

Transforming Communities through Mission- Driven Industrial Development

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Urban
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Alliance



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The 7800 Susquehanna building looms large over Pittsburgh's Homewood neighborhood, though not just in terms of size.

Its high-ceiling industrial halls were quiet for decades. In 2015, Bridgeway Capital, a local CDFI, re-opened the building after some heavy renovation and equipped it with a mission that thrust it into the 21st century.

Today it is an entrepreneurial hive, with space once designated for large-operation manufacturers now divided into multiple units for multiple tenants.

The building is also bringing benefits to the community. Tenants include workforce training organizations and companies that employ from the Homewood neighborhood and beyond.

Rebecca Chan, a program officer at the Local Initiative Support Corporation's (LISC) national office, saw first-hand how the building's second life is impressing some in Pittsburgh. Last December, she came to the city to attend "Transforming Communities through Mission-Driven Industrial Development," an event hosted at

7800 Susquehanna by the Urban Manufacturing Alliance (UMA) and the Association for Neighborhood and Housing Development (ANHD). The event united manufacturing practitioners from across the country so they could begin brainstorming ways to launch manufacturing-focused real estate projects like 7800 Susquehanna in their communities.

Chan took a taxi to the building straight from the Pittsburgh International Airport. When they arrived, her driver was shocked by what he saw.

"He was like, 'What is happening here?'" said Chan. "He was super surprised by the condition of the building." The taxi driver then started asking Chan what was going on inside, why she was heading there. "In his presumptions about the neighborhood, it wasn't where someone from out of town would want to be. But he was super excited about what was happening," said Chan.

An Important and Growing Phenomenon

7800 Susquehanna is one of eight real estate developments highlighted by UMA in the report “[All About the Jobs: Eight Mission-Driven Industrial Developers on How Their Spaces Anchor Manufacturers and Support Local Economies](#)”, a project generously supported by LISC. The report, which relies on research and numerous interviews with the stakeholders behind these developments, captures what UMA considers a small but important (and growing) phenomenon.

Neighborhood stakeholders across the U.S. interested in providing opportunities to their residents are turning old manufacturing buildings into spaces where small-scale manufacturers thrive, and the communities around them fortify.

In the report, Matt Madia, Bridgeway Capital’s chief strategy and development officer, talks about how his organization ensures that 7800 Susquehanna achieves this dual

impact. “We look much more favorably on someone who is making something or could be expected to create jobs, and someone who is going to activate the space,” said Madia, referring to how they select their tenants. “If they have a reasonable ability to hire from the neighborhood or train for the neighborhood, or hire from other neighborhoods—that’s our screen.”

Alongside Chan, nearly four dozen practitioners attended “**Transforming Communities through Mission-Driven Industrial Development**” for two days to discuss the ins-and-outs of key themes that feed into these projects. Below are some of those themes and associated takeaways.

Placemaking

The majority of the projects featured in UMA's "[All About the Jobs](#)" report have some kind of 'placemaking' component, meaning instead of just serving as a space for manufacturers and other tenants, they occasionally open their doors to the public and forge ties with the community. When ties to the community are established successfully, these projects can catalyze local public understanding around the importance of light industrial spaces, and why real estate for small businesses can have a more sustainable economic impact on neighborhoods than, say, luxury housing developments.

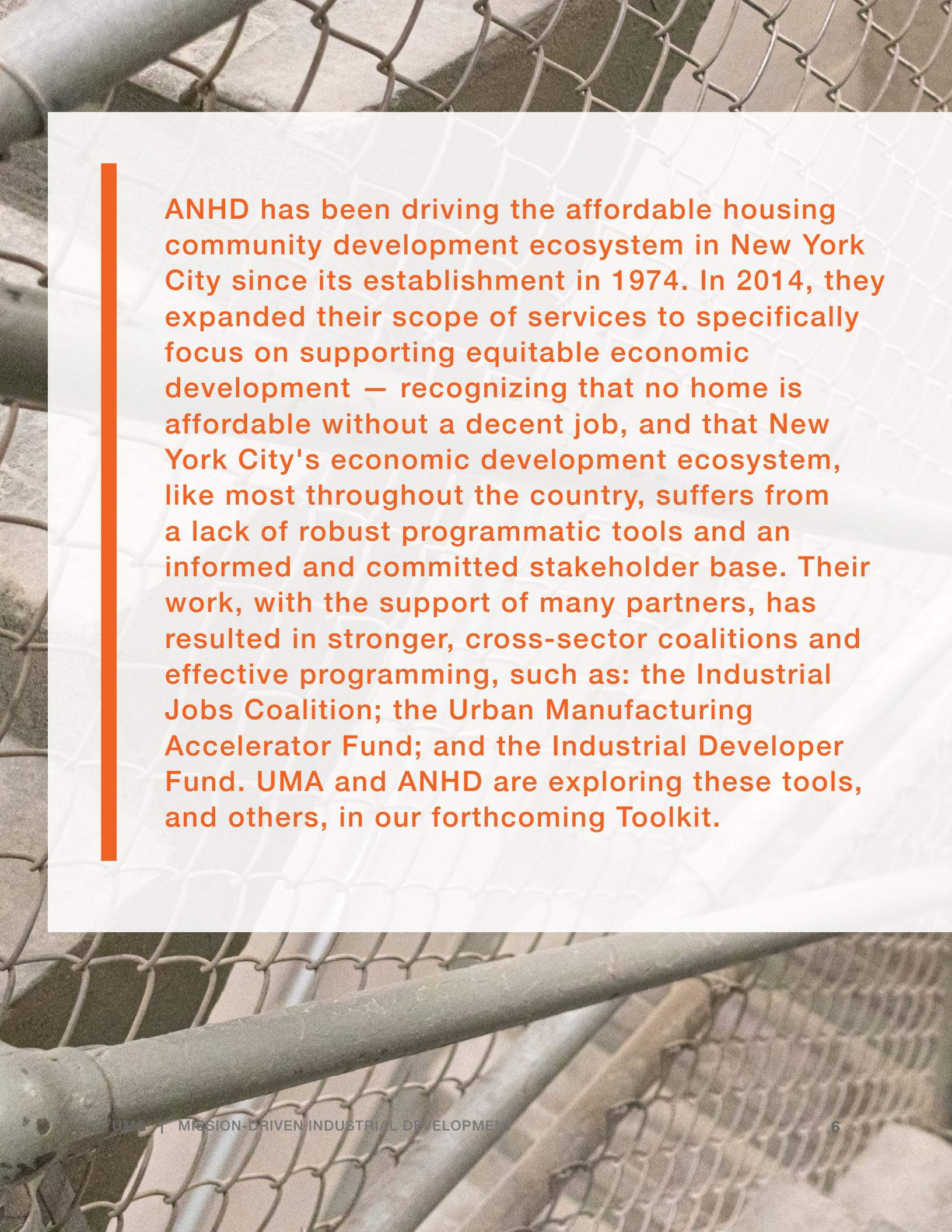
Participants in Pittsburgh described how placemaking can work in two ways: It can reinforce ties in communities that aren't targets for development, or it can be used to preserve positive community spaces in areas that are struggling with high levels of development.

That latter form is how Leah Archibald sees her work. Her organization, the Evergreen Exchange, intentionally focuses on acquiring buildings in

the Brooklyn area that can create a stabilizing effect of manufacturing preservation. They recently bought a 10,000-square-foot industrial warehouse building just outside of Williamsburg with funding from the New York City Economic Development Corporation's (NYCEDC) Industrial Development Fund, which they'll turn into a multi-tenant manufacturing space.

"We employ a lot of people that live in the nearby neighborhood," said Archibald, referring to the 10,000 industrial businesses that they assist in the North Brooklyn, Williamsburg, and Greenpoint neighborhoods. "They still live there despite what the real estate developers want to see happen."

Armando Moritz-Chapelliquen, Director of Capacity Building at ANHD, echoed that approach. "In a lot of communities, development is not focused on the people who are already there," he said. "We want the community to be directly engaged in the developments that impact their neighborhood."



ANHD has been driving the affordable housing community development ecosystem in New York City since its establishment in 1974. In 2014, they expanded their scope of services to specifically focus on supporting equitable economic development — recognizing that no home is affordable without a decent job, and that New York City's economic development ecosystem, like most throughout the country, suffers from a lack of robust programmatic tools and an informed and committed stakeholder base. Their work, with the support of many partners, has resulted in stronger, cross-sector coalitions and effective programming, such as: the Industrial Jobs Coalition; the Urban Manufacturing Accelerator Fund; and the Industrial Developer Fund. UMA and ANHD are exploring these tools, and others, in our forthcoming Toolkit.

Financing

As discussed in the “[All About the Jobs](#)” report, there’s no one single kind of capital stack best suited for a mission-driven industrial project. These projects channel financing through CDFIs, traditional banks, philanthropy, impact investors, economic development corporations, and even grants from private companies. Federal support is another common denominator through programs like New Markets Tax Credit and CDBG funds in recent years, with Opportunity Zones poised to make an impact in years to come.

“The financing piece of the conversation was really eye opening. We are all experiencing the exact same challenges in every city, which is the perception from the financial world - foundations, bankers, government - that manufacturing is not worth investing in. Sam [Farrazzino] was talking about the value of relationship building: he told the story of one of the first lenders he worked with was a CDFI, and when that loan officer moved to a bank, the relationship continued. That was a big takeaway for me.”

--Jesse Solomon, SBIDC, Brooklyn

A philanthropic partner that supports community-level economic development is a dream partner because they often can provide non-debt funding like grants. Above all, what’s needed is a mix of financing partners that believe in the project’s mission and are willing to recognize that manufacturing-focused projects will have a different financial risk profile than a new apartment development in a vibrant real estate market.

This was perhaps the most hotly discussed issue during our two days together in Pittsburgh. The majority of participants mentioned that they found it difficult getting major non-debt funders, like corporate philanthropies and foundations, to consider partnering on these spaces.

In “[All About the Jobs](#)”, one of the profiled projects is Brick City Makes in St. Louis, which was led by Tom Pickel from DeSales Community Development. (Pickel was in attendance for this event.) It involved an old manufacturing building that Pickel wanted to turn into a multi-tenant manufacturing space. The



project died because they couldn't get the funding needed to make it a reality.

The biggest blow came when the neighborhood the building is located in lost its New Markets Tax Credit eligibility, which doubled the funding gap to nearly \$5 million.

"We have come to realize that we need a partner, sponsor, guarantor who believes in this project as much as we do and is willing to stand by us to make it succeed," Pickel said in the report. "We are a small organization and we simply cannot take on the risk of a project like this by ourselves."

But there are funding success stories out there. The 7800 Susquehanna

"This group that UMA gathered is like a support group - we're all looking towards a common goal, even if we're coming from different angles. It was great to hear what others are doing and be able to say, "Here's how I may want to try it." Everyone has a different process from mine, and they are now all informing how I approach my work."

-Peter Siegel, Baltimore, Landex Development

project received a significant amount of non-debt funding from the RK Mellon Foundation, a local philanthropy. Trust was established there because Bridgeway Capital, the developer, had already received a loan from that same philanthropy partner prior to taking on 7800 Susquehanna. The Industrial Council of Nearwest Chicago (ICNC) also shared how they were able to attract major companies like Conagra Brands and Kellogg's to both fund the construction of and become programmatic partners at The Hatchery, a major food entrepreneur complex with 54 private kitchens, a communal kitchen, and onsite consulting services.

One participant, Sam Farrazaino of Equinox Studios in Seattle, says his projects have been successful because they embrace a cooperative ownership model, where tenants automatically become part-owners of their buildings.

Both Farrazaino and Peter Siegel, of Landex Development in Maryland, talked about the importance of drawing out rich stories from the tenants of the buildings, to show the social impact



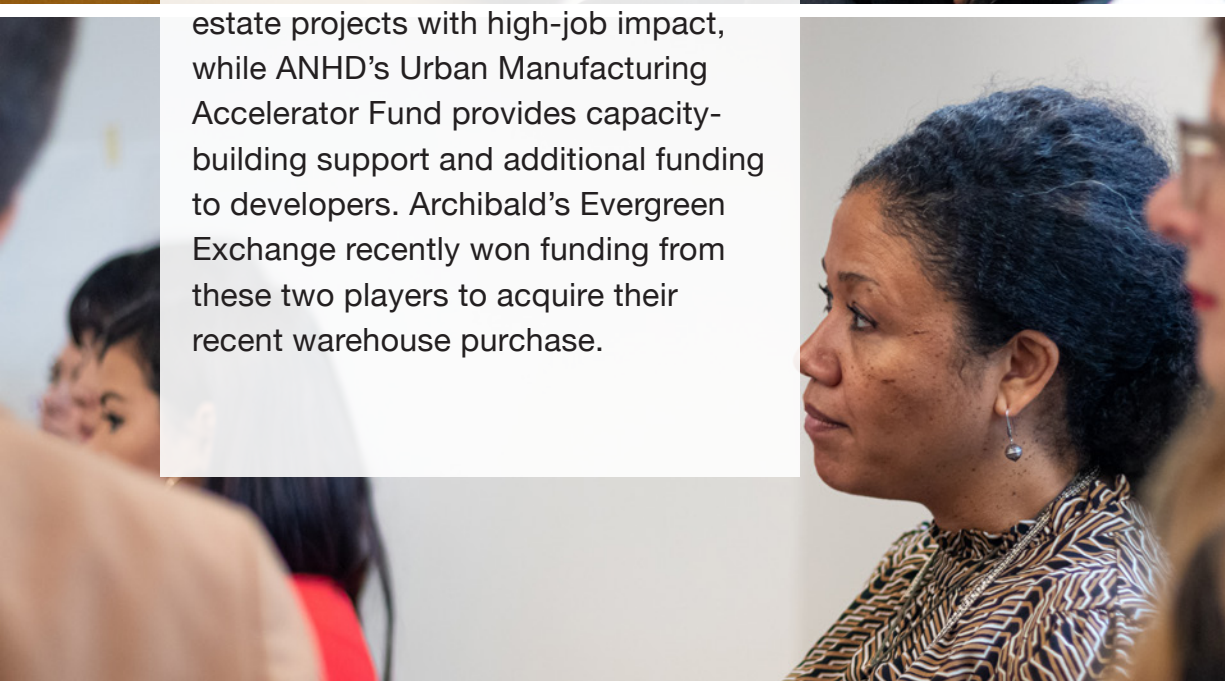
and community benefit aspects of these spaces. Those narratives can help attract more partners and funders from across the investment field.

“We all share in the appreciation of the space,” said Farrazaino, referring to his tenants. “It enables everyone to have a stake in it long-term [and] it turns into economic value.”

Attendees were also interested in identifying ways to replicate the industrial development tools crafted by NYCEDC and ANHD. NYCEDC’s Industrial Development Fund provides loans and grants to industrial real



estate projects with high-job impact, while ANHD’s Urban Manufacturing Accelerator Fund provides capacity-building support and additional funding to developers. Archibald’s Evergreen Exchange recently won funding from these two players to acquire their recent warehouse purchase.



Tenant Curation and Support Services

The success of a multi-tenant light industrial space largely depends on the success of its tenants. Developers and practitioners discussed how they think about filling up these spaces—what kinds of tenants they want and why—while also talking about how they strike the right balance between providing business support and being a landlord.


Johanna Greenbaum of the Brooklyn Navy Yard described how her organization goes beyond just maintaining their properties and receiving rent. They run a cohort for 12 businesses every year that puts them through a “mini MBA program” in which they focus on addressing a specific issue—ranging from financing to marketing—within their business. The Brooklyn Navy Yard also runs an employment center that helps companies find employees with the appropriate skills. Last year, the employment center matched over 600 people with businesses at the Brooklyn Navy Yard. “We act as a helpful aid

to source the skills our tenants are looking for from the local community,” said Greenbaum.

Other participants teetered between providing informal support to tenants and having programs specifically designated to benefit them. Sam Farrazaino of Equinox Studios talked about how they created a separate non-profit entity to foster the tenant community and engage the public.

The types of support services needed hinge on the experience and size of businesses inside these developments: for example, while start-ups may need help fitting out their space, more established firms may need help with recruitment.

Cassandra Smith at the Greenpoint Manufacturing and Design Center in Brooklyn described how they’re pretty hands-off with their tenants. They don’t offer space to start-ups, meaning most of their businesses are well along in



their field. “Our tenants know what they need and how to fit [their spaces] out,” she said.

In “[All About the Jobs](#)”, developers described how workforce development programs can be important tenants that help buoy these projects. In both 7800 Susquehanna and 150 Hooper St. in San Francisco, for example, workforce development tenants occupy some of the largest spaces available.

Some also described development models that allow for other uses on the same property to help subsidize manufacturing. For the Dorchester Bay Economic Development Corporation’s Indigo Block project in Boston, developers are building light manufacturing and office alongside affordable housing, with the idea being that the housing component will help subsidize the business spaces.



Business and Workforce Provider Tour

As part of the event, participants visited businesses and workforce training organizations within the 7800 Susquehanna building. They let visitors know how vital it was to have a mission-driven project within the city that welcomed manufacturers for the long-term. “Not only was this an opportunity to hear from industrial developers—we were able to hear directly from these businesses about the value of having landlords they can trust,” said Lee Wellington, Founding Executive Director of the Urban Manufacturing Alliance.

The businesses and organizations participants visited included:

- The Trade Institute of Pittsburgh
- Oatmeal
- bombabird ceramics
- Pittsburgh’s Manufacturing Assistance Center (PittMAC)



Conclusion

While this event was created to convene a brain trust of industrial developers, it was also intended to inspire a new cadre of organizations to take the lead in this work. As noted in “[All About the Jobs](#)”, what’s remarkable about a lot of the leaders behind the projects UMA is following is that not all of them have long real estate histories. Some are artists, local

“We as a community need to find ways to connect to support and mentor each other between cities - we need to spread the knowledge of models and approaches.

Luckily, UMA has stepped in to be the clearinghouse of information - Together with them, we can make that space for and support each other’s work.”

-Sam Farrazaino, Equinox Development, Seattle

branding organizations, and impact investors—suggesting that finding the right partners and the right space or location at the right time are perhaps the most qualifying elements for a successful project.

To follow up on this event, UMA will be working closely with ANHD to create a toolkit that will guide organizations through steps they should take or consider taking to become successful mission-driven industrial developers. Through this document, our forthcoming toolkit, and the hard work of the place-based developers on the ground, it’s UMA’s vision that this area of real estate continues to grow and contribute to the economic health of U.S. communities.



Thank You's

This work wouldn't be possible without the support of the Richard King Mellon Foundation, Citi Community Development, the Local Initiative Support Corporation, Deutsche Bank, and Bridgeway Capital. This work is a result of collaboration with a number of organizations including ANHD, LISC, and the many industrial developers who offered their time and expertise to this convening.