



# Developments

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Developing for your future



## SECURING THE SUPPLY CHAIN

Developers move to accommodate participants of Homeland Security's C-TPAT program.

An effort to ensure the safety of goods as they make their way through our nation's supply chain is growing in acceptance among users of warehouse and distribution space. And smart developers are responding with design features that help tenants better secure their facilities.

The Customs-Trade Partnership Against Terrorism (C-TPAT) program is a joint government-business initiative that aims to safeguard goods imported into the U.S. by providing certification to manufacturers, freight carriers, distributors, brokers and other parties in the supply chain that implement comprehensive security measures.

Administered by the Customs and Border Protection (CBP) unit of the U.S. Department of Homeland Security, the voluntary C-TPAT program was launched in early 2002 as part of the U.S. government's response to the terrorist attacks of 9/11 the previous year.

In the effort to protect against the introduction of dangerous contraband – such as hazardous biochemical agents and “dirty bombs” – customs officials are limited because they can inspect only a small percentage of everything imported into this country. That's why the C-TPAT program is considered an important tool for improving border security. With the program,

CBP is able to create a pool of C-TPAT-certified partners that are deemed lower risk, enabling customs officials to better allocate their inspection resources.

Companies wishing to enroll in the program begin with an online application (on [www.cbp.gov](http://www.cbp.gov)) that includes a self-assessment of their supply-chain security procedures, and follow up by submitting a security profile questionnaire to CBP. Once the company is approved as a certified partner, CBP assigns a customs account manager to work with the company to further evaluate and enhance its security processes on an ongoing basis.

For a company like Mizuno, which imports much of its merchandise from overseas plants, achieving C-TPAT certification required formulating and implementing processes that demonstrated a secure “chain of custody” from the design and manufacturing stages to the importing and distribution of its products, according to Scott Shields, Distribution and Planning Manager for Mizuno USA Inc., a Norcross, Ga.-based manufacturer of sporting goods. The company leases 301,320 square feet at IDI's Hamilton Mill Business Center in Buford, Ga., for storage, assembly and distribution of its products.

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*To achieve C-TPAT compliance, tenants are implementing security upgrades such as cages that separate certain goods within the warehouse.*



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## BROWNFIELDS: RISKS AND REWARDS

Remediated sites pose challenges, but they also offer opportunities for both developers and users.

Brownfield sites can be large or small, urban or rural. Once occupied by bustling factories, huge warehouses or even old landfills, these are sites that have been left idle or are underused due to concerns about cleanup costs and perceived environmental contamination.

Despite the development complications, a brownfield site can be a prime location for a new industrial real estate project, according to Frank Petkunas, Vice President and Regional Development Officer in IDI's Philadelphia Region. In particular, the heavily industrialized Northeast U.S. offers many brownfield development opportunities, especially along the highly developed I-95 corridor running through Northern New Jersey and Eastern Pennsylvania.

"The reason these sites are contaminated to one degree or another is that they are smack in the middle of industrial areas that have been in use for 50 to 100 years," Petkunas said. "And that, in turn, means that they are well-located with respect to concentrations of population and existing industry – and nine times out of ten, it also means that they are already served by electricity, water and sewer, and major roads."

In South Brunswick, New Jersey, cleanup is nearly finished on a 36-acre site, formerly the home of a chemical manufacturer. The site, now called EastPointe Business Park, will include a 480,000-square-foot distribution facility. Construction is scheduled to begin in June 2008.

While brownfield sites are often ideally situated for warehouse and distribution use, especially in markets where vacant land is at a premium, extra time and effort is required to develop them.

"People sometimes ask why I like brownfield sites so much. It's not that I like them so much in the abstract," Petkunas said. "What's more to the point is that these sites can be more readily available, particularly in competitive markets like New Jersey."

### Brownfield projects demonstrate IDI's commitment to sustainable development, an increasing area of focus for the company.

#### Regulatory Support

Some of the biggest advancements in brownfield site development have been on the non-technical side, according to Gary Ellis, a Principal of the Norcross, Ga.-based Winter Environmental consulting firm, and Chair of the Sustainability Committee of the Atlanta Chapter of the Urban Land Institute (ULI). "We have gone from an environment of being extremely fearful of brownfield development to one of acceptance," said Ellis.

This evolution has occurred as developers and engineers have gained experience and expertise in this field. "The lending community no longer fears writing loans for properties with environmental problems that are undergoing an organized and controlled cleanup process," he said.

Ellis added that state-level government agencies also have made it easier for developers to build on brownfield sites. "They have worked to create a regulatory environment that restricts the amount of liability developers must assume when they clean up a site in accordance with approved plans," he said.

How effective these regulations are in making brownfield remediation more attractive to developers varies by state, according to Petkunas. New Jersey, for example, provides developers that voluntarily clean up brownfield sites with reliable "regulatory closure" by limiting future liability in the form of NFA (No Further Action) letters and Covenant Not to Sue (CNTS) actions that effectively close the door on future lawsuits based on site contamination.

#### Brownfield Sites Meet Market Demand

Brownfield development over the past several years has increased the supply of distribution facilities in Northern New Jersey, where space users have historically found it difficult to find new, state-of-the-art buildings, according to Jules Nissim, a broker with Cushman & Wakefield of New Jersey Inc.

Although some companies may be wary of locating their operations on brownfield land, space users typically assess these sites from a more pragmatic perspective, says Nissim. "If the facility fits the user's needs in terms of transportation costs, logistics and the supply chain, the fact that it is located on a brownfield site is irrelevant."

In fact, with the growing emphasis today on "green" buildings and sustainable development, a building's location on remediated land can be a strong selling point for some users, added Petkunas.

"By moving into a building on a remediated site, a company can demonstrate its commitment to sustainable initiatives," Petkunas said. "That's a cause that nearly everyone wants to support these days, and public companies can earn extra points with their shareholders by participating."



## MADE TO ORDER SPEC TO SUIT

After a developer improves a speculative building to fit the specialized needs of a tenant, the finished product is anything but generic.

While speculative in theory, IDI's inventory (or "spec") distribution centers aren't speculative in practice. In essence, IDI turns speculative space into the equivalent of build-to-suit space.

IDI designs the shell of its buildings with standard features required for today's Class-A industrial facility – such as certain clear heights and bay door sizes – and later customizes the building to accommodate a tenant's specific business requirements. Since IDI's facilities are designed to be flexible, they are able to handle an array of uses – everything from logistics operations and call centers to manufacturing operations and financial services uses.

During the tenant-improvement phase after a lease is signed, anywhere from a hundred thousand dollars to several million dollars is spent to tailor a building to a tenant's specific needs.

"We build efficiencies into our spec building to meet the evolving needs of tenants who may need to occupy the space in four months, versus potential tenants who may want a build-to-suit in a year," said Jeff Lanaghan, Vice President of Leasing and Development for IDI in Chicago.

#### Dirt Floors Can Be a Good Sign

In Chicago, where pre-cast rather than tilt-up walls are more commonly used in development, pouring the concrete floor is one of the final steps of construction, as opposed to one of the first. Tenants and brokers sometimes encounter a dirt floor rather than concrete, which can lead to some puzzled impressions for those who don't grasp the measure's practicality.

The ability to pour the floor to meet tenants' structural and utility needs literally adds another layer of flexibility. It also facilitates the creation of additional dock positions and provides easier installation of freezers and coolers. At IDI's Turnberry Lakes International Business Center in Roselle, Ill., Nypro Inc. settled on a distribution and manufacturing facility where the floor was already poured, but the property still required customization for the plastic injection molding manufacturer's heavy machinery. For its 146,538-square-foot lease in 2006, Nypro needed 20,000 square feet of isolated and thickened floor slabs.

"We were able to work around the existing column footings to remove the original slab and install the requested 12-inch thick, heavily reinforced slabs in a timely and cost-effective manner," Lanaghan said.

#### Answering the Call for Flexibility

Tenants in the South Florida market certainly test developers' flexibility. A prime example is Watson Pharmaceuticals, formerly Andrx Pharmaceuticals, which occupies 557,000 square feet in three facilities in the Fort Lauderdale market. Upgrades were required to accommodate the generic pharmaceutical company's diverse operations – manufacturing, distribution, call center, and research and development.

"We do a lot more to improve facilities than most other developers," said Larry Dinner, Vice President of Leasing in IDI's Fort Lauderdale office. "We develop a standard building and then make sure we're flexible enough to take care of virtually every kind of industrial user."

Also in South Florida, what started out as an IDI speculative development now serves as a 200,000-square-foot processing center for one of the world's largest credit card companies. To improve the efficiency of its credit-servicing operations, the company requested an unusual upgrade: IDI helped the company set up a U.S. Postal Service center in the facility, which required improvements such as heightened security features.

#### Quick Response Time

ScanSource, a distributor of specialty technology products, consolidated its North American distribution operations at IDI's Stateline Business Park in Memphis after IDI demonstrated that it could accommodate its huge distribution requirements. Not only did ScanSource need nearly 600,000 square feet, including 40,000 square feet of office space, it also required a fully air conditioned property for the 500 employees working at the facility.

By the time ScanSource completed its evaluation of Memphis-area properties and selected its Stateline, IDI was nearing completion of the building and preparing to install the roof.

"With where we were in the construction process, we could still accommodate them," said Tim Moore Vice President of Leasing for IDI in Memphis.

In addition to fully air conditioning a 600,000-square-foot distribution center that covers approximately 17 acres, IDI had to double its insulation. To further enhance energy efficiency, IDI also installed a white TPO roof membrane and T-5 high-output fluorescent light fixtures for the building's interior.

On the exterior of the building, which was originally intended as a cross-dock distribution center, ScanSource asked IDI to remove and cover the facility's front dock doors and to reconfigure its truck court to accommodate parking for the company's 500 employees.

Roof and HVAC upgrades were underway simultaneously with the building's interior build out, but IDI was able to fulfill the requirements and move ScanSource into Stateline Business Park on time, within 12 weeks.

"That's a true example of spec to suit," Moore said. "It helps them maximize efficiencies to become as profitable as possible."



One of the most common techniques for remediating brownfield sites is the removal of contaminated dirt from the premises.



From Petkunas' perspective, a brownfield site can sometimes be easier to work with than a piece of flat, green farmland in the middle of Central Pennsylvania. "In a location like that, the zoning you want may be readily available, but getting the utilities and roads you need can be huge challenge," he said.

#### Patience Is a Prerequisite

IDI's Philadelphia Region currently has three brownfield redevelopment projects in various stages of development. In Northern New Jersey at Exit 13A of the New Jersey Turnpike, construction was recently completed on a 350,000-square-foot facility on a 20-acre site called NorthPort. Petkunas describes it as a site used since colonial days for a variety of industrial uses.



Design flexibility is crucial today to meet the multiple uses required by tenants – everything from call center to manufacturing space in a single facility.



*Developers are incorporating a variety of new design elements at their business parks to accommodate C-TPAT-certified tenants, including secure truck courts with one point of access.*

**SECURING THE SUPPLY CHAIN - from front page**

“You document and test your existing processes, modifying or adding to the controls that you have in place,” Shields said. “And from there, you present your information to CBP, which in turn conducts an audit to determine if you have implemented the controls necessary for certification.”

After starting out with seven participants at its inception, the number of C-TPAT partners has grown dramatically to several thousand companies.

**Developers Revise Building Designs**

The C-TPAT program benefits both the U.S. government and participating companies. Companies are rewarded for their enhanced security procedures with expedited cargo clearance at the border because they receive priority, front-of-the-line processing. CBP, meanwhile, can rely more on the security of C-TPAT partners’ goods, allowing it to devote more time and manpower to screening cargo involving unknown or high-risk import traders.

As part of the focus on the security of their products at points throughout the supply chain, participating companies are looking for warehouse and distribution space that meets C-TPAT requirements.

“More and more, we are dealing with current and potential tenants that want their facility configured in a way that is compliant with C-TPAT standards,” said Lisa Ward, Vice President of Leasing in IDI’s Atlanta office. These inquiries used to be infrequent, she said, and they came mostly from space users of 300,000 square feet and larger. “Now we are getting C-TPAT questions from users in the smaller size ranges, even down to 50,000 square feet,” she said.

From a building design standpoint, the biggest element of concern for C-TPAT certification is the ability to fully secure each tenant’s truck court area, according to Ward.

“Securing truck courts and providing one ingress and egress point for trucks must be taken into consideration in the initial site layout for the proposed building,” Ward said. “Many times, if this element is not considered prior to construction of the facility, it is something that cannot be remedied after construction. Another factor that makes the design element more complicated is the fact that we don’t necessarily know in the design phase on speculative buildings how the building is going to be subdivided. Therefore, the design has to include flexibility.”

Other security-related facility design elements of importance to C-TPAT members include door- and window-locking devices that can prevent unauthorized entry, as well as increased lighting in the facility and surrounding areas. Tenants also want space with caging or fencing that separates international, domestic, high-value and dangerous goods within a warehouse. And they request that parking areas for private vehicles be made separate from shipping, loading and cargo areas.

“C-TPAT hasn’t gotten quite as much publicity as ‘green’ buildings, for example, but the forces driving it are significant – and smart developers are catching on,” said industrial broker Steve Grable, Senior Vice President with Atlanta-based Colliers Spectrum Cauble. “All other factors being equal, the facility that can fit the bill with C-TPAT-compliant features is more often the one that tenants are going to select.”

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