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Intermodal project taking fast track

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A \$300 million intermodal facility and industrial park under development in Fort Bend County could create 2,000 jobs over the next 15 years.

The Kansas City Southern Railway Co. and Chicago-based CenterPoint Properties Inc. formed a joint venture agreement last month on the 800-acre project. The intermodal hub will serve as a transfer point to move goods between rail cars and trucks for distribution.

The project is comparatively modest in size, according to Curtis Spencer, president of Webster-based IMS Worldwide Inc., a logistics consulting firm.

"As intermodal terminals go, that is relatively small," says Spencer.

He notes two existing intermodal terminals in Houston are more than 300 percent larger than the planned Fort Bend County project.

Spencer acknowledges, however, that the newcomer has a lot of economic potential.

Between 1,000 and 2,000 employees are expected to work in the proposed industrial facilities. An undetermined number of construction jobs are connected to the project in addition to an unknown number of jobs at the intermodal facility.

Barkley Peschel, vice president of development and operations for the Greater Fort Bend Economic Development Council, sees direct and indirect benefits.

He expects the project to have a major impact on Kendleton, a small town near the intermodal site about 24 miles southwest of Sugar Land.

Peschel says Kendleton -- with an estimated population of 562 in 2007 -- has absolutely no commercial businesses. Even the gas station shut down.

On a larger scale, the project could stimulate other development in the area and accelerate the county's westward growth along U.S. Highway 59.

In the big picture, the intermodal facility and industrial park stand to boost the Fort Bend County tax base.

The intermodal center won't be eligible for a tax abatement, but companies that set up operations in the warehouses will be.

Says Peschel: "We're going to use that tool to attract businesses there if we need to use it."

INDUSTRIAL STRENGTH

Kansas City Southern, or KCS, went with experience in picking CenterPoint Properties to develop the massive industrial park that will support the intermodal yard.

CenterPoint affiliates own and manage more than 44 million square feet of properties, and specialize in intermodal and transportation-related development. The company was acquired two years ago by the California Public Employees Retirement System (CalPERS), a \$260 billion pension fund.

CenterPoint and KCS entered into a joint venture on the Fort Bend project in April. CenterPoint owns a stake in the development, but terms of the deal are not being disclosed.

Construction began in March on the first phase of the intermodal center consisting of 3,500 feet of intermodal track, with parking lots and related facilities.

Depending on demand, the intermodal site could eventually have up to four 8,500-foot tracks with associated facilities.

A total of 636 acres has been set aside for an industrial park large enough to hold 7.5 million square feet of industrial buildings.

Infrastructure work will begin soon on the industrial park, and building construction is expected to begin in 2010. Initially CenterPoint plans to develop buildings that the company will own.



Brian McKiernan of CenterPoint Properties: 'We like to do everything at the local level.'

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Brian McKiernan, a CenterPoint development manager in infrastructure and transportation, says preliminary engineering and site work have begun. The company will soon be hiring Houston-area engineers, architects, contractors, real estate brokers and attorneys to handle the project.

"We like to do everything at the local level," McKiernan says.

Projected tenants include logistics companies importing goods from Mexico; exporters of containers to Mexico; possibly some companies doing light manufacturing; and retailers distributing everything from cars to commodities.

Expanding trade with Mexico is a key factor in development of the intermodal hub.

"A lot of these companies are currently moving their goods by trucks," says McKiernan. "As the Kansas City Southern line through Mexico develops, we see this as a more efficient way for these companies to move their products into and through the U.S."

Working on the railroad

The intermodal development comes in conjunction with ongoing restoration of a dormant rail line between Victoria and Rosenberg.

KCS purchased the 800-acre intermodal facility site two years ago intending to service the rehabilitated rail corridor.

Doniele Kane, a KCS spokeswoman, says Southern Pacific Railroad formerly owned the Victoria to Rosenberg line. When Union Pacific Railroad Co. purchased Southern Pacific, a decision was made to use other routes from Houston to South Texas. That cleared the way for eventual purchase of the line by KCS.

Track construction is already under way in Fort Bend County. The entire rail line from Victoria to Rosenberg is expected to be in operation in late 2008 or early 2009.

The revived line will shorten the KCS route from the United States to Mexico some 70 miles by eliminating the need to operate over nearly 160 miles of Union Pacific-controlled tracks between Rosenberg and Victoria.

KCS has an international intermodal corridor stretching from the Port of Lazaro Cardenas on the Pacific Coast of Mexico up to the railroad company's headquarters in Kansas City, Mo.

The Fort Bend section of the rail is at the center of that corridor, says Kane, so traffic would be coming into the area from all points along the KCS network.

While KCS does not serve the Port of Houston, Kane says the expanding Port of Lazaro Cardenas is considered an alternative to the congested West Coast ports for goods coming from the Far East.

Logistics consultant Spencer of IMS Worldwide puts the trading strategy in perspective.

He notes the Port of Lazaro Cardenas will be a competing route for traffic moving from Los Angeles/Long Beach to Houston. It should be a cheaper route, he says, but still faces some challenges.

"The shippers are still a little nervous about going through Mexico with their freight," says Spencer. "But Kansas City Southern has done a really good job about dealing with those issues head on. I think once the shippers start to see that, they'll start to come around."

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