

**Michigan might create logistics district in Detroit**

By Joe Guillen, Detroit Free Press 11:02 p.m. EDT September 5, 2015

With the Gordie Howe International Bridge opening up a new supply route across the U.S-Canadian border and expanses of mostly vacant land sitting idle, the state is researching a $1.6-billion plan to transform Detroit into the logistics capital of the Midwest, perhaps in the same way Silicon Valley is known for its high-tech industries and start-ups.

The plan recommends using 1,000 acres in southwest Detroit and near the Coleman A. Young International Airport — widely known as City Airport — to create a special logistics district. The plan also includes redeveloping the Delray neighborhood by the river between downtown and the coming new bridge.

The idea is to create such grand facilities and slates of services, including warehousing and loading and unloading cargo, that any corporation, shipping company or other delivery business would choose Detroit as its gateway to and from the Midwest and parts of Canada.

Manufacturing facilities also might find it attractive to locate within the district, either by City Airport or Delray, to be close to transportation services that could ship out finished products or take delivery of needed parts and raw materials.

There’s a lot of money to be made in logistics and thousands of jobs could be created in Detroit from building a special district, says a 197-page report obtained by the Free Press through a public records request.

The $699,000 report was commissioned to support Gov. Rick Snyder’s aspiration to improve Michigan’s position in the global logistics and supply chain industry. Prepared by a private firm for the Michigan Economic Development Corp., the report is being studied by Snyder’s office.

“For a state that often has been overlooked in site selection, (a special district) creates a headline,” reads the report submitted in March to the MEDC. “For a state whose skills and schools caused one industry veteran to say this region should be ‘the Silicon Valley of logistics,’ it creates a showcase for the state’s talents.”

Fred Schlemmer, chief financial officer of SteelPro, a transportation business with a 600,000-square foot warehouse in Wayne that handles coil steel and aluminum, said he thinks it’s possible. Schlemmer also is a member of Snyder’s Commission for Logistics and Supply Chain Collaboration.



**Two areas proposed as logistics district.** (Photo: Martha Thierry/Detroit Free Press)

“I think there’s a pretty good possibility that it will be pursued,” he said of the report’s recommendation for a Detroit logistics district. “The Gordie Howe bridge, for all intents and purposes, it’s a done deal. That’s going to be there and that’s going to be a big plus.”

**Public investment**

Assembling land for a Detroit logistics district and improving it for future development would involve a significant public investment — at least $380 million — and possibly relocating residents.

Priming the land for development also involves decommissioning the City Airport, which has long been underused by the city.

“We’re really separating it from air-driven usage,” said Joe Bryan, project manager for the team that produced the report. “It becomes like the rest of the property in that entire district.”

In northeast Detroit, near the existing airport, the vision for the logistics district is a cluster of manufacturers and suppliers operating in new, modern factories and facilities. The Delray portion of the district would focus on logistics operations.

Other key recommendations include fixing the surrounding roads and cultivating increased trade with Canada.

Accomplishing all that would depend on cooperation among the City of Detroit, the state and many other stakeholders.

The report touches on sensitive topics such as possibly relocating Detroit residents who live in the two sections of the proposed district, decommissioning the airport and approving a public investment of up to $530 million.

But it provides plenty of reasons why Detroit is an ideal location for a large-scale logistics district that could generate up to 22,000 new long-term jobs in Michigan, including up to 8,000 in Detroit.

Detroit is close to three interstate roadways, four major railroads and a river. A handful of major infrastructure projects, like the Gordie Howe bridge and the Detroit Intermodal Freight Terminal, have taken root. There is an abundance of vacant land near existing industrial sites that could be developed into factories, warehouses and other logistics facilities.

**Focus questioned**

The report, completed by WSP Parsons Brinckerhoff and dated March 2015, has drawn criticism. One industry insider who reviewed the report said it relies on obsolete data and fails to fully appreciate metro Detroit’s already-robust logistics industry. Others wonder whether focusing on Detroit so much overlooks opportunities to grow the economy in other parts of the state, like furniture and automotive manufacturing in western Michigan and, Up North, mining products and high-tech manufacturing.

Despite those critiques, the study shows Snyder is taking seriously the challenge of putting the state in a better position to land companies that are scanning the nation for a place to do business.

If the state’s logistics and supply chain assets are ignored, valuable opportunities could be missed, said Pasi Lautala, a civil and environmental engineering assistant professor at Michigan Technological University and another member of Snyder’s Commission for Logistics and Supply Chain Collaboration.

“With the study we’ve at least started the work on identifying our shortfalls and the types of actions needed to address them,” Lautala said. “If we don’t do that, we’re going to jeopardize Michigan’s attractiveness to companies that rely on efficient supply chains and transportation logistics.”

**Making it happen**

The purpose of the report’s recommendation is to provide the state with a complete set of logistics assets to spur economic growth. The logistics district in Detroit, anchored by proposed facilities in the Delray neighborhood and near the city airport, is a crucial aspect of that. But other things have to happen, too.

Significantly, three large infrastructure projects need to be finished: the Gordie Howe bridge, the Detroit Intermodal Freight Terminal and the Continental Rail Gateway. The latter two projects involve some uncertainty while the Gordie Howe crossing is considered by most to be a sure thing; construction of the new bridge is expected to be finished by 2020. Completion of these projects is considered necessary for a new Detroit logistics district to operate efficiently.

“Those things need to happen,” said Bryan. “If they’re happening, we’re modernizing around major assets, which is part of the big attraction.”

Next, land must be acquired in Delray in southwest Detroit and near the airport on the city’s northeast side. There are 200-250 acres of land to be developed in Delray and 800-1,200 acres in the Mt. Elliott Street area near the airport, according to the report. There are some logistics facilities in those areas, but much of it is obsolete, the report says.

Detroit Mayor Mike Duggan’s administration has seen a draft of the state report but has not yet reviewed the final report, Duggan spokesman John Roach said.

Snyder spokeswoman Sara Wurfel said the governor has long recognized the crucial role logistics and the supply-chain industries play in Michigan’s economic comeback and future.

“This report provides important points and a vision on a complex topic that can be a key piece as the state, region and city work together and with stakeholders on assessment and consideration moving forward,” she said in a statement.

**The cost to residents**

Setting up a new logistics district would provide jobs and economic stability that city leaders crave as Detroit continues to rebound from bankruptcy.

But implementing the report’s blueprint could mean drastic changes for residents in and around the proposed sites.

Residents in both areas already are experiencing a shift toward more industry, and community leaders in those neighborhoods say they fear the needs and desires of longtime residents could be overlooked if the proposed logistics hub is pursued full throttle.

“We are not antibusiness, we are pro-jobs and pro-economic development,” said Patricia Bosch, executive director of Nortown Community Development Corp., which covers the Mt. Elliott Street corridor. “But it cannot be at the expense of local residents who have paid their taxes, who have worked hard to keep their neighborhoods clean … we are constantly overshadowed.”

A key element of establishing the logistics district is accumulating enough land and making it attractive for developers to build factories or other logistics facilities.

The report contemplates “residential relocation” both in Delray and the area near Mt. Elliott Street and the airport. The report does not go as far as to detail how many would be relocated and at what cost. Those specifics would need to be studied further.

On the northeast side, near the airport, residents currently are dealing with the arrival of a new, 500,000-square foot logistics center that will be part of Universal Truckload Services, which is owned by Ambassador Bridge owner Manuel (Matty) Moroun.

The facility is expected to bring 150 new jobs. However, residents were told at a recent town hall meeting that truck traffic will be heard six days a week, from 7 a.m.-1 a.m.

“Somebody downtown decided that this was going to be an industrial park and they created that monster that is haunting us today,” Bosch said.

In Delray, some residents are already being forced out by construction of a new customs plaza for the Gordie Howe bridge.

The relocation of Delray residents for the bridge has shown the importance of informing residents of what’s going on, said Kevin Casillas, pastor of the First Latin American Baptist Church of Detroit in the Delray neighborhood.

If residents are to be relocated for a new logistics district, residents need to be told about it in an up-front manner, he said.

“As a community, people have always said, ‘Hey, we’re still living here,’ ” Casillas said. “They need to come up with a plan that takes the residents’ view and their needs as the foremost consideration.”

**What are logistics?**

The $8-trillion global logistics and supply chain industry is so large because it involves such a wide array of goods. To explain the industry’s reach, the state study unpacked the process of making and shipping candy bars. The company that makes the candy bars receives ingredients like sugar and cocoa and supplies like wrappers and boxes to ship out finished candy bars to stores. Yet those companies that supply the candy manufacturer with goods like boxes and sugar have their own supply chains upon which they rely. Meanwhile, the methods of transporting and handling those goods — by air, truck, ship or rail — make up the logistics industry. In Michigan, supply chain-dependent industries accounted for about $156 billion, or 39%, of the state’s gross state product. A new, modern supply chain and logistics district in Detroit could be nationally and globally competitive by reducing costs and cutting delivery times for companies.

Source: WSP Parsons Brinckerhoff March 2015 study for Michigan Economic Development Corp.