



BAKERY SQUARE IN EAST LIBERTY (NABISCO FACTORY)

LOCATION: Pittsburgh, PA

SIZE: 6 acres

FEATURES: Proximity to Downtown

OWNER: Walnut Capital

CURRENT USE: Retail Space, Office Space, Fitness Center, and Hotel

PAST USE: Nabisco Factory

CONTAMINANTS: Asbestos, PCBs, and Lead-Based Paint

TOTAL ACTUAL COST: \$113 million (projected)

TIMELINE

1918 The Nabisco Bakery is built.

1998 Nabisco Factory closes.

1999 RIDC takes control of the building.

2004 The Bake-Line Group declares bankruptcy.

2006 City of Pittsburgh declares site as "blighted."

2007 RIDC receives DEP grant for environmental remediation.

2007 Environmental remediation begins.

2007 Walnut Capital purchases the property from the RIDC.

2007 Construction begins on the site.

HISTORY

In 1918 the Nabisco Bakery was built in the East Liberty neighborhood of Pittsburgh as part of a nationwide expansion by the National Biscuit Company. The Regional Industrial Development Corporation (RIDC) bought the plant in 1999 after Nabisco closed the plant's doors. RIDC leased the building to Atlantic Baking Company. During the peak of production, the company had seven plants and 1,300 employees. It was eventually taken over by the Bake-Line Group.

However, the group declared bankruptcy in January 2004, closing all seven plants and ending jobs for 290 bakery workers. The building has remained vacant since then, and was even declared as "blighted" by the City of Pittsburgh in 2006.

A year after this declaration, a developer, Walnut Capital, came forward with plans for redevelopment. Walnut Capital dubbed the project "Bakery Square," recognizing the site's history in the production of baked goods.

TOPOGRAPHY

The Bakery Square development resides in Pittsburgh's East End and is less than six miles from the heart of downtown Pittsburgh.



Photo courtesy of The Strategic Investment Fund



Picture courtesy of Google Earth

MARKET CONDITIONS

This area, the East Liberty neighborhood of Pittsburgh, is densely populated with 350,000 people residing within a 5-mile radius of the site; 575,000 within 7 miles. This consumer base is affluent (100,000 people in the trade area have an average household of \$81,774/year.), young (the average age is 35.5 years.), and educated (52% of the population within a 1-mile radius are college educated or above.).

This development plans to address the area's hotel and retail demand, spurred by nearby hospitals and universities. The site also sits across the street from Mellon Park on Penn Avenue, and less than a block from the major urban commuting avenues, Fifth Avenue and Washington Boulevard.

SITE ASSEMBLY AND CONTROL

This site passed through many hands before it reached Walnut Capital for redevelopment. For the majority of the 20th Century, the Nabisco Company owned the factory. When the East Liberty location closed in 1998, the RIDC took over and leased the property to Atlantic Baking Company. The factory was eventually leased to the Bake-Line Group of Oak Brook, Ill until it declared bankruptcy in 2004.

Walnut Capital purchased the property for \$5.4 million from the RIDC in 2007, and the property is currently under Urban Industrial Zoning.



Photo courtesy of the official Bakery Square website

ENVIRONMENTAL PROBLEMS

The site received a \$1 million grant from the state Department of Environmental Protection towards environmental remediation. The property was found to contain asbestos, PCBs, underground storage tanks (UST), and lead-based paint. The RIDC held an environmental site assessment before Walnut Capital entered the picture, and they dealt with the removal of drums of hazardous materials and USTs. The RIDC contributed an additional \$335,000 towards the clean-up.

Walnut Capital updated that site assessment in May 2007 and, with \$1 million, capsulated the asbestos and lead paint. After the contamination was abated, another site assessment was taken. The site was cleaned up according to state regulations.

SOCIAL / COMMUNITY INFRASTRUCTURE

Walnut Capital contacted the community before redeveloping the former Nabisco factory, specifically council members and East Liberty Development, Inc. (ELDI).



Artist's rendering of Bakery Square

Picture courtesy of official Bakery Square website

PHYSICAL INFRASTRUCTURE

The developers deemed road access improvements vital to the redevelopment. One-way traffic along most of East Liberty's Penn Circle is one of the biggest barriers of growth in the area. The project of rerouting East Liberty for two-way traffic is expected to cost \$2.8 million. Of that, \$2.5 million will be financed with new tax revenue from Bakery Square. The rest of the \$10 million in tax increment financing (TIF) is used to pay property taxes, and improve traffic signals.

In 2007, the news reported negotiations with the Port Authority to establish a bus station opposite the development.

Bakery Square plans also include a 932-vehicle garage in addition to the 99 surface parking.

COSTS & ECONOMIC INFRASTRUCTURE

The total cost for Bakery Square is projected to be between \$105 and \$125 million. This amount includes a mix of private and public funding; however, over 90% of the total cost is sponsored by private sources. The development received historic tax credits, \$10 million state loans in tax-exempt financing, and money from the Urban Redevelopment Authority. The state's Commonwealth Financing Authority approved the loan under the Building PA program. The project's TIF funds will be used to help finance the parking garage and infrastructure improvements. Also, the DEP contributed \$1 million for remediation.



Artist's rendering of Bakery Square
Picture courtesy of official Bakery Square website

CURRENT STATUS AND LESSONS LEARNED

Walnut Capital was able to keep the factory as part of its development and add a tower, while only demolishing a section of the site's three-story structure. The rest was refurbished. Three or four buildings on the site are to be devoted to retail, and one is designated to be a hotel. The Marriot Spring Hill Suites hotel was planned as part of a joint venture with locally-based Concord Hospitality.

Urban Active, a national upscale fitness center chain, is designated to occupy Bakery Square's 41,550-square-foot fitness center in the spring of 2009.

This development has also pursued LEED green building certification. It has been separated into two projects: one using the existing Nabisco factory building and the other encompasses all the adjacent newly constructed retail buildings. While the latter targets a LEED Certification, the former targets a LEED Silver or better because of its adaptive reuse of the building. Its architect, Astorino, has a sustainable design strategy that includes the use of on-site renewable energy technologies such as photovoltaic panels and roof-mounted wind turbines, a green roof, and recycled building materials. Walnut Capital also plans to incorporate education and outreach components by displaying educational material in the development.

Along with sustainability design, public funds took a major role in this development. A representative from the Urban Redevelopment Authority said that without financial backing from TIF, the project would have been one-tenth the size.

ECONOMIC/COMMUNITY IMPACT

Since the spread of suburbanization in the 1960's, East Liberty had been on a decline. Nearly twenty years passed before the creation of a nonprofit community development corporation, ELDI. Their efforts in the 1980's are gradually pulling East Liberty out of this descent; ELDI attracted approximately 200 new businesses and over \$80 million in new investment since the 1980's, including this development.

The state expects Bakery Square to create 1,600 jobs. Of those, 560 are office jobs and 600+ will go towards the retail and dining industry that will be created at the site. In summer 2008, Walnut Capital reported that it is working on lease agreements for the development's 216,080 square feet of office space, 136,460 square feet of retail space, 110-room hotel, and 38 residential units.



Artist's rendering of Bakery Square
Picture courtesy of official Bakery Square website

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Case Study Completed
Summer 2008