

Regional Industrial Development Corporation

One of the byproducts of the first Pittsburgh 'renaissance' was the incorporation of a regional non-profit development company that could meet the unfilled demand for office and industrial parks that was frustrating the Southwestern Pennsylvania Regional Commission and the Allegheny Conference on Economic Development. More than fifty years later the company, best known by its acronym RIDC, appointed a new president who was willing to ask some uncomfortable questions.

"My first job was to create a new strategic plan that answered the questions of what the RIDC's mission is today," says Dr. Donald J. Smith Jr., who became the RIDC's fifth president in January 2009. "We needed to examine our whole portfolio and ask if each property was a good fit for our mission. I also felt we needed to ask if there was still a need for the RIDC."

Don Smith is quick to joke that he knows a number of regional developers who might answer no to that question, but says that the mission of the RIDC still has plenty of life, even if the mission has morphed over time.

"The landscape of development is completely different now than in the mid-1950's," he explains. "We have plenty of local developers with a great deal of sophistication to meet the demand for new construction of office and industrial properties, but there are still a lot of properties that are strategic to the region but risk/reward dynamics aren't attractive to a for profit developer. There is still a role for an entity that can take on projects with lower returns, which require a longer horizon for development."



RIDC president Donald Smith Jr. PhD

The RIDC was founded in August 1955 with the aim of enabling industrial development and job creation. Through its first four years the corporation followed the direction of promoting the region and trying to find an identity or mission. In May of 1959 the board of directors moth-

balled the RIDC with the intention of reorganizing with more specific plans.

In January 1962 the board reorganized the RIDC to create the business parks that the SPRC and the Allegheny Conference felt were needed to rejuvenate the region's economy. Robert H. Ryan was named the president of the new RIDC. The steel industry was more than capable of driving the local economy but the economic development agencies had a vision of a regional economy less dependent on steel (and less vulnerable to its cycles). Both agencies found their attempts to attract new businesses to the region floundered as much because the region did not have the office/industrial product that other cities had. Many of these cities were in the south and west, and were emerging from an agricultural based economy. Land and incentives were plentiful there. In the older industrial cities, such real estate products were less common. Without demand, the few local developers didn't try to create inventory and had little experience to draw upon to create business parks.

RIDC began putting the new mission into action the following year, acquiring 700 acres of the Allegheny County Workhouse and Inebriation Asylum, a work farm in the county's justice system, in O'Hara Township. The goal was to invest \$40 million to create 5,000 jobs over ten years. With access to PA Industrial Development Authority (PIDA) loans and state grants, the RIDC built the infrastructure and started the first building, for Globe Ticket Co., in 1965. Within five years the RIDC had disbursed \$7 million for development in the RIDC Industrial Park; another \$21 million in PIDA loans had been made to businesses locating there and 300 acres had been taken down, creating 4,000 jobs. By 1980, the park included 107 buildings that were home to 11,000 jobs.

The first twenty years of the reorganized RIDC of Southwestern PA saw accelerated growth in pursuing its mission. In 1968 the agreements were signed with the county to acquire the Thorn Hill Youth Development Center's 1,400 acres for the development of the Thorn Hill Industrial Park, which welcomed its first building in 1971 when the USPS Bulk Mail Facility was built. And in 1976, RIDC acquired 340 acres in Findlay Township from Westinghouse to create the RIDC Park West, which was established as a foreign trade zone. By 1980 the first three buildings were underway there.

RIDC was initially funded through a combination of foundation grants, private donations and government sources. Through the successful development of its industrial parks, it was able to plow excess revenues over expenses, what would have been profits, into further developments.



The Industry Center of McKeesport lies between the Fifth Avenue corridor and the Youghiogheny River on the site of the former USSteel plant.

By the time Frank Brooks Robinson Sr. became RIDC's president in 1981, the regional economic landscape had shifted radically. While development of the three industrial parks would continue, along with a handful of individual projects, the RIDC began to shift its mission to align with new regional needs.

"The dislocation of heavy industry became the region's number one issue in the late 1970's and 1980's," says Don Smith. "Beyond the loss of jobs the abandoned sites were very difficult to deal with. They had bad environmental problems, bad buildings and the towns the plants were in simply had no money to fix the problems. RIDC saw an opportunity to take on projects that for-profit developers couldn't, and take a long-term approach even though that was less lucrative."

Beginning in the mid-1980's the RIDC made agreements to acquire former industrial sites in McKeesport, Duquesne and the former Westinghouse Electric facilities in Turtle Creek. The latter became the property known

now as Keystone Commons. Acquired in 1989, the existing facilities encompassed 4.2 million square feet on 91 acres. After redevelopment of roughly half the space, Keystone Commons became the largest industrial re-use site in Pennsylvania history, with 2.2 million square feet under roof accounting for over 1,000 jobs.

These projects fit what Don Smith sees as the 'go to' nature of the RIDC, a quality he jokingly says makes them the 'developer of last resort.' "Although it's a private entity, the RIDC is public oriented in its response to regional needs," he says. "The redevelopment of those industrial sites and brownfields was a huge need that the private sector just couldn't make economic sense of and turn a reasonable profit. As a non-profit we have the luxury of putting public need first."

Smith explains that the public need is what led the RIDC into some uncharted waters, like the 117-unit Penn Garrison Apartment project downtown, and its long relationship with Carnegie Mellon University.



The original RIDC Industrial Park in O'Hara Township still contains roughly a dozen buildings owned by the RIDC.

"Universities don't want to be in the commercial real estate business. We can be the interface between them and the private companies who want to do technology transfer with the university research," he explains. When CMU wanted to create the Collaborative Innovation Center to leverage its cutting edge technology research, it was faced with development issues that were well beyond the realm of college facilities, and which would have stopped a for-profit developer in its tracks. "Because of the location on the side of a ravine the project was very difficult and expensive. To get the rent needed to justify the development costs would have made the building commercially untenable," Smith says. "But the public benefit – jobs and new technology – was as important as the private benefit of profitable development."

Smith is keenly aware too that the RIDC cannot behave as though its portfolio performance doesn't matter. His board expects the corporation to maintain a focus on keeping its expenses below revenues. Smith relishes the opportunity to take a hard look at the portfolio and to develop a correlating strategy that keeps the RIDC relevant.

Asked about the RIDC over the next ten years, Smith warms to the task.

"I think the RIDC's future is one that focuses more on partnerships. We now operate in an environment that has a strong development community but one that is tougher for financing, and we need to look at partnering with for-

profit developers. Another of our imperatives as a non-profit is to be a better communicator to the municipalities, developers, tenants and the region as a whole." His belief is that the new regional need is pretty clear. "In the next ten years we'll focus on technology because that's where the future of Pittsburgh's economy is," he says. "Pittsburgh today is a phenomenal success story, but not all the chapters have been written. RIDC will play a role in seeing the next chapters unfold."

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