Annual Report 2017

Creating Spaces and Places for Economic Growth
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Mission Statement

Regional Industrial Development Corporation of Southwestern Pennsylvania catalyzes and supports economic growth through high quality job creation, real estate development and the financing of projects that advance the public interest.

Through public, private and institutional partnerships, RIDC develops real estate to ensure the region can capture emerging and existing growth opportunities across diverse industry sectors.
At RIDC, we often talk about our role as a catalyst for economic development. In this report, we’ll show what that means – how an investment by RIDC can not only produce a successful project but can have long-term benefits for an entire community. We are able to take this approach because of our unique structure – a private sector developer that is also a mission driven not-for-profit – which enables us to view investments differently, with their long-term benefits to the community in mind, rather than short-term financial gain.

Two projects provide vivid illustrations of the value of that approach. The redevelopment of Mill 19 at Hazelwood Green is moving forward and providing a center of gravity for future development. Not only is it receiving great notices for its architectural design: a “building within a building” concept that will produce a new high-tech, three-story building within the pre-existing steel skeleton, and for the announcement that Carnegie Mellon University will become an anchor tenant, housing its Advanced Robotics for Manufacturing Institute and Manufacturing Futures Initiative, the building is already sparking additional private investment in the community.

Tech Forge, part of our Lawrenceville Technology Center, is now home to Caterpillar, the world’s largest construction equipment maker, which has leased space for robotics research, as well as Aurora Innovation, which develops hardware and software for autonomous vehicles. At the Chocolate Factory, also a part of the Lawrenceville Technology Center, we welcomed HEBI Robotics as a new tenant where they will join other fast-growing robotics firms such as RedZone Robotics, nanoGriptech and Helomics. RIDC’s revitalization of these two abandoned industrial buildings, both formerly owned by Heppenstall Steel Company, was one of the early sparks that led to the revitalization of the entire community.

When we acquired the 14-acre site in 2002, Lawrenceville’s renaissance was still years away, but this pioneering investment has played a catalytic role in transforming the neighborhood into a magnet for exciting new companies and talented young professionals. Most notably, redeveloping the markers of Pittsburgh’s past industry provided homes for early stage robotics companies and stoked what is now a new and fast-growing robotics industry in Lawrenceville and the Strip District. The area has been aptly dubbed “Robotics Row.”

I hope you enjoy reading more about Lawrenceville and other projects in this report – along with some of the media coverage that is increasingly positioning RIDC as a thought leader on economic development trends.
This is an exciting time to live and work in the Pittsburgh region – and a particularly gratifying time to be a part of RIDC. Pittsburgh has become a focus of international attention, with its reinvention and recent economic development standing as a model of urban revitalization. RIDC has been a key part of that story and has lit a spark in communities around the region by taking on major projects and creating community-wide momentum for investment and development.

For many parts of the country, old and unused former industrial sites become a financial and psychological drain for communities, off the tax rolls and standing as constant reminders of a past that no longer exists. Often lacking infrastructure and complicated by environmental issues, the simplest solution sometimes seems to be converting these rundown, obsolete facilities into warehouses or other similar uses. But long-term, they provide minimal municipal revenue and few jobs.

In Pittsburgh, because of RIDC, we have seen a different path forward. Our mission and our structure enable us to take on sometimes massive projects that require millions of dollars in upfront investment in infrastructure and remediation. We are in it for the long haul and work with community partners, both in government and private sectors, to turn these facilities of the past into valuable economic development assets of the present and future.

With RIDC sites and so many of the communities they reside in thriving, it is clear to me that RIDC remains an important player in our region’s efforts to attract major businesses and to nurture the early stage companies in the exciting industries that are going to be defining Southwestern Pennsylvania’s economy for many years to come.

S. Reynolds Clark
From news stories and coverage of events in local media to thought leadership articles in national publications describing RIDC’s unique role in economic development and community revitalization, we were more visible than ever in 2017. Here is a sampling of some of that coverage.
RIDC: If you build it, the robots will come

Robotics institute set to anchor Pittsburgh’s mammoth Almono development

Pittsburgh robotics firm signs lease in Lawrenceville

Meet Delphi, the self-driving car company in Pittsburgh that you probably don’t know much about

From Rust to Robust: Revamping Industrial Sites for Community Benefit

Robots And 3-D Printers Show Off At Hazelwood Green Tech Hub Preview

CMU finalizes deal to lease space at Hazelwood Green

After Ford investment, Argo searches for perfect headquarters spot in Pittsburgh

Here are the sites big enough to hold an Amazon headquarters

Uber plans Pennsylvania test track for self-driving vehicles

PUTTING ‘DEVELOPMENT’ IN ECONOMIC DEVELOPMENT

A private non-profit that puts the needs of the community above its own bottom line has developed a successful 7 million-square-foot portfolio of office and industrial space in southwest Pennsylvania.

By Jamie Lackey

What happens when a developer is more concerned with supporting job creation and generating tax revenue than with increasing profits? In 1966, the Allegheny Conference—a group of CEOs of the largest companies in southwestern Pennsylvania—developed a plan to work on community development. They wanted to mobilize private sector sources for public good, and they formed the Regional Industrial Development Corporation (RIDC), a private company operating as a non-profit with a mission to create jobs and enhance the tax base in 1 counties in southwestern Pennsylvania.

Originally the RIDC was created to market the region. However, when talking with local companies, we realized that many of them wanted to be in parks—but the region didn’t have any parks,” says Dr. Donald Smith, who has served as president of the RIDC since 2009.

UIDO. 16,000 square-foot green roof project at Lawrenceville Technology Center. Cellular Automation Group moved into one of the building’s four bays in October, and an autonomous driving company will take over two bays, leaving only one bay available for lease. The highbay workspace is fully conditioned and was designed with robotics companies in mind.
RIDC’s Impact: A Case History – Robotics Row

In reporting on the emergence of Robotics Row in Lawrenceville and the Strip District, GeekWire noted that:

“The rise of Robotics Row is as much about real estate as it is tech. A lot of these companies need big open spaces for research, development and testing. Pittsburgh’s stock of old mills and factories provide ample opportunities for these companies to find the space they need. . .

“The Regional Industrial Development Corp. had a lot to do with that. RIDC is a 63-year-old company that develops manufacturing, industrial and research and development space throughout the area. Don Smith, president of the company and another CMU alum, Senior Vice President Tim White, met me at a new R&D facility the company is building called Tech Forge. Just a couple blocks away from our other robotics stops, the building will be home to the automation division of construction machinery maker Caterpillar.

“White and his team have saved and reused countless old buildings, even though doing that can be more expensive and difficult. Companies want those big open spaces for R&D, and keeping past structures guarantees that at least some remnant of Pittsburgh history remains even as the city remakes itself yet again.

“Pittsburgh is a proud place,” Smith said. ‘We have a proud past. We were the place that made things and still are. And so people are very proud of that and very attached to that. You hear a lot of words like gritty and authentic and real. I think it’s because we preserved so much of the past and made the future fit in with the past rather than replacing it.”

RIDC: Playing a Unique Role

The Challenge:
Bringing large, obsolete, unused properties back to life and doing so in a way that is not only financially viable, but that serves the interests of the community as a whole.

Meeting That Challenge:
RIDC combines the community service orientation of a nonprofit entity with the entrepreneurial approach of a private sector business. As a private entity, we are able to function in much the same way as other private developers, but because we are a nonprofit, we are mission driven as well as market driven. Because of our large portfolio and strong balance sheet, we are able to make decisions with a longer-term view of success and profitability – with our investment decisions giving significant weight to the potential benefits to the community.
RIDC acquired the 14-acre former Heppenstall Steel Company site in 2002, which is about the same time Pittsburgh Magazine called Lawrenceville: “Once a blue-collar neighborhood more down-and-out than up-and-coming.”

However, with the site’s proximity to universities commercializing cutting edge research and development, we knew that a property like this one could become a valuable asset for the community and fill what we predicted would be an increasing future demand in the marketplace. We also saw the beginnings of a vibrant industry that could become stunted by a lack of suitable real estate, and the corresponding opportunity to create homes for businesses of the future by redeveloping the obsolete, abandoned old industrial sites of Pittsburgh’s past.

This project was not without its risks and certainly included significant initial costs, due to its prior use. The remediation process required the design and installation of vapor barriers to prevent vapor intrusion in all buildings and restrictions on the withdrawal of groundwater under the property. And all buildings to be razed needed to be environmentally remediated prior to demolition.

While most for profit developers cannot take a “build it and they will come approach,” RIDC’s structure enables us to take on projects with an economic and industry development vision in mind. And because RIDC is a mission driven, nonprofit entity, with a strong balance sheet and large portfolio of properties, we can take on speculative projects with significant upfront costs, take a longer time horizon, and be relatively flexible in our view of profitability.

Today, the section of the site that formerly housed a chocolate factory has been renovated into a multi occupancy, office/high tech manufacturing facility and the 71,000 square-foot building, now known as the Chocolate Factory, is home to some of Pittsburgh’s fastest-growing firms such as HEBI Robotics, RedZone Robotics, nanoGriptech, and Helomics.
The former Heppenstall building, a 30,000 square-foot heavy industrial high-bay facility, was built out for Carnegie Robotics, a spin-off from the nearby National Robotics Engineering Center (NREC). We are very pleased to say that we recently welcomed Caterpillar’s Pittsburgh Automation Center and Aurora Innovation to the Tech Forge building as new tenants, both working on developing automated vehicle technology. Tech Forge is an example of the new market segment – Tech Flex – which provides tech companies like these fully conditioned, amenity rich facilities.

Perhaps more important, RIDC was an early investor in Lawrenceville, a community that has become one of Pittsburgh’s great success stories. Today, Robotics Row is home to numerous companies, including major players like Uber, Ford-backed Argo AI, Apple, and Bosch.

Our 15-year history in Lawrenceville shows how critically important it is for someone to come forward and take the lead in developing future homes for new businesses. It also demonstrates to the many communities hoping to replicate that success the importance of starting somewhere – with one vacant steel mill, one abandoned chocolate factory and one project that lights the spark.
Comments from Key Players in the Region’s New Tech Economy

Uber Advanced Technologies Group
“RIDC has been a true partner and a great help to us in the early stages of our company. They are pro-innovation and they helped us create an environment that enables that. RIDC was great about supplying us with transition space as we grew. They gave us a home until we were ready to establish our own campus.”

Carnegie Mellon University/Advanced Robotics Manufacturing
“This state-of-the-art ARM headquarters in Mill 19 at Hazelwood Green is designed to meet the technology and workforce goals set by the ARM Institute.

ARM is proud to be based in Pittsburgh, PA, once the leading industrial economy in the world. Our hope is that the ecosystem created by Carnegie Mellon University and ARM, and supported by RIDC, at Hazelwood Green will catalyze the effort to bring Pittsburgh to the forefront of advanced manufacturing once again.”

HEBI Robotics
“We chose RIDC knowing we’re going to grow. They have the space and the willingness to work with us should we need to expand before our current lease is up. The proximity to other robotics companies is also very attractive.

I like to think that we have a trusted partner to help us make sure we have the right space at the right time. We like the fact that we can count on RIDC to have a large portfolio of options to work with.”

Near Earth Autonomy
“We fly sensors on full-sized helicopters towards visual targets, which requires a lot of space. Pittsburgh’s many industrial sites are perfect locations for this kind of testing and RIDC has played an important role in revitalizing these sites and giving access to robotics companies that need it. In other words, RIDC has played a crucial role in turning Pittsburgh from an industrial city to a technology and business city.”

Seegrid
“RIDC is helping us answer questions like: What should we look for in other spaces? What are our other RIDC options? Where should we go?

Robotics companies are a challenging business and unpredictable; there are always ups and downs. It’s good to be in a place that understands that and is flexible and accommodating. RIDC provided us with a mixed-use space not seen elsewhere, one that includes offices, a warehouse and manufacturing shop all in the same location.”
2017 Property Highlights

Mill 19 at Hazelwood Green
Our construction plans for Mill 19, a former steel mill that is a part of the Hazelwood Green site, have commenced and include the redevelopment of the property into a 264,000 square-foot complex offering light industrial, R+D, and office space with outdoor public amenities. It features a “building within a building” concept by including a new high-tech, 3-story building under the existing steel skeleton.

Carnegie Mellon University announced that it would lease two floors, or approximately two-thirds, of the first phase of the Mill 19 building. The cutting-edge facility will house research, development and office space for the nonprofit Advanced Robotics for Manufacturing Institute (ARM), a $250-million public-private collaborative catalyzed by CMU that puts new technologies to work for industry, and for CMU’s Manufacturing Futures Initiative (MFI), an interdisciplinary research initiative.

To build off this momentum and attract new corporate partners to Pittsburgh, we have completed the design and commenced site work for the second phase of Mill 19, a three story 70,000 square-foot building. To support this work, RIDC received $1 million from the Redevelopment Assistance Capital Program (RACP) grant from the Commonwealth of PA and a $6 million loan and $4 million grant from the Commonwealth Financing Authority.

Lawrenceville Technology Center
We took ownership of Heppenstall Steel’s former 14-acre industrial site in 2002 with the vision of creating an urban technology park. The section of the site that formerly housed an A&P storehouse then chocolate factory has been renovated into a multi occupancy, office/high-tech manufacturing facility. Named the Chocolate Factory, as a hat tip to its past, the 71,000 square-foot building is now home to some of Pittsburgh’s fastest-growing technology firms, including RedZone Robotics, nanoGriptech, Helomics and now HEBI Robotics, who signed a lease this year. The former Heppenstall building, a 30,000 square-foot heavy industrial high-bay facility, was recently built out for Carnegie Robotics, a spin-off from the nearby National Robotics Engineering Center (NREC). This industrial renovation project was recognized in 2017 by NAIOP as one of the top reuse projects in North America.

Helomics and Pittsburgh Life Sciences Greenhouse announced that they will establish an incubator at the Lawrenceville Technology Center focused on diagnostics and precision medicine.

Core and shell construction of the new Tech Forge building is complete. It is now home to Caterpillar’s Pittsburgh Automation Center.
RIDC Park in O’Hara
RIDC Park in O’Hara Township, once a 700-acre farm run by Allegheny County Workhouse prisoners, was our first development project, and one of the first planned industrial parks in the country. Today, it is 100% developed and home to over 130 companies and thousands of jobs. It is a prime real estate location in the competitive Northeastern Pittsburgh submarket and is the largest industrial park in the region, housing over 3.75 million square feet of office, industrial, manufacturing and warehouse space.

Aptiv, an autonomous vehicle development company formed when Delphi split into two separate companies, is expanding their presence in the park with plans to bring 100 jobs to the Pittsburgh region. Aptiv runs out of the original headquarters of Carnegie Mellon University's spinoff company Ottomatika, which became an RIDC tenant in 2015 and was acquired by Delphi that same year.

Park West Industrial Park
Located in the airport corridor off Interstate-376 Parkway West, our 500-acre Park West Industrial Park is home to some of the region’s largest companies. The original 340 acres was purchased from Westinghouse Electric Corporation. The park is 1.8 million square feet and home to more than 60 companies, including Dick’s Sporting Goods, US Airways, Eaton Electrical and Cigna. Approximately 60 acres remain available for future development. We own four buildings totaling 174,500 square feet.

Park tenant Seegrid, leader in connected self-driving vehicles for materials handling, announced record growth, adding new jobs and expanding its engineering, customer engagement, and deployment departments by 30%. They also announced that their self-driving vehicles have reached 1 million production miles at customer sites without a single personnel safety incident.

Keystone Commons
We bought the former Westinghouse Electric Corporation’s East Pittsburgh/Turtle Creek complex with the goal of redeveloping it into a world class, multi-use, urban industrial facility. Renamed Keystone Commons, we rehabilitated several of its original buildings which now house over 40 companies and employ about 1,100 people. The site features 2.25 million square feet of industrial, warehouse, manufacturing and office space.

One of our anchor tenants Intervala, a high-tech electronics manufacturing company that serves clients in the industrial, medical and transportation fields, signed a new five-year lease in the fall of 2017. The growing company now occupies three floors totaling 135,000 square feet of space. New gym operator Shape Training also signed a five-year lease.
**Industrial Center of McKeesport**
The 133-acre Industrial Center of McKeesport was once home to several metal tube and pipe mill companies like U.S. Steel. Starting in 1990, we phased plans for environmental remediation, selective demolition and the sale of miscellaneous scrap at the site, and since then we have renovated and converted four existing buildings and constructed two new facilities. We own eight buildings in the park totaling over 733,000 square feet, which are home to 8 companies that employ over 200 people. Privately-owned buildings in the park include Peoples Gas and Duquesne Light.

Pipe manufacturer Dura-Bond Industries leased the 317,000 square-foot idle U.S. Steel McKeesport plant from us with plans to reactivate the facility. PurePenn LLC also announced plans to build a 21,000 square-foot facility on 5 acres of land within the park with the option of adding an additional 5 acres.

RIDC tenant Consolidated Power is expanding and moved into the 1905 Roll Shop building onsite.

**Thorn Hill Industrial Park**
Located in Marshall and Cranberry Townships along the border of Allegheny and Butler counties, this 925-acre park totals 3 million square feet of industrial space. More than 100 companies occupy the park, including Mitsubishi Electric, Eaton, and rue21. The United States Post Office has a bulk mail facility on 75 acres of the park, and the Society of Automotive Engineers (SAE) has had its headquarters at the park since 1973. We own three buildings in the park totaling 174,000 square feet, along with 50 acres for future development.

In continuation of our successful joint venture with Elmhurst Group, who partnered with us to develop the now fully leased Commons at Thornhill, we will also be partnering with them to build a new flex industrial building and a new office building. The shell for the 60,000 square-foot flex building is expected to be completed in the third quarter. Construction of a new three-story office building will follow and total 75,000 square feet.

The Commonwealth Manor 2 building received numerous significant updates including a new façade, parking lot and roof. We also welcomed Retail Data Systems to the building as a new tenant and accommodated an expansion for existing tenant Microbac.

The developer of a pair of hotels constructed a Staybridge Suites on site with plans to also build a Holiday Inn Express. Both buildings will be four stories.
**City Center of Duquesne**

After taking control of former Duquesne Steel Works site in 1987, Allegheny County asked us to acquire and redevelop the 240-acre site in conjunction with the McKeesport Area Recovery Plan. We embarked on redeveloping this site when the adaptation of existing industrial sites was not common, and the framework we developed for tackling this site led to new state legislation. Since then, we have renovated six existing buildings and recently built a new 30,000 square-foot flex building that is now available for lease. In total, RIDC’s City Center of Duquesne is home to 15 companies, employing nearly 700 people. Seventy-eight acres remain available for development.

RIDC tenant KU Resources, an innovative environmental consulting firm that focuses on environmental management and site development engineering, is expanding in Linden Square to a total of 15,000 square feet.

**RIDC Westmoreland**

We are transforming the 2.8 million square-foot former Sony plant into a manufacturing space for multiple high-growth tenants. The building has large utility capacity, direct railroad access and excellent connections to the state highway system. Last summer, Siemens Energy division signed a new long-term lease and is now in the process of constructing a 60,000 square-foot addition to their existing 230,000 square feet of space.

RIDC Westmoreland is also home to major manufacturing tenants: DNP IMS America and Cenveo. Westmoreland County Community College opened an Advanced Technology Center in the building.

**Innovation Ridge**

A 223-acre advanced technology and office park located in Allegheny County, Innovation Ridge was taken over by RIDC in 2010. Half of the park has been set aside for primary conservation areas, forested and landscaped buffer zones, and various open spaces, and we have constructed a recreational trail through the site. Additionally, the park’s design includes a state-of-the-art grading plan that will preserve wetlands and slopes.

The construction of one onsite office building has been completed, another parcel was purchased in 2015 for additional development, and a section of the park contains residential executive townhouses by Ryan Homes. Currently, Innovation Ridge has 11 parcels totaling 80 acres available for office development.
2017 Financials

Source of Funds

- **64%** Financing
- **31%** Rent & Reimbursements
- **3%** Proceeds from Property Sales, Net
- **2%** Grants

Uses of Funds

- **48%** Development Expenditures
- **28%** Debt Service
- **10%** Property Maintenance & Utilities
- **7%** G&A
- **5%** Real Estate Taxes
- **2%** Professional Fees
7 Million+ Square Feet Owned

50 Buildings Owned

90+ Companies in our Facilities

$3.2 Million+ Real Estate Taxes

Capital Investment $33,100,000

Square Feet Renewed 980,350

Acres Sold 26.36

Total New & Expansion Leases 12

New & Expansion Leases 749,102 SF

New Financing $54,335,846
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