

The Transformation of Sparrows Point into Tradepoint Atlantic

LAI Baltimore Chapter – February, 2016 meeting

Eric Gilbert, EVP of Tradepoint Atlantic visited the Baltimore LAI Chapter on February 17, 2016 to provide an overview of the transformation of the former Sparrows Point steel making facility into Tradepoint Atlantic, an “East-coast Logistics Port Hub”.

Eric provided a brief history of Sparrows Point explaining that the massive 3,100 acre site began as a steel making facility in 1898. Steel production expanded significantly in the early 1900’s as a result of WWI and later experienced another significant expansion in the 1940’s as a result of the steel needed during WWII. By the 1950’s Sparrows Point was the largest steel facility in the U.S. and the largest tin mill in the world. Secular shifts towards cheaper foreign steel, and the rise of aluminum and plastic, combined to begin undercutting Sparrows Point competitive position starting in the 1960’s until ultimately Bethlehem Steel filed for bankruptcy in 2001. Steel making operations ceased entirely in 2012.

In 2014 the site was purchased by a joint venture of Redwood Capital Investments, LLC and Hilco Global. The joint venture renamed the site Tradepoint Atlantic and hired an experienced team to redevelop it into the largest private logistics port hub on the east coast. Eric’s first task was to “create a Master Plan” for the site’s future development (the reader should refer to the Master Plan attached hereto so as to gain an appreciation for the scope of the endeavor being undertaken).

Eric opined that there is “no similar project in the U.S.”, given Tradepoint’s massive scale, rail & ship docking amenities, and proximity to major markets. He provided data on the Largest Combined Metro Areas in the U.S. and their respective GDP output (Slide #9), which indicates that the Washington DC/Baltimore/Northern VA marketplace has the third largest GDP output in the Country. Proximity to such a vibrant market, coupled with the site’s unmatched access to rail, ship and major roadways, make it a natural for its planned evolution into the premier East Coast Logistics Hub.

Tradepoint contains the “largest privately owned rail interchange on the East Coast”, wherein Class One trains can leave railcars at the North Intermodal Yard (which is located at the northernmost portion of the Master Plan, and pictured on slide #18). From here, Tradepoint’s approx. 100 miles of private rail lines can transport freight to anywhere within the site. This extensive rail access will be very attractive to manufacturing companies, especially because the Class One rail lines directly access Tradepoint’s “short line” with no middleman to pay. In addition to this expansive rail service, a 50’ deep ship channel can accommodate ships docking at the Bulk Handling barge dock located at the southeastern portion of the site (in brown on the Master Plan). The “inner berth” next to the Bulk Handling area has a 36’ depth (which will be dredged to a 40’ depth), sufficient to handle large ships.

To date, the site has been largely cleared of old buildings and is ready for redevelopment. The northwest corner of the site is the first major area of focus, where there have already been substantial tenants commit to space and where a number of sizable tenants are negotiating locations for their operations, including:

- Federal Express will occupy a 305,000 SF to-be-built building
- Pacorini Metals will occupy an existing 750,000 SF building to be saved and rehabbed.

- Several prospective logistics tenants are negotiating for 300,000 SF and 700,000 SF buildings

The owners of Tradepoint plan to invest over \$100M into site infrastructure (roads, utilities, etc) over the next 5 years. In addition, ongoing environmental site remediation is taking place and is funded from a \$48M trust established by Tradepoint's owners.

As the project's tenant base grows and activity on-site accelerates, the need for hotels, restaurants and bus transportation for employees of tenants will grow exponentially. These uses will be concentrated on the Commercial portion of the site, within the red colored portions of the Master Plan.

A project of such massive proportions is hard to wrap one's mind around, but Eric did a wonderful job of providing the LAI audience with an excellent "view from 30,000 feet" of the entire endeavor and we are most thankful to him for the education. Tradepoint's many unique advantages and its rather mindblowing potential to substantively impact the economy within the greater Baltimore/Mid-Atlantic marketplace, make it well worth learning about. This writer and his fellow LAI members will follow Tradepoint's evolution with much interest. We thank Eric and his team very much for the fascinating overview.