"ALL ABOUT THE JOBS"

Eight Mission-driven Industrial Developers on How Their Spaces Anchor Manufacturers and Support Local Economies

November 2019

Urban Manufacturing Alliance

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Summary

In 2018, the U.S. economy added 264,000 manufacturing jobs—the largest employment jump for the sector since 1988.[1] But manufacturing as a whole still has its fair share of challenges, ranging from workforce gaps, competition with overseas manufacturers, and, for those manufacturers still running and operating in American cities, a lack of good-quality industrial space where they can work.

In hotter real estate markets, buildings that housed urban manufacturers during the 20th century are prime targets for real estate development projects, like housing or office space, that can usually turn a greater profit for developers than industrial uses.[2] To slow this trend, cities from New York to San Francisco, and from Chicago to Boulder to Portland, Ore., have enacted industrial protection codes to prevent the conversion of historic manufacturing buildings or industrial areas into residential uses.[3] Indianapolis, Bozeman, Nashville, and Somerville, meanwhile, have enacted "Artisan Zoning" codes that permit low-impact manufacturing to take place in urban cores, reducing the chance that this activity gets pushed out of cities by non-industrial development.[4]

1 Goldstein, Steve. 2019. "U.S. enjoys best manufacturing jobs growth of the last 30 years." MarketWatch.com, January 4, 2019.
2 Magdaleno, Johnny and Lee Wellington. 2018. An Urban Revival: How Land Use Tools and Real Estate Strategies are Fueling the Resurgence of Light Manufacturing in Greater Boston. Urban Manufacturing Alliance.
3 Gottlieb, Max et. al. 2018. "Best Practices Update." Engines of Opportunity: Reinvigorating New York City's Manufacturing Zones for the 21st Century. Draft memo shared with Urban Manufacturing Staff over email.
4 Urban Manufacturing Alliance. 2017. "Artisan Zoning." Brooklyn, NY and Washington, DC: Local Progress/the Center for Popular Democracy.

These cities are preserving manufacturing spaces because manufacturing can bring family-sustaining wages to residents from a range of educational backgrounds. That in turn can help communities access economic mobility. Governments, economic development groups, social justice organizations, and education practitioners alike recognize manufacturing as a community asset for this reason.

Through interactions with our more than 800 members online and at our national Gatherings, the Urban Manufacturing Alliance has been tracking the rise of mission-driven developers and their role in preserving manufacturing activity in urban areas. To execute their work, they tap into a range of local and federal funding sources to build or redevelop space for contemporary manufacturing uses. Often they manage these spaces and can offer affordable rental rates that help manufacturers grow in their communities despite real estate market pressures.

Mission-driven developers recognize that right-sized manufacturing space retains good-paying production jobs and a diversified economic base. "I could put warehouse distribution in our buildings, but those are crappy jobs," said Brian Coleman, executive director of the Greenpoint Manufacturing and Design Center, one of the mission-driven developers interviewed for this report. "What we're doing is providing facilities that

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Mission-driven developers can also become community-level stakeholders because they have the power to connect workforce pipelines to activity in their buildings through tenant selection, and design spaces that are accessible to nearby residents and business owners alike. For example, Bridgeway Capital, the community development financial institution (CDFI) that manages the 7800 Susquehanna building in Pittsburgh, says that when reviewing tenant applications staff place a preference on those that demonstrate an interest in bringing positive impact to the surrounding community. They've also turned part of their building into a community space that provides WIFI, computer, and printer access to residents.

The majority of the mission-driven developers interviewed for this research reported that they were on the path towards financial sustainability. Some said they were breaking even on their projects and, in the case of one of the for-profit mission-driven developers featured in this report, even turning a profit. What's interesting about this is that most of these developers didn't have a background in light industrial real estate before embarking on these projects; some come from affordable housing, one is a financial institution, another is a cooperative of artists. The uniting factor here is that they have all managed to create powerful partnerships in their locales that have helped them lift up industrial real estate projects and, through those projects, made progress on achieving the

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broader community development goals at the core of their organizations.

That is not to say, however, that they haven't also faced challenges. In the course of producing this report, one of the projects featured below, Brick City Makes in St. Louis, initiated plans to sell the vacant industrial building it had originally purchased to turn into multi-tenant manufacturing and innovation space. That is despite the fact that the developer reports receiving multiple phone calls every month for the past few years from local manufacturers interested in renting space in the building. By the developer's calculation, there are enough interested tenants to fully lease the building in three years time. But they have not been able to strike the right fundraising equation, and below we'll briefly discuss why.

Report Methodology and Layout

To begin this research we partnered with the Local Initiatives Support Corporation (LISC) and students at the Albany Law School Community Development Clinic to develop a set of interview questions. These questions touched on a range of development characteristics, from key community partners to capital stacks to the legal costs of acquiring different forms of support like New Markets Tax Credits. We also interviewed participants on any initiatives or programs connected to their buildings that were built on principles of diversity, equity, and inclusion, to understand the extent that these projects benefit communities beyond the entrepreneurs within their halls.

The first series of interviews were conducted by Albany Law School students to gather initial information and verify if the models we selected for review at the start fit our idea of a mission-driven industrial project, which we define as a real estate project that was either entirely or partly designed to provide space to manufacturing activity. Based on that first round of interviews, we decided to remove three projects from the list because they were still in the early pre-development phase, job creation via manufacturing uses was not a core component of the project's mission, or we could not get in touch with the relevant stakeholders to confirm the project's status.

Using information gathered by the Albany Law School students as our map, we embarked on a second round of interviews with selected projects to gather more information on previously discussed themes, fill information gaps, and check our research blindspots by trying to locate themes or topics of importance that we perhaps forgot to address through the questions included in the first interview tool. Following that second interview, we followed up with interview participants to collect outstanding pieces of information, using the latest interview tool as our guide yet going beyond those prompts to create additional, specific questions tailored to each project and based on the information they'd provided throughout our interactions. In total we estimate each of the interviewees dedicated three or more hours to interact with us, for which we are grateful.

Creating A Successful Light Industrial Development

In the following pages you'll read in-depth about each of the eight mission-driven industrial projects and find out what makes them unique. Before you get there, we wanted to present what we consider the key themes that came up during our conversations with these stakeholders. We think they're important concepts for anyone looking at light industrial as a way of advancing economic development in their communities.

The benefits of connecting your project with workforce programming.

Workforce providers can help mission-driven industrial development projects become successful in a few ways. The first is that they can connect hiring tenants in the building with trainees from the neighborhood or city that are looking for employment. The second is that, by connecting those residents with jobs, they turn the developments into community assets that may attract neighborhood support because of the local careers they anchor. And third, workforce providers bring different revenue models to these spaces, which can contribute to the development's financial

In both 7800 Susquehanna in Pittsburgh (15) and 150 Hooper Street in San Francisco (74), for example, workforce training groups rent some of the largest amount of square footage available in both spaces.

stability. In both 7800 Susquehanna in Pittsburgh (Page 15) and 150 Hooper Street in San Francisco (Page 74), for example, workforce training groups rent some of the largest amount of square footage available in both spaces.

Striking the right balance between a workplace and a community asset that contributes to placemaking.

The majority of the projects featured in this report have some kind of "placemaking" component, meaning instead of just serving as a space for manufacturers 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.

But it's important to note that the level to which a project should be opened to the public depends on the principal goal of the project. Is the development's main purpose to create and retain jobs? Will tenants be allowed to sell from their workplaces? Is the building close to public transit or neighborhoods with high pedestrian traffic? A light industrial project close

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to the city center and its high volume of pedestrian traffic might present great opportunities for retail-heavy producers like brewers or food manufacturers, but it could also mean higher rents and a lower chance of attracting job-intensive manufacturers without on-site retail needs who just want affordable space. That dynamic was expressed to us by one of the organizations involved in the development of the Circle City Industrial Complex (Page 24) in Indianapolis, Indiana. The Greenpoint Manufacturing and Design Center (Page 46), on the other hand, is almost entirely focused on supporting production businesses and jobs, meaning its managers do not see it as a placemaking or retail-focused project.

Developers should address these issues pre-development and communicate to nearby residents beforehand what role the building will play in their neighborhoods, and whether or not light industrial processes inside its walls make it apt for community interaction (i.e. if machinery inside the building might pose a safety risk to the public). Developers should also communicate with future tenants their intentions of involving the community so tenants can either prepare for public interaction, or decide if another space might be best suited for them.

At every phase of the project, invest in contractors with experience in industrial projects.

For community developers venturing into light industrial real estate for the first time, it's important to recognize that manufacturing tenants have specific structural needs in and around the building. Issues like ventilation, temperature control, loading dock angles, electric wiring within the building, and the quality of pavement on access

> **Issues like ventilation, temperature control, loading dock angles, electric wiring within the building, and the quality of pavement on access streets are all part of a subset of infrastructural issues that have to be addressed to make the space optimal for multiple production businesses.**

streets are all part of a subset of infrastructural issues that have to be addressed to make the space optimal for multiple production businesses. Hiring contractors at the start with expertise in HVAC and industrial construction materials will help avoid the chance of designing a space whose physical characteristics end up having to be altered down the line at a hefty price. Having a local government partner can help address any street quality or environmental mediation needs, as was done in the Circle City Industrial Complex (Page 24). The representative interviewed for the Indigo Block project in Boston, Massachusetts (Page 37) lamented not hiring contractors on at the start of their project, noting that in the end such expertise would have saved them $100,000 to $200,000 during the construction phase.

Finding the right partners for the right financing model.

There's no one single kind of capital stack best suited for a mission-driven industrial project. The projects featured here channeled their financing through CDFIs, traditional banks, philanthropy, impact investors, economic development corporations, and even a consumer insurance company. Federal support is another common denominator in the projects we're aware of, through programs like New Markets Tax Credits, CDBG funds, and other less common grant funds targeted at local economic renewal (following major events like a natural disaster, for example). Opportunity Zones in your city will also be an important space to watch. The eight profiles featured below skim the various financing tools available to mission-driven developers, but we believe a much deeper exploration is needed to identify all the ways in which federal and state programs can help these projects get off the ground.

Above all, what's needed are a mix of financing partners that believe in your mission and are willing to recognize that the space you're developing will have a different financial risk profile than, say, a new apartment development in a hot real estate market.

A philanthropic partner that supports community-level economic development is a good target if such resources exist in your market. Above all, what's needed are a mix of financing partners that believe in your mission and are willing to recognize that the space you're developing will have a different financial risk profile than, say, a new apartment development in a hot real estate market. As the representative from 7800 Susquehanna in Pittsburgh, PA (Page 15) told us: "We're willing to make the investment because it's so high impact." The stronger the case you make for what that impact will look like—local jobs, magnetizing new economic activity to the community, revitalizing buildings and nearby corridors—the higher your chances are of attracting healthy collaborations.

Profiles

1 7800 Susquehanna, Pittsburgh, Pennsylvania

2 Circle City Industrial Complex, Indianapolis, Indiana

3 Indigo Block, Boston, Massachusetts

4 Greenpoint Manufacturing and Design Center, Brooklyn, New York

5 Equinox Studios, Seattle, Washington

6 Brick City Makes, St. Louis, Missouri

7 MaKen Studios North and South, Philadelphia, Pennsylvania

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7800 SUSQUEHANNA PITTSBURGH, PENNSYLVANIA

The industrial and entrepreneurial hive of Pittsburgh's Homewood neighborhood, 7800 Susquehanna is a 100,000 -square-foot industrial space that was purchased and rehabilitated by Bridgeway Capital, a CDFI.

Nineteen of the space's 23 tenants are for-profit fabrication companies. While there are no hard-and-fast rules on the types of tenants that Bridgeway leases to, chief strategy and development officer Matt Madia said they wanted a high number of manufacturers in the building because of the job and training benefits they provide.

"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. "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."

“We’re willing to make the investment because it’s so high impact,” said Madia.

Bridgeway Capital found a high level of job impact coming out of 7800 Susquehanna in their first employment report. Those 23 tenants are providing 110 jobs to Homewood and surrounding neighborhoods. To Madia, that justifies the investment they made in the previously under-utilized space.

“We’re willing to make the investment because it’s so high impact,” said Madia.

The project is the first of its kind for Bridgeway Capital, and marked the launch of their real estate portfolio.

7800 Susquehanna is breaking even for the first time since it opened in 2015, according to Madia. Now Madia and his co-workers are planning on purchasing a two-acre space adjacent to 7800 Susquehanna to redevelop into another industrial/manufacturing space.

ORIGINS, Bridgeway’s new entrepreneur support program, is also influencing how space will be delegated inside 7800 Susquehanna. They’ll be subdividing out 750-square-foot spaces for African-American makers and manufacturers that are looking for their first business space.

They’re doing this work because it’s what residents want, and entrepreneurs need. “The community has been really supportive of that,” said Madia. “They still want manufacturing activity as long as it has a jobs focus.”

Q&A

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Why does manufacturing matter to Bridgeway Capital?
The potential to create good-paying technical jobs for the community.

Does Bridgeway Capital have a history of manufacturing development?
No.

How did Bridgeway Capital develop capacity for a manufacturing real estate project?
Bridgeway Capital's former CEO Mark Peterson had connections with a developer with experience in multi-tenant spaces, who was a key strategic partner. They also expanded their board to bring on a couple new board members with a background in managing real estate portfolios.

Is there a history of manufacturing in the neighborhood?
Yes. 7800 Susquehanna used to be a manufacturing facility up until the 1970s.

How important is it to maintain fabrication activity in 7800 Susquehanna?
There is no explicit rule preserving the building for manufacturing uses. "That tenants have relationships with the community is our main focus," said Madia.

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Who were the key players within Bridgeway Capital that helped make this project happen?
Bridgeway Capital's former CEO was a key decision maker on all day-to-day decisions with the building. Madia led the fundraising side. Scott Langill, CFO, collects rent from tenants and has also been key in strategic planning for the building.

Has there been any focus on inclusion and equity when selecting tenants?
Madia said they happily consider any small business, though he notes that there aren't a lot of local businesses in the predominantly African-American community that surrounds 7800 Susquehanna in need of the type of space they offer. Overall, they select tenants for their job creation or job training potential.

Is Bridgeway Capital involved in workforce or other initiatives outside of property management?
No, but there are two workforce training non-profits that are tenants at 7800 Susquehanna.

Is Bridgeway Capital involved in creative placemaking work that involves tenants, the building, and residents from the neighborhood?
Nothing to date but this is something they're interested in pursuing. Bridgeway Capital recently turned 7800's first floor into a 1,500-square-foot space called the Sarah B. Campbell Enterprise Center that will provide Homewood businesses and residents free access to WiFi, computers, and printers. Design for the space will be produced by tenants and people in the neighborhood.

Bridgeway Capital works to be respectful of the heritage of the neighborhood and tries to maximize the project’s benefit to residents.

Any focus on inclusion and equity in programming that connects community with tenants or the building?
Bridgeway Capital works to be respectful of the heritage of the neighborhood and tries to maximize the project’s benefit to residents. To do this, they work with neighborhood groups like Operation Better Block, and local churches like Bethany Baptist Church and Bible Center Church, to inform residents and invite their feedback on 7800 Susquehanna’s programming and development plans. Bridgeway Capital also finds opportunities for small businesses from the area to be contractors on the building.

Is the project breaking even or profitable?
For the first time since it opened Bridgeway Capital is now breaking even on 7800 Susquehannah. Madia said the project would not have been possible without philanthropic support from the Richard King Mellon Foundation.

Are there opportunities for non-tenants to interact with the building and the manufacturers inside?
Yes, primarily through job-training provided by tenants.

Have market pressures made it more difficult to achieve any of the original mission goals of this project?
No.

What are partners doing to ensure manufacturers can afford to remain in the building even if market dynamics change in the surrounding neighborhood?

Affordability is part of 7800 Susquehanna's mission. Leases are built such that rent goes up a quarter a square foot every year. They offer long leases—five years each—with two options to renew, for a potential total of 15 years. Lower rates are offered to early tenants and non-profits.

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Did Bridgeway Capital receive assistance from local government?
Yes, in the form of grants.

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What is the zoning designation of the parcel on which the building is located?
Industrial.

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Were any zoning variances needed for this project?
Bridgeway received a parking variance by designating bike parking and installing bike racks.

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Was there protective industrial zoning?
No.

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Were there any permitting issues?
No.

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How many tenants are in the space?
23.

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What types of tenants are present?
Small manufacturers, designers, woodworkers, ceramics companies, hardware, some apparel manufacturers, a pharmaceutical company, and non-profits like job training organizations.

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How many tenants are businesses?
19.

How many are production businesses?
19.

How many jobs are supported by this project?
110.

How are tenants selected?
Tenants submit an application and go through a credit report. They must show "some record of success" and have a community component to their work, according to Madia.

Are there opportunities for on-site equipment sharing?
No.

What is 7800 Susquehanna's capital stack?
To develop the project, Bridgeway Capital received $2 million in state grants, an $800,000 grant from the U.S. Department of Health and Human Services' Office of Community Services Community Economic Development program, and $2 million in New Markets Tax Credits. Bridgeway Capital used two grants totaling $4 million from the Richard King Mellon Foundation, and $1.6 million of its own capital to finance the purchase and do initial renovations.

Did Bridgeway Capital incur any legal expenses for the New Markets Tax Credits transaction? If so, how much?
Transaction costs totalled $285,000, most of which were legal expenses like hiring a tax attorney. Additionally, Bridgeway Capital had to pay a fee of three percent of the total New Markets Tax Credits acquisition provided by the Urban Redevelopment Authority, which amounted to $240,000.

What was the total cost of bringing 7800 Susquehanna online?
Nearly $15 million.

What square footage options do tenants have?
Tenants occupy spaces ranging between 850 sq. ft. to 20,010 sq. ft.

What is the rent per square foot?
$6-$8.50.

How long are the lease terms?
Five years, with the option of a five-year renewal.

How do you approach subdividing large spaces for multiple tenants?
First tenants that come in on a floor choose their floor plans, and other tenants that come in later fill spaces around. Tenants are responsible for their own fit out.

Is there an opportunity for tenants to take an ownership stake in the building?
No.

Who were key stakeholders helping with community outreach?
Richard King Mellon Foundation and Operation Better Block. Richard King Mellon Foundation provided funding and identified local issues to address. Operation Better Block engages and educates residents, and provides job training.

Are those stakeholders still actively involved?
Bridgeway Capital is actively involved with Operation Better Block on the next phase of the building,

which will place pedestrian and bike paths on 7800 Susquehanna's property to reach a public transit node.

Total square feet?
150,000 sq. ft.

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CIRCLE CITY INDUSTRIAL COMPLEX AND THE RUCKUS MAKERSPACE INDIANAPOLIS, INDIANA

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The Circle City Industrial Complex (CCIC) is a strip of manufacturing buildings that was once the home of a major automotive parts manufacturer. It's housed along Massachusetts Avenue, an up-and-coming neighborhood just northeast of downtown Indianapolis.

Over the past three decades it has been a constellation of mostly vacant and underutilized buildings. Today it is a 21st century industrial cluster where urban manufacturing space blends with offices, breweries, distilleries, a meadery, and an artists' colony.

The $10.5-million redevelopment project came to life at the confluence of local political will and a few outside perspectives. The city had a cache of Community Development Block Grant (CDBG) funds it wanted to spend on Eastside Indianapolis after the Obama administration designated the neighborhood as a "Promise Zone."

LISC has played a major role in developing the space. The Indianapolis office provided over $870,000 in loans and grants for façade development, environmental assessment planning, community engagement planning, predevelopment support, and construction support along the corridor. In 2015, LISC also awarded the project a $4.1 million loan to makeover a portion of the building.

Teagan Development and LISC were the driving forces behind the project, while Riley Area Development Corporation (RADC), a local community development group, helped designate CDBG funds during the initial development phase. RADC also manages RUCKUS, a successful makerspace that started out at CCIC but has since moved into its own building nearby.

National players like the Urban Land Institute and Recast City came in to help the city figure out what it should do with all that century-old industrial space on Massachusetts Avenue In the past, the city would have just spent CDBG funds on redeveloping it into housing, or tearing the building down. "This urban manufacturing site was right on that tipping point," said Eric Strickland, the previous executive director of RADC, which was one of the grantors involved in CCIC.

"We had the capacity to be confident that if we launch something for startups or entrepreneurs we would have connections in the community with small business owners," said Strickland. "We had a culture of small businesses making things even before the maker movement."

Teagan Development, LISC, RADC, and the city envisioned a new hub for the Indianapolis's burgeoning startup and small-scale manufacturing culture. “We had the capacity to be confident that if we launch something for startups or entrepreneurs we would have connections in the community with small business owners,” said Strickland. “We had a culture of small businesses making things even before the maker movement.”

The Urban Manufacturing Alliance first came to CCIC through the Equitable Innovation Economies program, in which UMA, PolicyLink, and the Pratt Center for Community Development helped stakeholders layout a game plan for connecting workers of color with manufacturing jobs throughout Indiana. Shortly after, UMA brought its 2016 Gathering to the space, which connected Strickland and other CCIC stakeholders with industrial developers from around the country.

“I do want to give a lot of credit to UMA because they showed up the weeks before we opened our doors and brought more of the cultural discussion,” said Strickland. UMA raised “issues such as equity and inclusion, and what manufacturing can do in terms of job creation and how it plays a role in urban economics on the equity side.”

Strickland said that, after some hiccups due to the complexity of the building and redevelopment of its space over the years, the 800,000-square-foot project is starting to break even. There are 114 tenants in the space, 109 of which are for-profit businesses. Almost all of the 51 jobs supported by CCIC tenants are manufacturing or artist-related.

The mammoth project has not been without its challenges, however. As hinted at earlier, RUCKUS has since moved out of the building because their space was complicated by a lack of temperature control, different ventilation needs, and leaky roofs. Chelsea Humble, the North Mass Corridor project manager at RADC, said RUCKUS is still located along the North Mass Corridor near the CCIC complex. RADC would collaborate on a project within the CCIC development again if the right opportunity arose, she added.

One thing Strickland said he would have liked to have seen with CCIC is a greater density of jobs in some spaces. Take the brewery tenant, for example. “We could show you a large space but a lot of it is a high volume of ingredients, like yeast, water, big kettles—not necessarily a lot of people,” said Strickland. “So that 10,000-square-foot space employs 12 people. Well that would be great if it was 40.”

Q&A

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Why does manufacturing matter to the developers?
Because of the sector's ability to create well-paying jobs for diverse communities.

Did any of the developers on this project have a history of manufacturing development?
This was RADC's first manufacturing development and makerspace.

How did developers develop capacity for a manufacturing real estate project?
Through UMA, RADC was connected with spaces like NextFAB in Philadelphia and TXRX Labs in Houston, which provided them and LISC Indianapolis leaders an understanding for how a makerspace, industrial development, and an industrial district could all work together. Other outside organizations, like the Urban Land Institute and Recast City assisted RADC with zeroing in on Indianapolis's maker community as an area of the economy poised for growth.

In the second half of 2019, RADC has been working on developing a new protocol that includes separating financial oversight from management to assist with the RUCKUS's self-sustaining capacity. This is helping RUCKUS to know where to pivot its resources and its programs. In addition, RADC hired an experienced community development program manager with real estate experience to restructure the operations at RUCKUS so that it can move toward more robust programming. Currently it is working on boosting its maker memberships by 150 percent to improve its connections with the community, and its ability to maintain, repair, and replace equipment in the future.

Does the neighborhood around CCIC have a history of manufacturing?
Yes. The entire CCIC structure used to be a manufacturing hub. In addition, the entire North Mass Industrial Corridor was always zoned and used for industrial purposes. The 2015 North Mass Industrial Corridor Plan put together by RADC and partners revealed there are over 66 active businesses in the area (not including those in CCIC) that are projected to continue growing.

For RADC, how was developing the RUCKUS makerspace different from other types of developments in their portfolio?
RADC was typically doing multi-family housing projects using local HUD funds and tax credits. Through previous partnerships, RADC was able to participate in the development of commercial space in mixed-use rental housing projects. LISC funded research on job creation via manufacturing near these mixed-use partnerships.

How important is it to maintain fabrication activity in CCIC?
The project was created to support fabrication activity, primarily because of the skilled job creation component. It is meeting community needs and is best suited for fabrication, alongside some entertainment spaces as well.

What role did RADC's board play in helping develop this project?
Prior to involvement by outside consultants, RADC's board was actively looking to expand its impact regionally. They worked on this by providing space for entrepreneurs, with the hope of being able to connect with more entrepreneurs that they could then service towards economic impact. By the time the Urban Land Institute and other outside groups came in to promote manufacturing, RADC was already positioned to embrace these ideas. One former board member later went on to lease a space in RADC's own manufacturing development at 1417 Commerce Avenue.

RADC's board continues to play an active role in directing resources to make RUCKUS a more community-oriented space. Towards the end of 2019 RADC allocated over $5,000 towards replacing and repairing equipment and continuing to build out space. In addition, they have invested funds towards more research into what makes a makerspace successful, and how RADC can work to improve what RUCKUS offers.

Has there been any focus on inclusion and equity when selecting tenants?
There is a focus on inclusion and equity in RUCKUS. Seventy-five percent of RUCKUS members are low to moderate income, sixty percent are women, and forty percent are minorities. To achieve this, RUCKUS decided to elect a

Seventy-five percent of RUCKUS members are low to moderate income, sixty percent are women, and forty percent are minorities. To achieve this, RUCKUS decided to elect a woman of color to lead the space.

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woman of color to lead the space. Diverse leadership and intentional planning helped connect them to workshops or meetups for several diverse groups like the Women in Manufacturing Indiana Chapter, and local manufacturer RecycleForce which trains re-entry citizens. RUCKUS' leader eventually went on to establish the Latinas Welding Guild which deepened the facility's relationships with people of color from the entrepreneurship community.

RADC recently hired a woman of color to lead its organization, and continues to be intentional about working with minority and women-owned businesses. The two anchor tenants at the new RUCKUS building are women-owned businesses.

Is the RUCKUS makerspace breaking even?
RUCKUS has faced its share of challenges around developing a sustainable revenue model and with infrastructure issues at the original CCIC building. As RUCKUS settles into its new space, RADC is working to ensure that the makerspace remains financially sustainable.

CCIC continues to bring in more tenants, and secured two additional loans totaling $9 million in the last year to complete renovations on the south end of the building.

Did revenue from other real estate projects in RADC's portfolio support the organization's capacity to manage the RUCKUS makerspace?
RADC was able to lean on the revenue it received from its various housing projects to balance out the investment it made to launch RUCKUS in CCIC in 2016. RADC has leveraged some of its organizational funding to set up new equipment and repair broken equipment

at RUCKUS, and to finish its new space at 1417 Commerce Avenue. RADC is aiming for RUCKUS to be self-sustaining in 2020.

RADC was able to lean on the revenue it received from its various housing projects to balance out the investment it made to launch RUCKUS in CCIC in 2016.

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Are there opportunities for non-tenants to interact with CCIC and the manufacturers inside?
Several tenants have tap rooms and retail showrooms. To support placemaking efforts around CCIC, the city is funding and constructing a new multi-use trail along the front portion of CCIC that connects with the Indianapolis Cultural Trail. Once finished, this path, called the "Maker's Trail", will run inside the building and offer pedestrians a direct connection to makers and artisans. The city has also added CCIC to the monthly city-wide "First Friday" artists open house list. CCIC also hosts beer and wine festivals and music events.

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RUCKUS has begun focusing heavily on creating community partnerships and bringing in non-tenant members as part of its programming in the future. RUCKUS is also beginning a new SBA-funded workforce development program in 2020 that will allow more people to access what it has to offer.

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Have market pressures made it more difficult to achieve any of the original mission goals of CCIC?
Yes. While rents are low, there are still less expensive light industrial locations outside of the city center. But most of CCIC's tenant manufacturers chose the building because of their smaller space demands—either because they're startups or a smaller space satisfies

their production needs—and the desire to have a retail component so close to Indianapolis's city center. In addition, CCIC hosts a community environment with sharing and collaboration opportunities unlike many industrial spaces.

... most of CCIC's tenant manufacturers chose the building because of their smaller space demands—either because they're startups or a smaller space satisfies their production needs—and the desire to have a retail component so close to Indianapolis's city center.

New member and equipment fees will be added to RUCKUS in 2020. These fees will help with maintenance of the space and equipment. In addition, RUCKUS is actively looking for ways for the space to give newer small business owners pricing breaks at the beginning of their memberships.

What type of entity is the developer?
The renovation of CCIC was led by a partnership between LISC, a CDFI, and local for-profit developer Teagen Development. RADC, a non-profit, is the governing entity and financial steward of RUCKUS, which is a for-profit space that started in CCIC but has since moved into a separate building nearby.

Did the developers receive assistance from local government for this project?
CCIC received significant support from the city. Since 2016, Indianapolis has invested in new roads for truck access, stormwater improvements, and the elimination of abandoned homes next to CCIC. The city also provided approximately $1.5 million in public funds to

help the facility with job creation, and secured $500,000 from the EPA to do a site assessment for properties surrounding CCIC along the Northern Massachusetts corridor to help the facility with environmental cleanup and covenants. They also supported the rezoning of CCIC. The city-sponsored “Maker’s Trail” will support placemaking efforts around CCIC.

What is the zoning designation of the parcel on which the project is located?
Mixed-use.

Were any zoning variances needed to develop this project?
Yes, variance to add loading docks, brewing, a distillery, and on-site bars and restaurants.

Was there protective industrial zoning?
No.

How many tenants are in the space?
114.

What types of tenants are present?
Makers, artists, non-profits, small businesses, galleries, and a brewery.

How many tenants are businesses?
109.

How many of the 109 small businesses in CCIC are production businesses?
Approximately 40.

How many jobs are supported by this project?
51 and counting.

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How many jobs are supported by manufacturing?
94 percent of jobs are art- or manufacturing- based.

How are tenants selected?
There is a preference for small local businesses and manufacturing businesses.

Did you receive any tax credits?
No.

Size of the real estate deal?
$10.5 million.

What square footage options do tenants have?
From 100 sq. ft. to 80,000 sq. ft.

What is the rent per square foot?
$6.50 for the largest spaces. Smaller spaces for makers are $12.

How long are the lease terms?
Monthly to ten years.

How do you approach subdividing large spaces for multiple tenants?
It is set up as a mix of micro-sized maker spaces, slightly larger 1,000-square-foot and 5,000-square-foot manufacturing spaces, plus a few larger spaces.

Is there an opportunity for tenants to take an ownership stake?
No.

Who were key stakeholders helping with community outreach?
For RUCKUS, RADC tapped into its existing networks

that were established with communities through affordable housing development.

Total square feet?
800,000.

INDIGO BLOCK BOSTON, MASSACHUSETTS

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Indigo Block is the only project in this report that will blend housing with light industrial to rely on a cross-subsidization model.

Construction started on the building in November 2019. Leah Whiteside, associate director of real estate at the Dorchester Bay Economic Development Corporation (DBEDC), said the goal is to create employment and housing opportunities right next door, rendering the daily work commute into a mere street-crossing.

“This project is not just providing places to live—we’re helping residents create self-sufficiency,” said Whiteside.

“This project is not just providing places to live—we’re helping residents create self-sufficiency,” said Whiteside.

To build out the Indigo Block concept, DBEDC relied on its decades of experience building affordable housing and commercial space. The Newmarket Business Association has been its partner on the commercial building as the association has deep-seated connections with industrial businesses along the Newmarket corridor.

Sue Sullivan, executive director of the Newmarket Business Association, “has run a light industrial facility herself and she hears from business owners and residents about what works and doesn’t work in terms of loading docks,” said Whiteside.

That knowledge helped greatly as they worked with local contractors and architects to design the commercial building concept.

Whiteside’s organization has already had some success with industrial projects aimed at small-scale producers. The Bornstein and Pearl Food Production Center in the Dorchester neighborhood was a $13-million redevelopment project that transformed a 36,000-square-foot meat factory into a modern space for budding food entrepreneurs.

A major tenant in that project is Commonwealth Kitchen, a nationally-recognized food entrepreneur incubator space that is currently home to over 50 wholesalers, food trucks, and caterers. Nearly three-fourths of those businesses are women, and they’ve created about 150 jobs while growing.

Whiteside said their hope is to attract some food entrepreneurs to the industrial spaces at Indigo Block. They estimate accommodating up to eight tenants at 2,500 square feet a piece, creating a total of 35 jobs. The affordable housing development attached to the project will provide 80 affordable and workforce homes.

Industrial spots will remain at a mid-market rate, however, which is around $25 per square foot. "We're not trying to maximize rents to make a profit but we are trying to maximize rents to get our debt service out to get the project built," said Whiteside.

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"We're not trying to maximize rents to make a profit but we are trying to maximize rents to get our debt service out to get the project built," said Whiteside.

Q&A

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Why does manufacturing matter to DBEDC?
Their strategic plan is on holistic neighborhood development, according to Whiteside. Being able to pair light industrial job-creating projects with affordable housing is important because it allows them to provide economic opportunities alongside places to live.

Does DBEDC have a history of manufacturing development?
Yes. DBEDC has historically focused on affordable housing developments, but Indigo Block will mark their third project that provides space to manufacturers. The other two spaces are the Bornstein and Pearl Food Production Center, located in the Dorchester neighborhood of Boston, and 65 Bay Street, an 80,000-square-foot manufacturing facility built for Spire, Inc., a printing company.

How did DBEDC develop capacity for a manufacturing real estate project?
DBEDC has a history of developing manufacturing real estate projects, but the Bornstein and Pearl Food Production Center was Whiteside's first introduction to industrial development projects. "We've learned it's important to pay the short money to hire consultants you need to build a specific space, than to have your architects not know enough about wiring for kitchens," said Whiteside.

"We could have saved $100,000 to $200,000 in construction costs if we would have paid $20,000" for an early consultant trained in professional kitchen design to address that project, she added.

"We could have saved $100,000 to $200,000 in construction costs if we would have paid $20,000" for an early consultant trained in professional kitchen design to address that project, she added.

Does the neighborhood around Indigo Block have a history of manufacturing?
Yes. It is located in an industrial area near Newmarket, which is home to a rich community of food and other manufacturers.

How is a manufacturing/fabrication focused development different from other types of developments in DBEDC's portfolio?
Whiteside said some key differences are that manufacturing projects require a different pro forma, and that the developer has to analyze business needs and material needs that are different from a housing project. She said there are different risks in construction because light industrial projects require different materials, input from different consultants in areas like industrial HVAC, and assets like loading docks that have to serve the average truck size of the target tenant.

What role did the board play in developing the Indigo Block project?
Whiteside said the board set parameters on the project early on, though primarily on the housing side. She said the board is risk tolerant and appreciates DBEDC's history with light industrial projects, which was necessary support that encouraged them to take on another light industrial project.

Who were key mentors or advisors on this project?
Newmarket Business Association is the key mentor and partner.

Boston Capital was another key partner as they provide low-income tax credits and have a “big stake” in the housing part of the deal, according to Whiteside.

Architects and other consultants were also vital for blueprinting the project.

Will there be any focus on inclusion and equity when selecting tenants?
The residential project is required to provide housing to low-income communities.

Does DBEDC believe the project will break even or be profitable?
The project is required by funders to be financially sustainable on its own.

What are partners doing to ensure manufacturers will afford to remain in Indigo Block even if market dynamics change in the surrounding neighborhood?
Affordable rates aren’t their primary mission. Because it is difficult for light industrial tenants to find long-term leases in Boston today, the project will consider offering long-term leases to provide stability for local businesses.

What type of entity is DBEDC?
Non-profit.

Did DBEDC receive assistance from local government?
Yes. The property was purchased from local government in a tax foreclosure sale and awarded to the development team at a subsidized price.

What is the zoning designation of the parcel in which the building is located?
Light industrial.

Were any zoning variances needed?
Indigo Block received multiple variances because the plot contains light industrial.

Was there protective industrial zoning?
No, but the property abuts Boston’s light industrial zone.

Were there any permitting issues?
No. Local government and community were on board with the plan. Variances and permits were not difficult to obtain.

How many commercial tenants will be in the space?
Can accommodate up to eight.

What types of tenants will be present?
There will be primarily light industrial and office tenants. Light industrial may include food-related businesses.

How many tenants will be businesses?
Eight.

How many will be production businesses?
To be determined.

How many jobs wll be supported by this project?
An estimated 35 jobs.

How many jobs will be supported by manufacturing?
An estimated 26 jobs.

How will tenants be selected?
They will prioritize small, growing, and local businesses from diverse backgrounds.

What is Indigo Block’s capital stack?
$6 million in private debt, $11 million in New Markets Tax Credits, and a $1 million soft loan from the state of Massachusetts.

What are Indigo Block’s sources of financing?
The Life Initiative, Northern Trust, LISC, and the Massachusetts Housing Investment Corporation (MHIC).

What is the size of the real estate deal?
$8.6 million in construction costs.

What is the total cost of bringing the project online?
Total cost to bring space online will be $12.7 million.

What square footage options will tenants have?
Spaces are flexible but will be a minimum of 2,500 sq. ft. and a maximum of 10,000 sq. ft.

What will the rent per square foot be?
$25 per sq. ft.

How long will the lease terms be?
A minimum of two years, though this will be negotiable.

Will there be an opportunity for tenants to take an ownership stake?
No.

Who were key stakeholders that helped with community outreach?

Newmarket Business Association, and the DBEDC itself, which has deep community ties because of past development projects.

Total square feet of the project?
20,000 sq. ft.

GREENPOINT MANUFACTURING AND DESIGN CENTER BROOKLYN, NEW YORK

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Considered the longstanding example of a successful multi-tenant industrial space, the Greenpoint Manufacturing and Design Center (GMDC) was born out of a good deal. Its current home is a 366,000-square-foot old textile mill in Brooklyn on Manhattan Avenue that was sold by the city to GMDC for just $1 back in 1992.

Since then, GMDC has put its name on five other multi-tenant industrial spaces across the city, including a newly renovated 85,000-square-foot facility in Ozone Park that used to house a bicycle manufacturer.

Brian T. Coleman, GMDC's Chief Executive Officer, notes that their impetus is simple. "It's all about the jobs," said Coleman. Their six buildings house over 110 businesses that employ more than 700 people.

"It's all about the jobs," said Coleman.

“We’re looking to give the tenants quality space, charge them a fair amount for that space, cover the overhead of the organization, but that’s it,” said Coleman. “We’re not looking to make a profit. We’re looking to break even.”

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Most of that economic activity is going on in the Manhattan Avenue building—the one purchased for a buck. Its 74 tenants employ about 400 people, and on average those employees make about $50,000 a year. Almost all of them come from within the city.

Rents range from the mid-teens to low-twenties in dollars per square foot, according to Coleman, which amount to rates that are 15 to 20 percent below market rates for industrial space in the area. When tenants need help with issues like workforce or business development, GMDC connects them with outside non-profits; the developer itself prefers to solely focus on real estate.

“We’re looking to give the tenants quality space, charge them a fair amount for that space, cover the overhead of the organization, but that’s it,” said Coleman. “We’re not looking to make a profit. We’re looking to break even.”

Coleman said the main quality they look for in tenants is that they can employ a significant amount of people relative to the size of the space they lease. Startups are generally a no-go, and in this case that usually means businesses that are less than two years old, not operating in a formal capacity, or not showing signs of a profit or breaking even.

That raises the chance GMDC will continue to have an economic impact in and beyond the neighborhoods where its buildings are located. “Our tenants come to make money and make products,” said Coleman. “The community interacts with us because the community is employed here or other community businesses might provide goods and services to our tenants.”

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Q&A

Why does manufacturing matter to GMDC?
As Coleman stated above: “All about the jobs.”

Did GMDC have a history of manufacturing development before developing the Manhattan Avenue project?
The original GMDC building was GMDC’s first manufacturing project.

Was there a history of manufacturing in the neighborhood around Manhattan Avenue?
Yes.

How important is it to maintain fabrication activity in the Manhattan Avenue building?
Manufacturing is the reason the building exists.

What role does GMDC’s board play in its projects?
The board provides guidance from a development perspective. It does not play a big role in fundraising as the organization relies on operating income.

Is GMDC involved in workforce or other initiatives outside of property management?
No. They rely on other non-profits that do business assistance or workforce development.

Is GMDC involved in creative placemaking work that involves tenants, the building, and residents from the nearby neighborhood?
No.

Is the Manhattan Avenue project breaking even or profitable?
GMDC's projects are breaking even.

Are there opportunities for non-tenants to interact with the Manhattan Avenue building and the manufacturers inside?
There are artist tenants that have open house-like events. But for the most part it is not a community space.

What type of entity is the developer?
Non-profit industrial developer.

Did GMDC receive assistance from local government?
Yes, from both local and state sources. They include the New York City Council, New York City Economic Development Corporation, New York City Industrial Development Agency, New York City Neighborhood Capital Corporation, New York City Regional Development Council, and New York State Empire State Development.

How many tenants are in the Manhattan Avenue building?
74.

What types of tenants are present?
Woodworkers, metal workers, ceramic artists, jewelry makers, and other custom fabricators.

How many tenants are businesses?
All.

How many are production businesses?
All.

How many jobs are supported by the Manhattan Avenue building?
400 employees from adjacent communities.

How many jobs are supported by manufacturing?
All.

How are tenants selected?
Tenants must show that they can afford rent and will employ an adequate number of employees for the size of space they're renting. They do not accept startups that have been operating for less than two years.

How does GMDC ensure affordability?
By aiming to break even instead of making a profit.

What are GMDC's sources of financing?
At Manhattan Avenue, GMDC has only received New York City funding and financing from local banks such as Independence and BNB Bank. At other projects, they have used funding from New York State and City partners and financing from Bank of America, Chase, and other banks.

Did GMDC receive any tax credits?
No, not at Manhattan Avenue. At GMDC's other developments they have used both New Markets Tax Credits and Rehabilitation Tax Credits.

Tenants must show that they can afford rent and will employ an adequate number of employees for the size of space they're renting. They do not accept startups that have been operating for less than two years.

What was the size of the real estate deal at Manhattan Avenue?
GMDC bought the 366,000 sq. ft. of industrial space and basement area for $1, in exchange for renovating and modernizing the structures.

What was the total cost of bringing the Manhattan Avenue space online?
In total, GMDC has put around $15 million into the project, according to local media.

What is the rent per square foot?
From mid-teens to low-twenties, which are 15 to 20 percent below market rate.

How long are the lease terms?
Average lease is five years.

Total square feet?
366,000.

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EQUINOX STUDIOS SEATTLE, WASHINGTON

Equinox Studios has one of the more unique profiles among the projects featured in this report. The Equinox "mother" company, which owns all three of the cooperative's buildings, is an LLC owned by Sam Farrazaino and all of the tenants together as a Social Purpose Corporation.

"It's a complicated structure," said Farrazaino. "After looking at a bunch of different ways to do it, we settled on stock ownership as the best way because it takes any burden and liability off the tenant."

Farrazaino, current tenants, and past tenants make up the cooperative for-profit model behind Equinox. Farrazaino was able to purchase the buildings in his Seattle neighborhood through

"... we settled on stock ownership as the best way because it takes any burden and liability off the tenant."

a combination of city, philanthropy, and bank loans. He also took equity out of his initial building to purchase additional buildings.

It's important to note, however, that Equinox's first building was purchased before last decade's recession, and right when real estate values in Seattle started booming. In 2006 they sealed a five-year lease-to-own deal that put the price tag of their first building at $1.9 million. That's how much they purchased it for in 2011; today it is worth nearly $6 million.

Also to their advantage: the building's prior owner agreed with Equinox's mission, which has not changed to date. Farrazaino wants to provide affordable real estate to artists at risk of being pushed out of Seattle.

"That was the lease, where I take care of everything and just send him a check, do any maintenance, any repairs. It was low management for him [the building owner]. That inspired him because he didn't want to be a landlord in the property management sense."

Farrazaino brought with him 10 tenants from other mission-driven real estate projects he'd been a part of in the past. With the purchase of the building Equinox inherited a metal fabrication company as a tenant. The tenants' rent payments put the project's income over the monthly lease rate, and they used the extra money to build out individual spaces for up to 38 different tenants.

"We were able to grow the equity in the building by taking it from a shell building into 38 different income producing spaces that were much smaller," said Farrazaino. The new appraised value, plus financial help from the city and foundations, gave them the footing they needed to lease and renovate the two other buildings in their portfolio.

Property values have since skyrocketed in the neighborhood, like they have in the rest of Seattle. “For future expansion we’ll need to find a way to either subsidize the rents or potentially hold one or more new buildings more at market value to offset others as part of a portfolio that supports the mission,” said Farrazaino. “Somebody paying higher rent in one can help offset some of the lower rents in others.”

While market dynamics in the neighborhood helped them at the start, Farrazaino said he thinks its their tenant ownership model, which is part of a broader community-first mentality, that has made the project a financial success.

“The tenant body is really instrumental in that public engagement and in that community development side—that I think is the primary success of this place. Them coming in and being part of this community and telling friends it’s a great community to be a part of it, and engaging the public in the experience of art. That’s how we’ve gotten to a point of having a giant waiting list.”

Q&A

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Does Equinox have a history of manufacturing development?
Farrazaino has previously developed spaces for arts studios and production in St. Louis, Reno, Boston, and elsewhere in Seattle. However, Equinox Studios is the first space that he has owned.

How did Equinox develop capacity for a manufacturing real estate project?
Most of the past spaces Farrazaino worked on involved turning single floors in underutilized buildings into multi-tenant artist spaces. Like he did with Equinox, he approached those projects with a group of tenants already in mind. That strategy helps him envision the spaces and ensure he can come to the development table with tenants ready to go.

Is there a history of manufacturing in the neighborhood?
The neighborhood is almost entirely industrial. “It’s everything from big industry concrete plants on the river, all the way to smaller maker shops and spaces,” said Farrazaino. “A lot of it is transitioning from the really big industry stuff to the micro-industry, like the makerspace and the artist and small shops. When we came along it was sort of beginning to do that.”

How is a manufacturing/fabrication focused development different from other types of developments in Equinox’s portfolio?
Arts production-based developments are the only

kind in Equinox's portfolio. They are now working towards income-subsidized housing in conjunction with industrial space, a village-type approach with making and living and art and amenities for thriving throughout the neighborhood. That approach is about bringing residential back to the industrial areas so people can live where they work.

How important is it to maintain fabrication activity in their buildings?
The project was created with the sole mission of providing affordable space for custom fabrication by artists and artisans.

Who are the key players within the Equinox ownership structure?
"I'm the only one liable for banks and insurance," said Farrazaino. The rest are stockholders. "On an annual basis we project a six- to eight-percent return. Only catch is that we as a community decide what to do with those dividends. At our annual meeting, if everyone is doing good [economically], we will put that money in art for an at-risk youth program, do a streetscape

"On an annual basis we project a six- to eight-percent return. Only catch is that we as a community decide what to do with those dividends. At our annual meeting, if everyone is doing good [economically], we will put that money in art for an at-risk youth program, do a streetscape program [in the neighborhood], or whatever. No matter what you pay in rent, you get one vote in that."

program [in the neighborhood], or whatever. No matter what you pay in rent, you get one vote in that."

What role does the board play?
The tenant ownership corporation has a board made up of tenants and Farrazaino to guide decisions at the "mother company" level.

Who are key mentors or advisors?
Ben Rankin, Cathryn Vandenbrink (ArtSpace), Reed Mayfield (RSF), and Arnie Gunderson (Craft3, Heritage Bank).

Any focus on inclusion and equity when selecting tenants?
"We have tried some specific interventions and will continue to work in this direction but we have not had a huge amount of success primarily because of lack of access," said Farrazaino. "We are primarily an industrial area and transit and accessibility are huge challenges to serving lower socio-economic populations which in Seattle's traditionally underserved areas are mostly people of color. We do have a pretty good gender balance and try to support women pushing into small business and support a wide variety of sexual preference and identification."

Is Equinox involved in workforce or other initiatives outside of property management?
Individual tenants perform their own job creation, workshops, and teaching. Equinox will occasionally sponsor events that bring community members in to work on projects or participate in educational activities, some of which have a making component. Equinox as a company does not do formal professional development work but Farrazaino informally mentors many of the tenants.

Is Equinox involved in creative placemaking work that involves tenants, the building, and residents from the neighborhood?
Equinox does a monthly open-house art walk and open studio so the "public can come wander through to see what people are making, if they want to purchase stuff or learn about their processes," said Farrazaino. They also participate in two major annual events—one is an open-house party that brings food trucks, bands, and performances to Equinox, which attracted around 8,000 people to the space in 2018. They also participate in a local arts festival called the Georgetown Carnival building "wild, wacky art making experiences for the public," according to Farrazaino.

Are Equinox's projects breaking even or profitable?
"Since our big expansion started in 2015 we have been running at a deficit until 2018 when we turned a small profit. We are in pretty good shape now after paying off all the construction" and other bills, according to Farrazaino.

Have market pressures made it more difficult to achieve any of Equinox's original mission goals?
Not for the first building. Because of the rising costs in the neighborhood, Equinox's additional purchases are requiring greater capital injections to get up-and-running. Future buildings may or may not be able to offer below-market rental rates.

What are partners doing to ensure manufacturers can afford to remain in the buildings even if market dynamics change in the neighborhood?
Farrazaino said they are considering a subsidy model for their future, more costly buildings, which would include bringing in a tenant that pays market rate.

Holding one or two new buildings at market value may also help balance their portfolio and keep spaces in the other buildings affordable.

What type of entity is the developer?
LLC with cooperative, stock-based ownership structure.

Did Equinox receive assistance from local government?
"The city has been really supportive," said Farrazaino. "As we grow and as we become more influential and more engaged at the civic level, the city realizes that what we're doing is really holding that place for affordability. We're a huge part of keeping the arts in Seattle. So there's a lot of recognition through the arts office, economic development office, through the Mayor's office … [they're] taking notes of what we're doing and trying to help support us."

How was the parcel zoned for the first building?
For industrial use with a building height restriction of 85 feet.

Were zoning variances needed?
They did a "change of use" for two parts of a single building to accommodate two dance companies and a painting school, which are now assembly uses.

Were zoning changes needed?
No.

"As we grow and as we become more influential and more engaged at the civic level, the city realizes that what we're doing is really holding that place for affordability. We're a huge part of keeping the arts in Seattle."

Were there any permitting issues?
Equinox struggled a bit with city permitting around some seismic issues that set them back but they came around after structural engineering changes. Equinox has also been correcting issues that came from former owners and tenants.

How many tenants are in Equinox's buildings?
125 tenants. Employees, students, and dancers also go in and out of the facilities daily.

What types of tenants are present?
Blacksmithing and metal sculpture, painting, ceramics, woodwork, leatherwork, glass, photography, and much more in between.

How many jobs are supported by Equinox?
In all three buildings, nearly 200 jobs.

How many jobs are supported by manufacturing?
About 100.

How are tenants selected?
Farrazaino selects tenants based on an informal interview/conversation and tour of the space. They decide if the community will benefit from the tenant's presence, and vice versa.

Are there opportunities for on-site equipment sharing?
There is a lot of informal peer to peer lending/using, but no formal tool share program. "[W]e are working towards that as a community resource, not just for tenants but the greater community as well," said Farrazaino.

What is the cost of capital?
Rudolf Steiner Foundation provided $3.5 million at 4.5 percent APR on 10 years. Heritage Bank provided $5.35 million at 5.6 percent for 10 years for the two newer buildings combined.

What are Equinox's sources of financing?
Impact debt and owner equity to start and now commercial bank debt.

Did Equinox receive any tax credits?
No.

Were CDFIs involved?
Craft3 was the original lender for the two new buildings but they have since refinanced with Heritage Bank.

What was the size of Equinox's first real estate deal?
First building was purchased at $1.9 million.

What square footage options do tenants have?
150 sq. ft. up to 3,000.

What is the rent per square foot?
Range from $1.00 to $2.00.

How long are the lease terms?
One to 10 years.

How does Equinox approach subdividing large spaces for multiple tenants?
Buildings have all been subdivided to accommodate multiple tenants. In the first building tenants came and Equinox built to suit. In the newer buildings, Equinox was able to design from scratch with a couple large

tenants as anchors to the design and then fill out the rest with a variety of sizes and uses to be very flexible.

Is there an opportunity for tenants to take an ownership stake?
Yes. Every tenant becomes an owner just by being a part of the community.

Who were key stakeholders helping with community outreach?
Farrazaino says he believes public engagement and community development performed by tenants are the reasons the space is successful. “There is a lot of cross-pollination, collaboration, inspiration on a daily basis just inside, but it’s getting people from the public engaged that has helped cement the financial success here,” said Farrazaino.

Total square feet?
100,000 sq. ft. for all three buildings.

BRICK CITY MAKES ST. LOUIS, MISSOURI

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Brick City Makes is a 1912 factory building in St. Louis' Fox Park neighborhood that has all the fixings to be a small manufacturing hub. The five-story, 89,000-square-foot building is structurally sound and isn't plagued by environmental remediation needs. DeSales Community Development, a non-profit that has developed and managed affordable housing in Fox Park for over 25 years, acquired the building at 2528 Texas Avenue in 2016 and conceived the plan to renovate and subdivide it for occupancy by small and growing manufacturers.

The Fox Park building was built by a barber supply company and later owned by a hat manufacturer. It is mostly vacant today except for some office space on the second floor where about a dozen members of DeSales' property management staff work.

"We had the opportunity to acquire the building for a very reasonable price and felt it was part of our mission to come up with a plan to restore it as a community asset," said Tom Pickel, executive director at DeSales. "Our vision has been to restore the building for its original purpose, which is making things," he said. "The City of St. Louis doesn't need another manufacturing building converted to condos or self-storage. We need jobs."

"We had the opportunity to acquire the building for a very reasonable price and felt it was part of our mission to come up with a plan to restore it as a community asset," said Tom Pickel, executive director at DeSales.

Brick City Makes is one block from a $20-million renovation project that is turning an old warehouse into a non-profit hub that will provide personal and career development services for women coming out of poverty. DeSales sold that site to the non-profit developer in November 2018, having acquired it in the same 2016 transaction in which it acquired 2528 Texas.

"They [the non-profit] told us early on that one of the reasons they liked the location was because of what we were planning to do with Brick City Makes," said Pickel.

Pickel said that since the public announcement of Brick City Makes in 2017 DeSales has received strong interest from small businesses in leasing space in the building and being part of a community of manufacturers. So why has Brick City Makes failed to launch?

The first challenge was that potential lenders wanted to see a substantial portion of the building pre-leased. This created the classic chicken-and-egg dilemma.

“We have had great interest from potential tenants,” said Pickel. “But these are small companies that don’t have a 24-month time horizon. They are looking for something right now.”

The second blow came in 2018 when the census tract in which Brick City Makes is located lost eligibility for New Markets Tax Credits. “As a CDC, we’ve become a victim of our own success,” said Pickel. “Loss of the New Markets about doubled our funding gap.” That gap now stands at about $5 million of a $13-million development budget. The balance of the Brick City Makes capital stack includes state and federal historic tax credit equity, bank financing, and owner equity.

Closing that gap in the capital budget has proved to be the project’s biggest challenge. Pickel said that despite having received many encouraging words for the concept of Brick City Makes, DeSales has so far not been able to secure the public, private, or philanthropic support needed to make it happen.

“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,” said Pickel. “We are a small organization and we simply cannot take on the risk of a project like this by ourselves.”

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By May of 2019, having owned the building for more than two years and funded planning and predevelopment costs of Brick City Makes, DeSales faced the critical decision of whether to persevere or sell the building. “In a purely financial sense, the best thing for us definitely is to sell the building,” said Pickel. “We walk away with a nice bit of cash and none of the risk of developing the project.”

Still, he will have regrets if that were to come to pass. “We believe that our vision for Brick City Makes as a community economic asset is the right future for this building, for the neighborhood, and for the city,” he said. “But if we can’t marshal the resources, it can’t happen.”

In August of 2019, DeSales listed 2528 Texas for sale.

MAKEN STUDIOS NORTH AND SOUTH
PHILADELPHIA, PENNSYLVANIA

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“Philadelphia was once the largest light manufacturing center in the world,” said Jeff Kahn, a principal at Shift Capital. The impact investment group’s brick-and-mortar homage to that history is MaKen Studios North and South, a pair of old factories in the Kensington and Harrowgate neighborhoods that were rehabbed for artists, makers, and light industrial manufacturers.

Shift Capital developed the MaKen buildings to bring an economic shot-in-the-arm to Kensington, a workforce neighborhood that has suffered from disinvestment and struggled with drug trafficking for decades.

Kahn chooses to see Kensington in light of its blue-collar past. “We’re simply reigniting things that were here and very successful a long time ago.”

MaKen Studios North and South together amount to about 300,000 square feet. MaKen Studios North

"We're simply reigniting things that were here and very successful a long time ago."

is slated for art-based entrepreneurs and creative businesses searching for 500 to 3,500 square feet of space. MaKen Studios South, on the other hand, is generally geared towards bigger space demands, with spaces starting off at 1,500 square feet, and open floors that go up to 25,000 square feet. These are for manufacturers, large-scale visual artists, or businesses.

Both buildings were created to provide long-term tenancy to creative entrepreneurs where rent predictability is key to their success. About 55 makers and manufacturers are tenants in both buildings.

Shift Capital was able to take these projects on by raising capital from impact investors locally and internationally. Through the Philadelphia Industrial Development Corporation, LISC provided $3 million in construction loans for MaKen North and South. Goldman Sachs and the Philadelphia Contributionship were other key financiers of the developments.

Shift Capital said the reactivation of MaKen Studios North and South has energized a community both within and outside the buildings, and attracted affordable and livable residential properties, new businesses filling vacant storefronts, and a stronger commitment to the community from city government.

In addition to MaKen Studios North and South, Shift Capital is partnering with local community development and technical assistance organizations to create a long-term community-owned organization that will redevelop commercial and residential real estate along the adjoining Kensington Avenue corridor.

Q&A

Why does manufacturing matter to Shift Capital?
Shift Capital sees manufacturing as part of the creative economy that they would like to attract and preserve in the Kensington area.

Doid Shift Capital have a history of manufacturing development?
No.

How did Shift Capital develop capacity for a manufacturing real estate project?
The MaKen buildings were part of Shift Capital's comprehensive neighborhood strategy. They believe both MaKen Studios North and South will serve as a catalyst to activate and energize the community. These buildings connect the dots between transit-oriented development, economic development, and quality of life. Shift Capital believes creating affordable space for small businesses, makers, and manufacturers will lead to an economic infusion into the neighborhood through job creation, and help improve the health and safety of the community.

Does the neighborhood around both MaKens have a history of manufacturing?
Yes. The Kensington and

Shift Capital believes creating affordable space for small businesses, makers, and manufacturers will lead to an economic infusion into the neighborhood through job creation, and help improve the health and safety of the community.

Harrowgate neighborhoods used to be major workforce neighborhoods for sectors like manufacturing.

How important is it to maintain fabrication activity in the MaKen buildings?
There is not an explicit rule to preserve fabrication in either of the buildings.

What role did the board play in these projects?
Shift's Capital board was influential in the startup phase of Shift Capital itself, but the company has since transitioned out of a traditional board and now works with its members on a need basis.

Any focus on inclusion and equity when selecting tenants?
Shift Capital does not have a formal process for curating a diverse tenant base, but they do look to find tenants that are value-aligned and committed to the neighborhood. Thirty-seven percent of commercial/industrial tenants in Shift Capital's real estate portfolio are minority or women-owned businesses.

Is Shift Capital involved in workforce or other initiatives outside of property management?
Yes. Shift Capital has created over 560 temporary jobs in construction/maintenance and created/brought into the neighborhood close to 490 jobs through its projects in Kensington and Harrowgate. There is no formal process to connect residents with jobs working for maker or manufacturer tenants, but Shift Capital said those connections have happened organically.

Is Shift Capital involved in creative placemaking work that involves tenants, the building, and residents from the neighborhood?

Shift Capital works with citywide programs like Philadelphia Open Studio Tours (POST), American Craft Council, and DesignPhiladelphia to connect the community with the craft of its tenants. Tenants are also involved with community outreach and creative activities that connect residents with artistic expression in the neighborhood.

> **There is no formal process to connect residents with jobs working for maker or manufacturer tenants, but Shift Capital said those connections have happened organically.**

What are partners doing to ensure manufacturers can afford to remain in the MaKen buildings even if market dynamics change in the neighborhood?
Kahn said they'll never increase rent on anyone more than three percent a year once Shift Capital achieves the rents they forecasted, which by design are meant to be the lowest in the class of properties they own.

What type of entity is the developer?
LLC.

Did Shift Capital receive assistance from local government?
Yes, the Philadelphia Industrial Development Corporation.

Were any zoning variances needed for this project?
No, apart from occupancy on a floor designated for events.

How many tenants are in the space?
There are roughly 55 tenants, most of which are in MaKen Studios North.

Are there opportunities for on-site equipment sharing?
No opportunities for shared services, other than moving equipment.

What are Shift Capital's sources of financing for the MaKen buildings?
Philadelphia Industrial Development Corporation, Goldman Sachs, Philadelphia Contributionship, and social impact investors.

What square footage options do tenants have?
In MaKen Studios North, spaces range between 500 sq. ft. to 3,500 sq. ft. MaKen Studios South consists of spaces that range from 1,500 sq. ft. up to open floors that are 9,000 to 25,000 sq. ft.

What is the rent per square foot?
At MaKen North, once Shift Capital achieves their target rental of $12 per sq. ft., they will increase rents by three percent per year. Spaces at MaKen South command "a slightly higher rent" than spaces at MaKen North, according to Shift Capital.

How long are the lease terms?
Leases are generally two years or longer.

Total square feet?
There are 90,000 leasable sq. ft. in MaKen Studios North and up to 110,000 leasable sq. ft. at MaKen Studios South.

150 HOOPER STREET
SAN FRANCISCO, CALIFORNIA

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150 Hooper Street holds the honor of being the first affordable space for manufacturers in San Francisco. It is also the city's first new manufacturing development in decades.

A $25-million project, 150 Hooper Street has four floors and 56,000 square feet. It currently has 12 tenants. At least 60 percent of the tenants' employees are from low-income backgrounds—a requirement put in place via 150 Hooper Street's use of New Markets Tax Credits.

PlaceMade, a subsidiary of SFMade and the local non-profit overseeing 150 Hooper Street, received major assistance to bring the building to life. Kilroy Properties, a real estate

At least 60 percent of the tenants' employees are from low-income backgrounds—a requirement put in place via 150 Hooper Street's use of New Markets Tax Credits.

developer, purchased the property where 150 Hooper stands in 2015. They donated the land that corresponds to 150 Hooper Street to PlaceMade as part of a development requirement.

The City of San Francisco also helped PlaceMade apply for New Markets Tax Credits. Capital One and the San Francisco Community Investment Fund came through as the New Markets Tax Credits investors, providing a total New Markets Tax Credits allocation of $24.4 million and $8.3 million in New Markets Tax Credits equity.

Community Vision (formerly the Northern California Community Loan Fund) and Amalgamated Bank rounded out support with $8.7 million in hard loans. The development also received $10 million in philanthropic support.

Humanmade will be one of the building's first major tenants. The community-focused makerspace takes up the entire 14,000 square feet of the building's fourth floor.

Humanmade offers a four- to eight-week job training program, training support to manufacturers, industry advisors focused on building skills and knowledge for entry-level jobs—all part of what they call "life-changing Workforce Development Certification programs".

Other confirmed tenants include an apparel patternmaker, medical device maker, machine shop, and an exoskeleton fabricator.

Q&A

Why does manufacturing matter to PlaceMade?
Because of the quality of jobs manufacturers provide, plus its contribution to innovation and industry broadly in the Bay Area.

Does PlaceMade have a history of manufacturing development?
This is PlaceMade's first development, but the non-profit real estate developer has vast knowledge of industrial space due to their work with SFMade's over 600 local manufacturers.

How did PlaceMade develop capacity for a manufacturing real estate project?
SFMade's extensive expertise of industrial buildings and infrastructure needs provided the basis of knowledge for the development.

How important is it to maintain fabrication activity in 150 Hooper Street?
The building is being managed by SFMade whose mission is to help manufacturers start, stay, and grow in San Francisco.

Any focus on inclusion and equity when selecting tenants?
At least 60 percent of the tenants' employees must be from a low-income background.

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Is PlaceMade involved in workforce or other initiatives outside of property management?
SFMade and its attending organizations like the Bay Area Urban Manufacturing initiative and Manufacture: San Jose help connect manufacturers with employees in the Bay Area. They work directly with workforce partners and youth programs throughout the Bay Area to ensure these jobs are made available to local residents.

What type of entity is the developer?
PlaceMade is a non-profit real estate developer.

Did PlaceMade receive assistance from local government?
Yes—the City of San Francisco assisted PlaceMade with securing federal tax credits.

How many tenants are in 150 Hooper Street?
Twelve.

What types of tenants are present?
Makers and manufacturers, like an apparel patternmaker, soft goods sewing factory, machine shop, beverage bottler and distributor, and a medical device manufacturer. Humanmade is 150 Hooper Street's largest tenant.

How many are production businesses?
Eleven.

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Were CDFIs involved in this project?
San Francisco Community Investment Fund and Community Vision are both CDFIs.

What was the size of the real estate deal?
$25 million.

What square footage options do tenants have?
Options range between 1,100 sq. ft. and 13,000 sq. ft.

What is the rent per square foot?
Production, distribution, and repair spaces are mostly being leased at $24 per sq. ft.—nearly 30 percent lower than market rates.

How does PlaceMade approach subdividing large spaces for multiple tenants?
The building was demised with different-sized units in mind to attract a diverse set of manufacturers. The units were delivered as a “warm shell” with finished walls, electricity, sinks, water, and lighting.

Total square feet?
56,000 sq. ft.

Conclusion

This report stems from our years-long fascination with real estate possibilities for the 21st century urban manufacturer. One of our goals was to show that a diverse range of mission-driven actors can champion these types of projects, like community development corporations, CDFIs, cooperatives, and others without backgrounds in manufacturing. Another goal was to gather useful insight from the models featured above and empower our broader membership with the information they need to begin addressing space needs for production businesses in their cities. It is the first of what we hope to be a series of similar UMA initiatives focusing on real estate.

From here, we'll be keeping an eye out for innovative projects we didn't cover in this report, like developments that blend light industrial and uses that were once considered incompatible with manufacturing, empty big box retail stores that convert into spaces for production businesses, and more. We're interested in seeing how our broader network is both bringing new spaces online and reconfiguring large, underutilized manufacturing buildings into spaces for multiple smaller manufacturing entrepreneurs. Spaces which support business networks and even benefit their surrounding neighborhoods are of a particular interest to UMA.

If there are any projects or concepts you believe we should be paying close attention to, please reach out to us at **info@urbanmfg.org**. We'd love to hear your thoughts.

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