



# CORK FACTORY LOFTS (ARMSTRONG CORK FACTORY)

**LOCATION:** Pittsburgh, PA

**SIZE:** 4 acres

**FEATURES:** Located Near Downtown,  
Public Transportation, Waterfront

**OWNER:** McCaffery Interests/Big River  
Development L.P. of Chicago, Charles  
Hammel III, & Robert Beynon

**CURRENT USE:** Loft and Retail Space

**PAST USE:** Cork Factory

**CONTAMINANTS:** VOCs, SVOCs,  
Benzo(a) pyrene, TCE, Benzene, Methyl  
Chloride, Arsenic, Mercury, Asbestos,  
and Lead Paint

**TOTAL ACTUAL COST:** Over \$78 million

## TIMELINE

1860 Thomas M. Armstrong starts the Armstrong  
Cork Co.

1901 Armstrong Cork Co. factory in the Strip  
District is built.

1974 The factory closes.

1996 Hammel and Beynon buy the property in  
bankruptcy court sale.

2004 Buildings on the site are designated historic  
landmarks.

2004 Daniel McCaffery Interests of Chicago  
becomes new general partner in the site's  
development.

2005 Construction on the Cork Factory Lofts  
begins.

2006 The parking structure is completed.

2006 The lofts are available for lease in November.

2007 Construction on the Cork Factory Lofts and  
garage is completed.

2008 Construction on the marina is completed.

2008 The garage's retail complex opens.  
(projected)

## HISTORY

In 1860, Thomas M. Armstrong and John D. Glass started the Armstrong Cork Co. by carving bottle stoppers from cork by hand. After a fire at its original factory location in the Strip District, a massive new building was constructed in 1901. The factory reached its peak in production by 1930 when 1,300 people were employed. However, by the time the factory closed in 1974, there were only 300 employees.

Since the closing, many developments failed at the site, including those led by York Hannover, Preservation Investments Inc. of Boston, and Landmark America of Maine. They were unsuccessful because of the lack of funding for redevelopment.

In 2004, Daniel McCaffery Interests of Chicago stepped in to finance redevelopment. All three of the structures on site were salvaged and renovated according to historic landmark guidelines.

## TOPOGRAPHY

The Cork Factory site is bounded by the Allegheny River to the north and Grant's Hill to the south (the high hill east of the confluence of the three rivers) in Pittsburgh. The site is located in the Lawrenceville Enterprise Zone, two miles from downtown in Pittsburgh's Historic Market District, also known as the Strip District - a narrow piece of land located on a flood plain.



Photo courtesy of Pittsburgh History & Landmarks Foundation



Picture courtesy of Google Earth

## MARKET CONDITIONS

The Cork Factory Lofts is located in the Strip District near downtown. In addition to its proximity to the city, the Strip District is a wholesale area with its own distinct personality - a mixture of groceries, restaurants, and vendors lining the streets. Recent counts indicate that 22,406 cars enter the Strip and 24,800 individuals use the bus to access the Strip District daily. The Strip District is not residential, but several locations in the area have also been converted into loft housing: Brake House Lofts and the Otto Milk Building.

## SITE ASSEMBLY AND CONTROL

This site includes two parcels: the former Armstrong Cork Factory and a portion of the Smallman Street Property. While the Cork Factory was a cork-manufacturing plant from the 1900's to 1970's,

the Smallman Street Property was a small machine shop and meat packing plant from the late 1800s until the 1930's.

Before Armstrong Square, Inc. acquired the property, the site belonged to Stonecraft Trade Center, Inc. In April 1996, long after the Cork Factory's closing, Charles Hammell III, owner of Pitt-Ohio Express (a trucking company), and Robert Beynon of Beynon & Co. Inc. (a commercial real estate brokerage and insurance firm) acquired the property. The site sold for just over \$1 million at a bankruptcy sale from former owners, Bert Slutsky and Barney Silverman.

The adjacent Smallman Street Property belonged to the Consolidated Rail Corporation, The Strip Corporation, Landand Company, and Morrison & McCluan, Inc. CLH Properties, Inc. owned the entire Smallman Street Property by the late 1990's.

The residential and commercial use of this site is consistent with the site's existing zoning and land use laws.

## ENVIRONMENTAL PROBLEMS

Because many developers had an interest in this site, the Cork Factory received a number of Phase I and II Environmental Site Assessments before McCaffery Interests of Chicago entered the picture in 2004. According to the Pennsylvania Land Recycling and Environmental Remediation Standards Act (Act 2), the property met the requirements of a Special Industrial Area and the developers signed a Consent Order and Agreement (COA) between the Department of Environmental Protection and Big River Development, LP of Chicago. In October 2003, Big River submitted a Baseline Environmental Report prepared by Civil & Environmental Consultants, Inc.

In 2004, Big River discovered two abandoned underground storage tanks near the former boiler house. One of these tanks held compressed air so it was relatively empty, while the other held a small amount of heating oil. There is no evidence of leaks from either tank. The tanks were removed and disposed.

Regulated contaminants, benzo(a)pyrene and TCE, were found in one-to-two foot surface soils. Those contaminants exceeded the Medium Specific Concentration (MSC) for residential property. Additionally, benzo(a)pyrene, TCE, benzene, methyl chloride, arsenic, and mercury were found in waste pile material. Those contaminants exceeded direct contact for residential property, but they did not for nonresidential property.

Several volatile organic compounds, one semi-volatile organic compound, and two metals were found in the groundwater. Asbestos-containing materials and lead-based paint were found in the buildings on the site. Also, vapor contamination was well below indoor air quality thresholds.

Because of the vapor contamination's low concentration, chemical of potential indoor air concern (COPIAC) was not a concern for the site.

Also, based on findings of the risk assessment, Big River did not remove the metals, VOCs, and SVOCs in the soil and groundwater. The control of these substances is enough to allow safe residential and commercial

use of the site. In order to do so, Big River eliminated potential pathways to these contaminants by prohibiting groundwater use, constructing and maintaining engineering controls – like buildings and pavement – in those contaminated areas, and abating



Artist's rendering courtesy of Daniel McCaffery Interests

asbestos and lead-based paint. The contaminants were managed according to the Site-Specific Cleanup Standard.

The COA cited that remediation must be completed on or before December 30, 2007.

**SOCIAL/COMMUNITY INFRASTRUCTURE**

The local community group, Neighbors in the Strip (NITS), evolved from the Strip Business Merchants Association with the goal of promoting the Strip's economic development opportunities, while keeping its unique character. Since the redevelopment of the Cork Factory meant preservation of the history of the factory and more opportunities for an underutilized area, NITS has been an active supporter of this development. The group worked with the developers as a facilitator, assisting with zoning hearings, rentals, and marketing.



Parking Garage - July 10, 2008

**Project Financing Sources\***

\$43,700,000	Bank Financing
\$15,055,997	Private Cash Contribution
\$760,000	Growing Greener II Grant
\$2,100,000	Equity
\$2,900,000	Land Contribution
\$800,000	URA Public Space Improvement Grant
\$1,857,118	Façade Easement
\$7,872,882	Pentrust & Federal Historic Tax Credits
\$2,040,654	Federal Historic Tax Credits
\$750,000	RACP Grant for Parking Garage
\$50,000	CRP Grant for Public Art and Trail Design
\$135,000	C2P2 Grant
\$500,000	RACP Grant for Retail Core and Shell

**\$78,521,651 TOTAL** \*July 2008 Figures

**Financing Breakdown\***

\$60,115,847	Construction Hard Costs (includes garage, Cork Factory, & public space improvements)
\$10,659,488	Development Soft Costs
\$3,189,646	Construction Pd Interest
\$2,556,670	Riverwall and Walking Trail Design/Engineering and Construction
\$2,000,000	Retail Core and Shell
<b>\$78,521,651 TOTAL</b>	

\*July 2008 Figures

**PHYSICAL INFRASTRUCTURE**

Because of the Cork Factory's close vicinity to downtown, public transportation is readily available near the area, several blocks away from the site.

Limited parking in the Strip District was remedied in 2006 with the addition of a three-level, 126,000 sq. ft mixed-use parking structure built on the Smallman Sreet Property. The total amount for this project's construction is \$6,396,285. The structure can accommodate 427 parking spaces and approximately 47,000 square feet of ground level retail space.

All of the site's utilities were nonexistent prior to construction.

**COSTS & ECONOMIC INFRASTRUCTURE**

The majority of the development was privately financed; although federal tax credits from the National Park Service for historic sites cover some of the costs. The developers sold these credits to Sherwin-Williams Co. of Cleveland for \$8.5 million.

Due to the limited time frame for remediation, environmental clean-up was mostly privately funded. Public funding in the form of historic tax credits was used towards asbestos and lead-paint abatement.

The total amount of public grant funds are \$2.995 million or 2.8% of total cost.

**CURRENT STATUS AND LESSONS LEARNED**

The 383,000 square foot factory was renovated into a 297-unit luxury apartment complex. These units include studio, one, two or three bedroom loft style apartments with the average unit being 1,018 sft. Two of the buildings are seven floors, while the third is ten floors.

Developers were careful to meet Pittsburgh Historic Review Commission approval because the buildings were designed by notable Pittsburgh architect Frederick Osterling and designated national historic landmarks in 2004.

The parking structure's anchor tenants include Cioppino Seafood and Chop House and Right By Nature Organic Grocery. The restaurant will occupy 10,000 square feet of this space, while the natural foods market will occupy 15,000-18,000 square feet. The remaining space is planned to be leased to a wine and cigar bar and a specialty grocery store – all local operators.

In June 2008, the 60 slip boat marina on the Allegheny River was completed. It was made for the exclusive use of Cork Factory residents.



Artist's rendering of riverwalk  
Picture courtesy of Carl Walker Construction

The completion of the walking trail depends on funding to extend the riverwall. The riverwalk is projected to be completed by Spring 2009 and is estimated to cost \$2.2 million.

The prior multiple setbacks in the development of this site place a huge emphasis on the importance of private and public funding. The site's designation on the National Register of Historic Places availed some funds, although it restricted design plans according to the history of the development.



Cork Factory Lofts - July 10, 2008

### ECONOMIC/COMMUNITY IMPACT

The project was estimated to generate 325,000 job hours and \$20,145,000 in wages and benefits for union construction workers. The rental rate is higher than the management at the Cork Factory predicted. At the grand opening of the lofts in 2007, it was announced that already 45% of the complex, or 135 units, were rented.

Case Study Completed Summer 2008 by Melinda Angeles



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