

Clement 'very focused' on Macalloy tract's potential

April 16, 2007
By Dan McCue,
Staff Writer

Those who know Robert L. Clement III know he doesn't dream small. That's why it came as no surprise that when he spoke recently of the Macalloy tract on Shipyard Creek, he didn't stop at saying it might be a nice place to create an intermodal facility.

No, Clement saw it as being a logistics safety value for the Port of Charleston and a hub from which cargo could be shipped, direct by rail, to any location a potential retail customer might desire in the continental United States or Canada.

"There's no question we in South Carolina need something like this, both from the standpoint of the ever-increasing volume of cargo coming into the port over the long term and also from the perspective of traffic on our roads," Clement said.

"Currently, South Carolina is near the top of the list when it comes to number of miles of state-maintained roads per capita, and yet we have dedicated far less money than most states have to maintain them," he continued. "If we can make rail work in our state, we'll go a long way toward reducing our road construction and maintenance costs and improving the environment in which we live."

Nearly nine months after Charleston-based startup CaroLinks failed to secure the site it planned to use as an anchor for an intermodal system between the Port of Charleston and Orangeburg, Shipyard Creek Associates LLC—a partnership comprised of Branch Properties LLC, Stanley B. Ashley Jr., a member of the Atlanta Commercial Board of Realtors million dollar club, and Clement—purchased the 135-acre site from Ashley II of Charleston LLC for \$33 million.

Not only is the newly formed development group well capitalized, with financial backing from the Lubert-Adler Fund of Philadelphia, but the team also has enlisted TranSystems of Kansas City, Mo., an international port and transportation advisory firm, and the local engineering firm of Davis & Floyd Inc. to assist in the land's redevelopment.

Clement, along with the principals of Raleigh-based Cherokee Investment Partners LLC, is one of the principals of Ashley II, the previous owner of the property.

"It's been an interesting time," Clement said of the sequence of events. "Best of all, it's going pretty well."

Clement said he and representatives of Branch Properties first began to think about purchasing the site in August 2006, but didn't become seriously intrigued by the site until November.

"We initially thought of it as an interesting piece of property, but as we began to look more deeply into its potential, particularly in terms of its flexibility, rail connections and deep water access with an existing pier, we began to get more interested," he said.

"This kind of real estate opportunity is hard, make that very hard, to find," Clement said.

The property, a former Superfund site (uncontrolled or abandoned sites that the Environmental Protection Agency has determined contain hazardous waste), is considered a prime location for port-related activities because it has a rare combination of vast high-ground acreage and a deep-water channel that is vital to international shipping.

It also doesn't hurt that it's already zoned heavy industrial, is directly adjacent to the site of the S.C. State Ports Authority's planned terminal at the former Charleston Naval Base and has direct access to the Charleston harbor.

"What I'm hoping is that we can be a facility that can take containers from any or all of the existing terminals that comprise the Port of Charleston and get them out of town in as efficient and as environmentally friendly a way as possible," Clement said. "The latter concern is a big part of my mentality and focus."

The new owners are now studying the feasibility of creating an intermodal hub at the site and what that hub might consist of. While much of the partnership's focus has been on moving containers, break bulk isn't out of the question, nor is the construction of one or more retail distribution centers.

"It's not unlike other real estate deals, where you look at an asset and say, 'OK, what is your market? What is your rent? And who will the users be?'" he said. "Right now, we are in the middle of our market analysis on an interesting piece of real estate."

At the moment, Shipyard Creek Associates sees itself as ultimately serving as the landlord on the site, with a private company handling the day-to-day operations of the intermodal facility.

While the group hasn't settled on a definitive strategy for the property, a well-planned and well-financed intermodal facility appeals to the partners because it won't pollute the land in the same way a more intense industrial use might, and it could potentially take a lot of truck traffic off Interstate 26 and King and Meeting streets, CC&T spokesman Jonathan Scott said.

"That's one reason Robert felt so strongly about staying involved in the site," Scott said. "He wanted to make sure the promises he made to the surrounding community, both in terms of their environment and in terms of creating much-needed jobs, came to fruition."

Clement said after working with the residents of adjacent neighborhoods and officials from both Charleston and North Charleston, he "couldn't let it get sold and there be a chance that promises didn't get followed through on."

"It's interesting that this is all happening because we were able to reclaim a piece of contaminated dirt," he added. "After all the money, time and effort it took to make this site developable and returned it to the tax base, we won't let it become damaged again."

Cherokee accelerated clean up

The U.S. Environmental Protection Agency and state Department of Health and Environmental Control ordered the initial cleanup of the highly contaminated site in 1998, the year Macalloy Corp. closed the plant.

The company, which produced ferrochromium during World War II, had been North Charleston's second-largest property taxpayer. About 200 people lost their jobs as a result of the closure.

The abandoned, contaminated property languished on the industrial real estate market until February 2005, when Clement and Cherokee purchased the site. By that time, the property's former owners, Macalloy Corp. and British Oxygen Group, along with the U.S. Department of Defense, had contributed about \$10 million to the cleanup effort.

Cherokee and its partners accelerated the process by spending \$16 million to remediate the contamination and by installing road, water, sewer and drainage facilities on the site.

Last summer, after 16 months of effort, the group completed the cleanup of the site, and it became the EPA's 1,000th remediated Superfund property.

"All I can say is, 'Thank you, Cherokee,' because it really was their financing and their expertise that allowed us to take a site with severe problems in 2005 and be able to talk about putting it back into service and back on the tax rolls in 2007," Clement said.

Clement would like to fashion a plan that would allow cargo to be loaded on trains at Shipyard Creek and transported directly to facilities in large urban centers such as Chicago, the hub of cargo traffic from both coasts, or, if economics allowed, directly to central distribution centers of the nation's biggest retailers.

"It's the same kind of model Kinder Morgan follows," he said. "They bring in coal from overseas and then ship it by train directly to their power plant customers. Why not offer the same kind of service to a major retailer if there's enough cargo? Why not have an entire trainload of cargo go only to Wal-Mart's distribution center or to Lowe's distribution center?"

A huge investment

Despite the size of his dreams, Clement readily admitted he didn't know anyone at the level of Lubert-Adler, the partnership's financial backer, when it came to formulating the deal.

The Philadelphia-based real estate private equity firm specializes in redevelopments through joint ventures with local operating partners. Since its inception in 1997, Lubert-Adler has invested in more than \$20 billion of real estate assets.

"They came into this through Stanley Ashley and Richard Lee of Branch Properties, who had an existing relationship with some associates there," he said.

Clement couldn't say how large an investment Lubert-Adler is making.

"It's just too early to tell the size of the investment, but I will tell you the numbers it will take to make it a reality are very large," he said. "A lot depends on where we end up in terms of what this facility will be."

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