Dallas "inland port," an expandable map of which is available at right. Chris Heinbaugh, the mayor's spokesman, confirmed for me by e-mail mere minutes ago reports I heard yesterday afternoon that Leppert was pulling his support from a so-called "master plan" for the Southern Dallas inland port.

This is a very big deal.

Leppert had been hand in glove with Dallas County Commissioner John Wiley Price in pushing for an 18-month study and possible new regulatory structure for the 6,000-acre rail, truck and warehousing complex being developed in Southern Dallas and Dallas County by The Allen Group of San Diego.

Leppert and Price had enlisted the North Central Texas Council of Government to force an unwanted study on the inland port just as five years of development were being completed and the developers were ready to take the project to market. The Allen Group complained that it had already done millions of dollars in planning and received approvals from local governments and that the new effort would stall sales by causing uncertainty.

Stalling sales in the inland port, as we have pointed out, would deliver a significant competitive advantage to a competing freight operation near Fort Worth owned by the well-connected Perot family.

Many sources have been telling me all week about dozens of calls being made to Leppert warning him that his support of Price against the Allen Group was causing a foul odor.

Heinbaugh just told me by e-mail, "The economy has clearly softened so the Mayor feels there is no need to address those issues at this time. The infrastructure issues have not gone away, and we'll probably do it at a later point. But at this time, there is no need to go forward."

Right. And putting this issue to bed will also allow the mayor to spend more time with his family.

I will be revisiting this issue in a column in the paper version of Unfair Park next week. But before leaving it now, I can't help recalling that the editorial page of

The Dallas Morning News did deal with it, even if the paper's reporters have not. On October 24 the editorialistic described Richard Allen as seeing "enemies behind every tree." The editorial page believed strongly that Allen should just go along with what the mayor and Price wanted to do to him.

I would say, no, he did not see enemies behind every tree. He saw a hostile, borderline corrupt anti-business climate threatening to drive a paradigm-shifting opportunity out of the city. I would ask myself how on earth the editorial page could have missed that. But I know how they miss things. Very carefully.

The Dallas Morning News

December 11, 2008

A&B Properties Acquires California Warehouse Portfolio

Centrally Located Industrial Facilities Offer Tenants Overnight Service to 98 Percent of California's Population

HONOLULU--(BUSINESS WIRE)--A&B Properties, Inc., the real estate subsidiary of Alexander & Baldwin, Inc. (NYSE:AXB)("Company"), announced today that it has acquired the Midstate 99 Warehouse Portfolio ("Midstate") in Visalia, California. The 790,370 square-foot, four-building warehouse and distribution facilities are 94 percent leased, with a mix of retail and wholesale tenants, and are located within a 480-acre master-planned logistics park, Midstate 99 Distribution Center. The acquisition will be funded through the use of 1031 tax-deferred proceeds from some of the Company's prior commercial property sales and the assumption of existing debt.

"Midstate extends our real estate investment strategy of acquiring logistics-oriented assets in emerging industrial markets," said Norbert M. Buelsing, president of A&B Properties. "And with adjacency to the main north/south truck corridor in central California, tenants can easily reach their customers, over 98 percent of California's population, with overnight ground service, and over 65 million people in an expedited, two-day truck run. Midstate also represents a continuation of our strategy to tax-effectively reinvest real estate sales proceeds into our commercial property portfolio."

The buildings were recently constructed from 2001 to 2008 by The Allen Group, a San Diego-based industrial development firm specializing in the development of logistics parks situated near strategic intermodal, rail and highway infrastructure. The buildings consist of high-quality concrete tilt-up structures, providing ESFR fire protection systems, 30-foot clear heights and deep truck courts. Major tenants at the property include International Paper, Coast Distribution and Workflow One.

With the acquisition, A&B Properties' commercial property/investment portfolio will comprise of 7.9 million square feet of retail, office and industrial space located in Hawaii and eight mainland states. Additional information about A&B Properties, Inc. may be found at its web site: www.abprop.com.

About Alexander & Baldwin: A&B is headquartered in Honolulu, Hawaii and is engaged in ocean transportation and logistics services through its subsidiaries, Matson Navigation Company, Inc., Matson Integrated Logistics, Inc. and Matson Global Distribution Services; in real estate through A&B Properties, Inc.; and in food products through Hawaiian Commercial & Sugar Company and Kauai Coffee Company, Inc. Additional information about A&B may be found at its web site: www.alexanderbaldwin.com.

CPN
Commercial Property News

December 12, 2008

By Scott Baltic

A four-building, 790,000-square-foot warehouse/distribution portfolio in Visalia, Calif., has been acquired by A&B Properties, the real estate subsidiary of Alexander & Baldwin Inc.

The properties are all in Midstate 99 Distribution Center, a 480-acre masterplanned logistics park southeast of Fresno in the California Hwy. 99 corridor. The park was developed by The Allen Group, and the four buildings were all built between 2001 and 2008. The properties are 94 percent leased to a mix of retail and wholesale tenants.

The buildings are of concrete tilt-up construction, with ESFR (Early Suppression Fast Response) fire sprinklers, 30-foot clear heights and deep truck courts. Major tenants include International Paper, Coast Distribution and Workflow One.

A&B noted that the acquisition will be funded with 1031 tax-deferred proceeds from some of its previous commercial property sales plus the assumption of existing debt.

The acquisition, A&B Properties president Norbert Buelsing said in a prepared statement, extends the company's "real estate investment strategy of acquiring logistics-oriented assets in emerging industrial markets…. Midstate also represents a continuation of our strategy to tax-effectively reinvest real estate sales proceeds into our commercial property portfolio."

With the acquisition, A&B Properties' commercial real estate portfolio totals 7.9 million square feet of retail, office and industrial space in Hawaii and eight mainland states.

GlobeSt.com™
Real estate is our domain

December 12, 2008

By Brian K. Miller

VISALIA, CA-Publicly held A&B Properties Inc. of Honolulu said Thursday that it has acquired four industrial buildings here totaling approximately 800,000 square feet. Built between 2001 and 2008, the high-cube warehouses are located within the Midstate 99 Distribution Center, a 480-acre master-planned park being developed by the seller, the San Diego-based Allen Group.

Known as the Midstate Hayes buildings, A&B says its portfolio is 94% leased to a mix of retail and wholesale tenants including International Paper, Coast Distribution and Workflow One.

The buildings range from 154,000 square feet to 252,000 square feet. A&B declined to reveal the purchase price, which it has not yet detailed in an SEC filing.

The acquisition takes A&B's commercial property/investment portfolio to 7.9 million square feet in Hawaii and eight mainland states. The acquisition is being funded with 1031 tax-deferred proceeds from recent sales and the assumption of existing debt on the property.

December 12, 2008

Lancaster residents, business owners oppose 18-month master plan

Lancaster residents and business owners came out in force against the Southern Dallas County Infrastructure Analysis Project at a public hearing Dec. 8.

The project calls for an 18-month study of the area surrounding The Allen Group's 6,000-acre Dallas Logistics Hub and other developments in southern Dallas County.

The public hearing was scheduled so that the Lancaster City Council could hear from Richard Allen, chief executive officer of The Allen Group, as well as other interested parties.

In total, 15 people spoke against Lancaster's involvement in the project while eight others filled out paperwork stating their opposition, but declining to speak at the hearing. No one spoke in favor of going forward with the study.

The belief held by the opposition to the study centers around what will happen to the Dallas Logistics Hub if the study is undertaken. While Lancaster wouldn't be required to adopt changes suggested by the study, Allen said he has never seen a study that cost hundreds of thousands of dollars that didn't result in changes being made.

Allen said the study would not stop development completely, but would slow it down considerably. Allen also said that if this study begins, developers who are planning on coming here may not wait for the study, and may build their warehouses elsewhere in the DFW area.

“I have a meeting scheduled with Target next week on a two million square foot facility,” Allen said. “They need to know exactly what they are buying. I have discussed this issue with Target's vice president and he is very, very concerned.”

Allen noted that he has to fill out a 23-page document for Target, detailing nearly all of the aspects of development including taxes and set-back requirements. He said as of right now he can answer those questions, but if the study is carried out, he will no longer have the answers for Target.

Allen said his company has spent more than $6 million on studies of the area over the past three years and has worked with Lancaster, Dallas, Wilmer and Hutchins, as well as Dallas County, to acquire all of the necessary permits and development agreements. He said they have already completed two warehouses, one 635,000 square feet and the other 195,000 square feet and are in discussions with potential renters. Future development on the Allen Group's property is ready to continue he said, but would be slowed if the plan is carried out.

The Allen Group's main competitor in DFW is Ross Perot Jr.'s Alliance Airport in Fort Worth. Allen pointed out the advantages the Lancaster area has over Alliance, including access to three existing highways and potentially Loop 9 and intermodals for the Union Pacific and potentially Burlington Northern Santa Fe railroads.

A fear expressed by several speakers at the meeting, but not specifically addressed by Allen, was that companies that were interested in developing in Lancaster would choose Alliance over the Dallas Logistics Hub if the 18-month study was carried out since there would not be a cloud of uncertainty over Perot's development.

Allen also said the study wouldn't just impact development by companies such as The Allen Group, it would also affect the area's chances of receiving federal funding.

“Right now our federal government under (Barack) Obama is discussing the need for more infrastructure in order to boost the economy,” Allen said. “That is going to be built in regions that have approvals. We have all of that. South Dallas County will not have the opportunity to take advantage of any of those dollars if this study goes through.”

Allen was just one of the 15 people who spoke in opposition of the plan. The others included former city councilmembers, long-time business owners and local clergy.

Former Lancaster mayor Margie Waldrop spoke about opportunities that Lancaster has missed in the past, and urged the council to not miss out on this one.

Bob Borden, a long-time Lancaster businessman, chamber of commerce board member and former city councilman said Lancaster missed out on an opportunity to become a first-class city in the early 1990s when plans to make Lancaster airport into a reliever airport for DFW International Airport failed. He said the council worked long and hard to gain approval, only to have small groups of people exert enough pressure to kill the project. He told the current council they had another opportunity to make Lancaster great and to not let outside pressure affect their decision.

Other members of the business community spoke in support of The Allen Group and against the study, saying Lancaster needed a boost economically right now, not in 18 months. The common theme echoed throughout city hall was that anything that hurts development is bad for Lancaster, and that the plan would not only hurt development, but also hurt the city since revenue from the Hub and other development projects would potentially go to Fort Worth, and not Southern Dallas County.

Speakers also talked about making Lancaster great and giving Lancaster residents something to be proud of. Stanley Jaglowski told the council to notice the passion exhibited by the speakers before them and said it was time to pull the trigger on a development that will make Lancaster great.

Mark Gonzales of the Lancaster Ministerial Alliance said the council should not impede progress by supporting the 18-month study. He said it was time for Lancaster to make headlines for the right reasons.

Councilwoman Nina Morris said that she was disappointed and shocked that no one showed up to speak in favor of the study. Morris also said that the council's job was to vote the way their constituents want them to, so it is important for people to share their feelings on the study with their councilmembers.

In the hallway after the hearing adjourned, people who had spoke at the hearing wondered who was actually behind the push to implement the 18-month plan, since no one spoke in favor of the project.

The issue of an interlocal agreement between Lancaster, Wilmer, Hutchins, Dallas, Dallas County and the North Texas Central Council of Governments first came before the council June 23 and was approved. Of the six entities that NCTCOG originally said would participate, only three remain. Wilmer and Hutchins elected to not participate from the start and Dallas County pulled out in October, leaving only Lancaster, Dallas and NCTCOG.

NCTCOG is holding a public meeting Dec. 15 to update the public on the changes made to the interlocal agreement. The Lancaster City Council will vote at a called meeting Dec. 16 on whether Lancaster should remain a part of the project.

The council's vote must be made before Dec. 18, when the contract with the consultant is finalized.

THE KANSAS CITY STAR.

December 16, 2008

DISTRIBUTION CENTER WILL EMPLOY 200

By Kevin Collison

The rail intermodal center planned for Gardner has helped attract a major customer. Coleman Co. plans to open a 1.1-million-square-foot distribution center nearby that will employ 200 people.

The Wichita-based manufacturer of camping and outdoor sports equipment will use the $45 million facility for distributing products imported under the Coleman and Stearns brands.

It is the first of what local economic development officials hope will be many similar announcements as they promote Kansas City as a national distribution center.

"It's verification of the strategy that suggests Kansas City has a bright future when it comes to international trade and logistics," said Bob Marcusse, president and chief executive officer of the Kansas City Area Development Council. "The first one is always the hardest, but when a well known company like Coleman makes a major investment, it makes it easier for the next company and the ones after that."

The Coleman project is 3lA miles from where BNSF Railway is building an intermodal facility for transferring goods shipped by rail to trucks. The $716 million facility, which will be accompanied by an industrial park being developed by the Allen Group, has received approval from the Gardner City Council and will be on the west edge of the city.

"It's the real kickoff to what we believe will be substantial growth and development due to the intermodal center," said Tom Riederer, president of the Southwest Johnson County Economic Development Corp.

The Coleman distribution center will be in the Midwest Commerce Center, a separate 155-acre development being built near Interstate 35 along old U.S. 56 in Gardner.

The industrial park is being developed by LS Commercial Real Estate of Overland Park and USAA Real Estate Co. of San Antonio.

"We are very fortunate that Coleman chose Midwest Commerce Center and look forward to providing a superior facility that will contribute to their ongoing success and growth," Paul Licausi, president of LS Commercial, said in a statement.

Coleman is expected to begin moving operations in the third quarter of 2009 and the facility will be fully operational in 2010.

The distribution center will handle only imported goods. Coleman products manufactured at company plants in Kansas, Minnesota and Texas will continue to be distributed by those factories. Grading has begun at the Midwest Commerce Center site. Clayco, a St. Louis-based firm, is building the distribution center.

The brokers were Jerry Fogel of Kessinger Hunter and Jim Belcher of the Hart Corp. of Philadelphia. Stewart Fairbum, Gardner city administrator, said his city was being asked to issue industrial revenue bonds to help fi- nance the project and provide a 50 percent property tax abatement for 10 years.

The project also was assisted by KC SmartPort and the Kansas Department of Commerce.

David Kerr, Kansas commerce secretary, praised Coleman for creating jobs in the state. To reach

Kevin Collison, call 816-234-4289 or send e-mail to kcollison@kcstar.com.

"We are very fortunate that Coleman chose Midwest Commerce Center and look forward to providing a superior facility that will contribute to their ongoing success and growth."

TransportTopics

December 16, 2008

Bridge Terminal to Relocate Yard In Dallas for Container Storage

Drayage provider Bridge Terminal Transport, Charlotte, N.C, signed a lease with industrial real estate developer the Allen Group to occupy a new container yard in Hutchins, Texas, near Dallas. The container yard will store inbound and outbound containers that transfer through freight railroad Union Pacific's nearby Dallas Intermodal Terminal. Bridge Terminal will also use the yard to store chassis and trailers for trucking customers. The new container yard replaces an older Dallas-area facility near Love Field Airport, the companies said.

The Wichita Eagle

December 16, 2008

Coleman distribution center to employ 200 in Gardner

The rail intermodal center planned for Gardner has helped attract a major customer. Coleman Co. plans to open a 1.1 million-square-foot distribution center nearby that will employ 200 people.

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CoStar Group
Real Estate Information

December 18, 2008

Expansions & Relocations (Dec. 14-20): More Than 3.62 Million SF of Expansion News

By Mark Heschmeyer

Bridge Terminal Transport (BTT), one of the largest marine container haulers covering all major port locations and inland rail sites within the U.S., will relocate their container yard operations from an existing facility near the Love Field Airport area to a site at DLH that falls within the City of Hutchins. Construction is currently underway and expected to be fully operation by February 2009. The project will also create 15 full-time jobs. Bob Hagewood of Stream Realty Partners LP represented BTT. The Allen Group is developing the project.

KANSAS CITY BUSINESS JOURNAL

December 19, 2008

KC real estate market faces dim projections for 2009

By Rob Roberts

Prospects for commercial real estate development and investment in Kansas City are dim, but not as dire as portrayed in a new report from the Urban Land Institute.

That was the consensus of four local experts who participated in a Dec. 8 panel discussion at a meeting of ULI Kansas City. The discussion followed a summary of a national report, "Emerging Trends in Real Estate -- 2009," by Chuck DiRocco, former managing director of industry trends and analysis for ULI's national office in Washington. DiRocco now is a director for PricewaterhouseCoopers, co-publisher of the annual ULI trend reports.

"The bagels and muffins are meant to be eaten and not thrown," DiRocco told the local audience before summarizing the report, which projected 2009 and 2010 to be "downers," followed by slow recovery in 2011.

The report, based on interviews with and survey responses from more than 700 real estate leaders nationwide, projects real estate value losses averaging 15 percent to 20 percent off mid-2007 peaks, with steeper losses for lesser-quality commercial properties in secondary and tertiary markets.

Kansas City is a second-tier market, but the local panelists contended that it deserves better than the abysmal-to-fair commercial real estate prospects it was saddled with in the report.

Bill Crandall, president of The Allen Group-Kansas City, said the report painted with a broad brush, precluding a detailed look at bright spots in markets like Kansas City. Crandall, whose company plans to build 7 million square feet of industrial space around one of three new intermodal shipping hubs being developed in this market, quoted statistics bearing out the promise of that sector.

"Nationally, there was 13 million square feet of negative absorption in the first two quarters of 2008 in the industrial sector across all markets," Crandall said. "But in Kansas City, Memphis and Dallas, there was 11 million square feet of positive absorption."

Crandall also cited a third-quarter report from Colliers Turley Martin Tucker, which reported year-to-date absorption of 4.4 million square feet in the area's 183 million-square-foot industrial market. The brisk pace of leasing reduced the metrowide industrial vacancy rate to 5.6 percent by the end of September, compared with 7 percent a year earlier.

"Bill makes a great point that, especially in industrial, our prospects look pretty bright," said John Parker, CEO of Kansas City-based Triad Capital Advisors Inc. "I think that's probably also true of multifamily, and we're probably better than a lot of our peer-sized cities in retail. ... The bubble expanded a lot further on the coasts than it did in the middle of the country, so I don't think we're going to see the same severity of issues here."

Triad Capital, an income-property mortgage banker, services about $2 billion in loans for about 30 investors. Of the 500 loans in Triad's portfolio, only one is 60 days delinquent, Parker said.

However, regulators and the media include income property and new development in their definition of commercial real estate, "exacerbating the feeling that there's a crisis in income-property fundamentals that certainly we don't see at this point," Parker said.

New development is a different story, said DiRocco, who predicted that the best thing to develop next year will be "a better golf game." For 2009, U.S. commercial real estate faces its worst year since the 1991-92 recession, he said, with rising capitalization rates joining the minefield of credit and economic issues that have slammed the market.

Cap rates -- the ratios between projects' annual net operating incomes and their capital costs -- were driven down in recent years as securitization of commercial real estate debt funneled huge flows of capital into U.S. property markets. But with the commercial mortgage-backed security lending market collapsing this year, cap rates are expected to increase about 150 to 200 basis points to the more normal 7.5 percent to 8.5 percent territory.

That would translate into a possible 15 percent to 20 percent value haircut that Crandall said developers will absorb because of pricing pressures.

And even that scenario assumes developers can get financing.

"Unless a builder presents a bullet-proof preleased project with construction costs locked down, lenders won't touch large development deals," the ULI report states.

Bob Arthur, manager of Commerce Bank's commercial real estate group, agreed that banks and the remaining long-term commercial real estate lenders, primarily life insurance companies, are tightening requirements.

"But while we may be a little bit more conservative now than we were because of market conditions, I would not say that (the local lending environment) is radically different than it was several years ago," Arthur said. "We're just being choosier about the projects we're getting involved with.

Dim prospects The Urban Land Institute and PricewaterhouseCoopers asked more than 700 experts to rank the 2009 commercial real estate investment and development prospects of 50 U.S. cities for their Emerging Trends in Real Estate report. Below are the top- and bottom-ranked cities, plus Kansas City, and their average scores. The scores are expressed on a scale of 1 (abysmal) to 9 (excellent).

Commercial/multifamily investment
1. Seattle, 6.15
2. San Francisco, 6.12
3. Washington, 6.12
4. New York, 5.90
5. Los Angeles, 5.82
39. Kansas City, 3.98
50. Detroit, 2.24

Commercial/multifamily development
1. San Francisco, 4.79
2. New York, 4.76
3. Seattle, 4.73
4. Washington, 4.66
5. Austin, 4.51
29. Kansas City, 3.27
50. Detroit, 1.68

December 19, 2008

Congresswoman Johnson comes out hard against inland port master plan and John Wiley Price

By Shawn Williams

When talk of a Master Plan at the Inland Port in Southern Dallas came up, I was skeptical. I mean the Allen Group had gotten the port off to a great start and I haven't heard one negative thing about what they are doing out there. They have 6,000 acres of what could one day be a 70,000 acre project.

I was taken aback by the Dallas Morning News Editorial Board's decision to support the Master Plan. The Dallas County commissioners came back a few weeks later and killed the plan by a 3-2 vote. The editorial board came back and disagreed with their decision. Jim Schutze of the Dallas Observer writes an article regarding the port that pits Rep. Eddie B. Johnson against Dallas County Commissioner John Wiley Price.

Here's some cuts from Schutze's article, ...Shaking Down Development Deal .

* Johnson told me last week she views Commissioner Price's role, in particular, as part of a long, bad history: "I see all of these different deals that he's trying to do over the years, shaking people down and all that kind of stuff."

* She said she knew what was wrong with the proposed inland port master plan the first time she heard of it. "John was making sure he put a cork in there to stop everything until they did what he wanted them to do."

* In prior columns, I've reported on the extraordinary lengths to which Price has gone to oppose The Allen Group project, with help from the North Central Texas Council of Governments, a regional planning agency. Last week on December 11, Leppert blinked: Chris Heinbaugh, his spokesman, confirmed for me that the mayor had withdrawn his support from the plan, at least for now.

Then this week on Monday, December 15, the NCTCOG blinked too. The agency's director told a specially convened panel of local elected officials that he was willing to drop it, as well. I guess that leaves the News.

* Congresswoman Johnson was blunt with me about her view of Price's role. "If people want equity," she said, "they have to come up with some money. Most of the time folks don't care what color you are if you come up with money."

Of course Schutze's columns are always long, but it's worth it to dig through what he's talking about. The craziest part is that the only person who could give an interview like this, the only person who could say the things that are said here is Congresswoman Johnson. I've had people allude to these types of dealings and talk around people involved, but according to Schutze, the Congresswoman was naming names.

The last time I mentioned the Master Plan on Dallas South, this was a comment that I received:
"If history is any predictor of future behavior, the smaller surrounding cities will have zero input on this plan. Similar to the bridge that Price held up in Hutchins until Congr. Eddie Bernice Johnson came to ensure that it was built."

Congresswoman Eddie Bernice Johnson is the highest ranking African-American official in these parts, and her words carry a lot of weight. After the vote by the Dallas County Commissioners, everybody else has jumped ship. As quickly as they jumped on board the Master Plan, now it's as if the Master Plan never existed.

Whatever happened here, a lot more people will be paying attention now that she has entered into the discussion.

Hopefully it will cause more people to look at the inland port and the opportunities that it presents to Southern Dallas. It's too bad that it has to take Jim Schutze's muckraking to get it done, but the more people know about the inland port - and the Allen Group - the better.

There are more and more parties interested in making sure that the will of the few doesn't negatively impact the plight of the many. That includes folks like the person who sent me this article on Facebook.

But one thing is true. If we wanted to truly influence what goes on in our community and sit at the table where the decisions are made, we're going to have to come up with some capital from somewhere.

TODAY NEWSPAPERS
Duncanville • DeSoto • Lancaster • Cedar Hill • Grand Prairie

December 23, 2008

Future of Logistics Hub master plan still cloudy

By Bill Conrad

A vote to pull Lancaster out of the controversial Southern Dallas County Infrastructure Analysis Project was tabled indefinitely Dec. 16.

The project, which is being organized by the North Central Texas Council of Governments, calls for a potential 18-month study of the area surrounding The Allen Group's 6,000-acre Dallas Logistics Hub and other developments in southern Dallas County.

For NCTCOG to carry out the study, it needs two member cities to be involved. As of now, the cities of Lancaster and Dallas are still involved. Dallas County pulled out of the plan in October and Wilmer and Hutchins were never involved.

The city council voted 5-2 to table the vote on pulling out of the agreement, with Sue Wyrick and Todd Love voting no. The city of Dallas has also tabled the issue and will look at it again in January. Dallas was represented at the meeting, as city councilman Tennell Atkins spoke during the public hearing asking Lancaster to table the amendment.

The vote means that an interlocal agreement approved by the Lancaster city council in June remains in place. While a vote on whether the councilmembers were in favor of the project was not taken, the tabling of the issue means that Lancaster remains involved in the study.

The controversial vote was taken after the conclusion of the second public hearing on the issue. At the first public hearing, 23 people spoke against the master plan while no one spoke in favor.

The second public hearing, held Dec. 16 prior to the vote, was almost as one-sided. More than 40 people spoke against the study, while two people spoke for it.

The first person to speak for the plan was Mike Rader, a developer with holdings in the Lancaster area.
Rader said he believed Lancaster's cooperation with the council of governments would be beneficial in the long run. He also said he believed a study conducted by NCTCOG would help him market his company to potential clients. He said he didn't think the study would cause uncertainty, which would then cause companies to hesitate on coming to the area.

David Chavez, the city manager of Ferris, also spoke in favor of the study, saying that anything that happens in Lancaster will affect Ferris, so he believes a study should be conducted to make sure all of the cities are on the same page.

Many of the same people who spoke against the plan at the previous public hearing Dec. 8, spoke again at the Dec. 16 hearing.

These people included Richard Allen, chief executive officer of The Allen Group, which is developing the 6,000-acre Dallas Logistics Hub.

Allen once again stated his opposition to the study, saying that his company had already spent $6 million to study the area. He also said that his studies contained the entire area, not just the property owned by his company. The issue of what area The Allen Group's studies covered had come up after Atkins said it just covered property owned by the group.

Allen said his company is ready to proceed with finding companies to come to the area and that any uncertainty caused by the study would be harmful to his efforts to do that. He said that while the study would not prevent him from bringing in companies and would not stop his efforts completely, it would make his job more difficult since companies want to know what the zoning and other requirements are before they spend money.

Lancaster resident Jeff Melcher also spoke at the hearing, saying that the council of governments had already studied the area numerous times over the years and another study wouldn't cover anything that hadn't already been studied.

Melcher concluded his comments by saying that COG didn't need another study, they just needed a librarian, a remark that brought laughter and applause by the majority of those in attendance.

Several people spoke of the anti-development and anti-business reputation that Lancaster has, saying that a vote to carry out the plan and hamper development would just add to this perception.

No date has been set for the council to vote on whether the city will remain involved in the study and no date has been set for the study to begin.

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dallasobserver.com

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Port Whine: Delays on Inland Port Part of Familiar Pattern

By Jim Schutze

Go for a helicopter ride with me, will you? Let's look down on Dallas from some perspective. And, uh, sit a few inches farther away from me and keep that air sickness bag handy if you don't mind.

Last week I reported on a powerful senior member of Congress, Eddie Bernice Johnson of Dallas, who said that a certain so-called "planning" project here is really a below-the-belt squeeze play to get money out of a major developer.

The squeeze-play Johnson was talking about has been supported by the city's wealthy white mayor, who is a standard-bearer for the city's old downtown business elite, and by one of the city's most powerful black elected officials. So what are we looking at here?

Hold on. I'm going to ask the pilot to take us on up higher. We need to be able to look down and see the whole region.

The developer in this saga is Richard Allen, chief executive of The Allen Group, a San Diego company that came here five years ago to develop an enormous rail, truck and warehousing center, big enough to make Dallas a major continental hub. The black politician, about whom Congresswoman Johnson used the word "shakedown," is Dallas County Commissioner John Wiley Price, who has thrown roadblock after roadblock in Allen's way.

While we are achieving our new altitude here, let me try to put Price's actions in context. For that, I have to tell you a little story about a place called West Point, Georgia, a community of 3,300 souls on the banks of the Chattahoochee River on the Alabama border. Two years ago, West Point was able to persuade Kia, a Korean automaker, to build a plant there.

As part of wooing Kia there, the community and state bought all of the land Kia would need for its factory at a reported two and a half times market rates and gave it to Kia for free. The West Point Kia factory brought 2,500 jobs to Western Georgia.

The Allen Group bought 6,000 acres of land in southern Dallas County and in southern Dallas on their own nickel, at market rates, before they even showed their heads. Their project is the dominant centerpiece and critical mass in what is now being called Dallas' inland port. That project is expected to produce 31,000 new "direct jobs" (in the development itself) and 32,000 indirect jobs (hotels, suppliers, etc.), along with $2.4 billion in new tax base for the cities of Dallas, Wilmer, Hutchins and Lancaster and Dallas County, and $68.5 billion total economic impact between 2006 and 2035.

In the way of the world and by all reasonable standards, every local official in the region should be out in the road with red carpets and palm leaves offering praise, thanks and meaningful help to this project.

The Allen Group has made a paradigm-shifting investment in a traditionally black region of the city that has seen nothing but the back of the hand from City Hall since Reconstruction, a place that even now lacks basic amenities and infrastructure, a domain scarred by racism, neglect, economic blight and hopelessness.

Who more than black officials claiming to care about their own constituents should be working to welcome and smooth the way for this company? Instead, Commissioner Price held up a key bridge project, tried to stall an important trade zone designation for a year and has whittled on the project in countless other small ways.

We're almost at altitude, by the way. I think you're going to see this picture once we're up there.

Now Commissioner Price, with help from Dallas Mayor Tom Leppert, has been pushing a new 18-month "master plan" study and new development standards for the inland port. Richard Allen says the study is perfectly timed to kill him.

He spent three years acquiring land and two years doing $6 million worth of his own studies. He negotiated final agreements with all of the local governments involved. He is just now ready to open his doors and begin selling warehouses to outfits like Target and Walmart.

Telling those clients now that all of the development standards on their land will be up in the air again for a year and a half will be deadly, he says. The point I have heard him make again and again in public meetings is that the typical homebuyer wouldn't ink a deal if the developer said the final shape and even the legal requirements of the development will not be determined for another year and a half.

I know what I would say. "Great. Thanks for warning me. I'll go somewhere else where they know what they're doing and I can sign a contract that actually means something."

But here's the point. This guy from California comes here and makes a huge, shape-shifting commitment to the most blighted portion of our city and region. It's a real deal.

He says please don't do this. I beg you. It will screw me. And how does Dallas respond?

Commissioner Price is derisive and calls him a carpetbagger. Leppert is dismissive in that odd, wary, grinning way he has, suggesting that Allen's fears are exaggerated. *The Dallas Morning News* editorial page is scathing, mocking Allen as someone who sees "enemies behind every tree."

Hey. Remember my story about West Point, Georgia, and the Kia factory? They bought the land at inflated prices and gave it to Kia. And then they asked what else they could do. That's standard practice in places trying to lure enterprises a fraction of the size of Allen's.

OK, we're up here. We're high enough to see what I wanted to show you. Look down. What do you see? Look way up there to the northwest. See all that railroad and airport and freeway stuff up there in Tarrant County, just west of Grapevine Lake? That is the Alliance Airport and multi-modal shipping hub developed in the 1980s and '90s by the family of H. Ross Perot, the guy with the charts who ran for president against Bush 41.

His son, Ross Perot Jr., now runs Hillwood, the real estate company that controls Alliance. In public statements, Perot Jr. has called the southern Dallas inland port a "direct threat" to Alliance.

Why? Because they're in the same business. Perot would never say this, but the Allen development has some natural advantages over Alliance—more railroads, more interstate highways and more people hungry for good hourly-wage jobs living nearby.

From up here, you can see it: Interstate 35E, I-30, I-20, I-45 all snaking right into southern Dallas County. The inland port will soon be the only shipping hub of its kind in the nation to have two major railroad companies bringing in freight and off-loading at super high-tech "multi-modal" centers.

Lancaster Airport is sitting right there, ripe for expansion.

Alliance, on the other hand, has only one highway—I-35W—and one railroad. So Ross Perot Jr.'s words, echoed by a company spokesman who talked to me about it, make sense: Richard Allen is a threat.

Now look down over here, out the other side, right beneath us. That's downtown Dallas. See all that stuff around the American Airlines Center and the W Hotel—all that shiny new development? All that new stuff is Hillwood-driven. They don't own all of it by any means, but since opening the American Airlines Center in 2001, Hillwood has developed most of its 75-acre "Victory" project right there, in the big middle of that area.

The W, by the way, is where Ross Jr. threw a closed-door Christmas party a year ago for Mayor Leppert and several city council members.

OK, now look way down behind us. All of that green you see down there? That's southern Dallas and Dallas County. The unbroken canopy of green that you see is not the good kind of green. It is the green of neglect, of a place where nothing has ever happened, a place that never had a chance. That's where The Allen Group has all its money.

I reported last week that The Allen Group was approached three years ago by a group of black businessmen who wanted to become its political escorts in southern Dallas in exchange for half a million dollars a year and 15 percent "equity" in its venture. Shortly after The Allen Group turned them down, Commissioner Price started doing everything he could to undermine The Allen Group, showing up at public meetings shouting "Equity! Equity!"

The commissioner has expressed contempt for the promise of more than 60,000 jobs. "During slavery," he told me, "everybody had a job."

The mayor of Dallas has taken four different positions in the last two months on Price's proposed master plan. He was for it. Then, when he was confronted on it at the annual meeting of the Real Estate Council of Dallas, he said it was "off the table," according to people who were present. A month later his chief of staff told me he was back in favor of it. Then two weeks ago the chief of staff told me Leppert was in favor of delaying the study because of the softening economy, whatever that has to do with it.

So why are we up here in the helicopter? Because, frankly, you may be a lawyer, but I am not. I'm not a federal prosecutor, either. I'm not a mind-reader.

But you and I are American citizens, and we have a right to come up here, look down and judge what's going on according to the largest patterns we can see down there on the ground. Even if we can't dice this out in precise legal terms, we have a right and a duty to make judgments about the biggest political shapes we can see moving on the land beneath us.

We see Alliance and Hillwood up there in the northwest quadrant, with reason to sweat bullets over the southern Dallas inland port. Right beneath us, it's downtown party-time at the W—all the hoopla and action and glitz of the Hillwood Victory development, mayor and council members sipping at the bowl. And then down there to the south, where our political leaders ought to be on bended knee thanking Richard Allen for being born, they're throwing sticks in his spokes.

For one reason or another, everything is working out splendidly for the Perot’s in terms of those big political shapes, and nothing is working out for southern Dallas.

I think you get the picture. It's an old picture. Very old. Very sick. On second thought, hand me back that damn barf bag.

The Dallas Morning News

December 29, 2008

Gerald Britt: Let's get the logistics hub deal done - not delayed

By Rev. Gerald Britt, Jr.

Dallas is fortunate to have three major projects that fit in nicely with President-elect Barack Obama's stimulus strategy for dealing with the nation's fiscal woes: the Trinity River project, the Great Trinity River Forest development and the International Inland Port. Only aggressive vision and action can take the promise of these projects from rhetoric to reality.

The Allen Group is an inland port developer and principal investor in the Dallas Logistics Hub in southern Dallas County. It receives products from the Gulf of Mexico and Pacific areas, taking them through the North American trade route covering the Midwest and Southeast of the U.S. It brings imports through Dallas, taking advantage of our major highway routes: I-20, I-45 and I-35, plus a proposed Loop 9, running along the hub's southern boundary.

The logistics hub's projected impact promises benefits to not only the Dallas economy, but will help Wilmer, Lancaster and Hutchins, as well. It covers 6,000 acres of land, and the first two buildings combined cover nearly 800,000 square feet.

Dallas' unemployment rate is flirting with the 6 percent mark. Forty-eight percent of South Dallas lives in poverty, yet southern Dallas neighborhoods are the sweet spot for industry related to transportation and trade. The Allen Group's investment purports to generate more than 60,000 jobs, more than half of them directly related to the port's activity.

Long term, this not only will mean employment, but education and entrepreneurial opportunities rooted in the domestic job market. Not to mention international-based careers that are nearly recession-proof and paying 18 to 20 percent more than domestic-based employment.

Apart from the inland port developments, the Trinity River project toll way, which will run through the deep southern edge of South Dallas, and the Great Trinity River Forest, with its nature trails and potential for recreation and conservation, seem to have far less traction. While they dovetail with needs for infrastructure improvements and environment-friendly projects, they don't always appear top of mind with city or county officials.

Visionary leadership should anticipate the rebound of the economy and prepare to take advantage of any proposed stimulus that will allow public projects that strengthen our city's economic stability.

Why are we talking about or thinking about anything else? We should be focused like a laser on boosting Dallas' economy by lifting citizens out of poverty with a living wage and high-wage employment opportunities related to initiatives that have virtually no downside.

Until recently, cooperation between the Allen Group and local governments was stalled by calls for the creation of a master plan, which amounted to an 18-month study. Dallas' well-known propensity for conducting studies and creating strategic plans that go nowhere has rightfully bred cynicism and mistrust in citizens residing in our distressed and neglected neighborhoods.

There are great opportunities for minority participation in projects of this magnitude. City and county government should do everything within their powers to remove the red tape that serves as a barrier to participation in such ventures. Minority investment should be encouraged and, indeed, recruited. Dallas should be aggressively promoting, encouraging and even brokering available partnership opportunities for qualified investors.

Meanwhile, the benefits to our city cannot be postponed, and our communities badly in need of revitalization should not be penalized by unnecessary delay. The interests of business and those of communities in need of redevelopment don't have to compete. Only Dallas' tendency to do business as usual can stand in our way.

The Rev. Gerald Britt, Jr. is vice president of public policy at Central Dallas Ministries. His e-mail address is gbritt@centraldallasministries.org. He blogs at www.changethewind.org.

Fort Worth Star-Telegram

December 29, 2008

ARLINGTON DIGS FOR METROPOLITAN CAPITAL ADVISORS

By Andrea Jares

Intermodal port lease

Bridge Terminal Transport, a large marine container hauler, is leasing land at the Dallas Logistics Hub south of Dallas for a new container yard.

The Dallas Logistics Hub is a burgeoning 6,000-acre intermodal port with rail, highway and air access.

Bridge Terminal Transport is relocating from near Love Field. It will be operational by February. The yard will hold containers that come through the Union Pacific terminal, as well as chassis and trailers.

"This will be the first storage facility within the Dallas Logistics Hub that will allow accessible integration between the DIT and distribution customers in and around the logistics park," Daniel McAuliffe, president of The Allen Group's Texas operations, said in a statement.

Bob Hagewood of Stream Realty Partners, L.P., represented Bridge Terminal Transport in the transaction.

THE KANSAS CITY STAR.

December 29, 2008

Economic strife battered KC area development in '08

By Kevin Collison

It's been a rugged year when it comes to development, particularly in Kansas City, with the national recession and ongoing turmoil at City Hall overshadowing limited progress.

A couple of events toward the end of the year illustrated the problem. At a late November board meeting of the Economic Development Corp., Jeff Kaczmarek, president and CEO, reported redevelopment activity in the city was at 25 percent its normal level.

"Everything has slowed down dramatically," he said.

The primary challenges were the national economy and lingering problems with the Economic Development & Incentive Policy approved by the Kansas City Council in September 2007.

More than a year later, city bureaucrats still are at odds on how to evaluate the economic benefit of proposed tax-incentive projects, leaving council members and developers frustrated.

"There still remains a lot of concern and confusion about the EDI policy," Kaczmarek said.
A couple of weeks later, the disconnect between rhetoric and reality at City Hall about development policy was apparent at a meeting of the council's Finance Committee.

The subject was Citadel Plaza, a $90.1 million shopping center proposed for 63rd Street and Prospect Avenue. Its viability has raised eyebrows throughout the local development community, and the city had been asked to advance $20.5 million in cash to jump-start the plan.

Mayor Mark Funkhouser attended the committee meeting that December morning. Was he there to critique Citadel Plaza? After all, Finance Committee Chairwoman Deb Hermann had just warned that the city was facing an $89 million budget shortfall in 2009 and that this shaky development wanted a $20.5 million loan. No, the mayor was touting an upcoming forum he was hosting to examine how the weak national economy could affect the city budget next year. No word about the potential budget torpedo at hand called Citadel Plaza.

As was often the case this year, Funkhouser appeared more interested in discussing development challenges in the abstract at forums and town hall meetings than tackling real dilemmas.
On the strategic front, Kansas City lost a couple of huge development opportunities this year, one because of forces beyond its control, the other a casualty of local voters.

The area was in the hunt for a Bombardier Aerospace assembly plant that would have employed 2,100 people but lost out in July when the firm decided to stay in Montreal.

Then in November, city voters turned down a light-rail proposal that could have stimulated significant development along its 14-mile route.

Other troubling notes in the development world include The West Edge development near the Country Club Plaza, which stalled in October when J.E. Dunn Construction Co. left the project and difficulties moving forward with major public-private ventures, including the Three Trails redevelopment of Bannister Mall, the East Village and the Mission Gateway project.

Of course, the metro was not spared problems besetting the national housing market. New-home construction was down 48 percent through the third quarter of this year, and the median value of an existing home dropped 6.2 percent in the third quarter, $147,300, compared with $157,000 last year.

There were some bright spots.

The Sprint Center continued to deliver the goods when it came bringing in concerts and events downtown -- it drew 1.3 million people its first full year -- and its city financing was solid.
The Power & Light District had mixed success. Although it proved to be a crowd pleaser, particularly in its Kansas City Live bar-and-restaurant core, delays in opening many of the businesses meant the city will likely have to pony up $4 million next year to cover the bond shortfall.

In the suburbs, the Corporate Ridge development in Olathe landed an 11-story Embassy Suites Hotel and Convention Center and continued to attract new office tenants, including John Deere.

Gardner scored its first big industrial project in anticipation of a planned BNSF intermodal complex, a 1.1 million-square-foot distribution center for Coleman Co.

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dallasobserver.com

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Don't Blow It

By Jim Schutze

Jim Schutze's question in the December 11-17 issue is a valid one: "Why is Commissioner John Wiley Price trying to sandbag a big business venture that has such clear benefit to his own constituency?" The Allen Group appears to be "onboard and ready to go." I find it curious that no prominent minority businessperson or, for that matter, any prominent businessperson period hasn't jumped on this prime opportunity. If Mr. Price is indeed "sandbagging" this venture, the word "Why?" comes to mind. Does he want it given to them? That would be absurd, although that's what Mr. Price seems to be saying with his talk of "equity" and "intellectual capital." Let's call it what it is, "gibberish"! This opportunity is a godsend. Mr. Price, if you care for your constituency, you should be encouraging business men and women to invest in the inland port. This is a chance to grab the golden ring; it may only come around once. Don't blow it.