International Downtown Association
Advisory Panel Report
Pittsburgh Downtown Partnership
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Downtown Living – A Legacy and a Challenge
Pittsburgh was one of the earliest downtowns to develop new market rate downtown housing. With the launching of the Renaissance I urban renewal project in 1950, great swaths of land were cleared to make way for shiny new office towers and Point State Park. The Gateway Towers, part of Renaissance I, was built in 1964 when few other cities were even contemplating new downtown housing. In the 1980s, the Pennsylvanian, the conversion of an historic train depot built in 1900, opened near the Strip District as part of Renaissance II. But while a number of market rate residential developments have occurred in recent years, downtown Pittsburgh has not seen the rapid growth in the number of downtown residential units many comparably sized cities have seen.

Why is this? Pittsburgh’s mayors, from Richard Caliguiri to Tom Murphy to Luke Ravenstahl, have been committed to a vibrant and healthy downtown. Pittsburgh’s Urban Redevelopment Authority (URA), the first entity of this type in the nation, has a long history of supporting downtown redevelopment. Pittsburgh’s developers have shown they know how to build attractive downtown living units. Pittsburgh’s foundations, among the most well endowed in the US for a city this size, have committed millions of dollars to projects in downtown, including several valuable studies. The Pittsburgh Cultural Trust has created a world-renowned theater and arts district in the heart of downtown. Access to downtown is good from all directions by car (though somewhat impeded by tunnels) and access by public transit is excellent, with downtown connecting to neighborhoods and suburbs by a light rail line and two exclusive right-of-way busways. Many cities would give their eye teeth for the vistas downtown Pittsburgh residents often take for granted, with three gleaming rivers and soaring hills surrounding the central business district.

Yet other cities have far outpaced Pittsburgh in the production and marketing of downtown housing. Cities like Denver, Milwaukee, Philadelphia, Portland, Seattle, Minneapolis and Memphis all have several thousand more downtown residents than does Pittsburgh.

For several years, the Pittsburgh Downtown Partnership (PDP) has worked in various ways to solve this mystery and increase the number of people living in downtown. In May of 2010, the Partnership invited the International Downtown Association and Civitas Consultants LLC to gather a group of experts and conduct an IDA Advisory Panel to better define the challenges Pittsburgh faces, and recommend specific steps that can be taken to accelerate the production and marketing of downtown living opportunities.
The challenge for the Panel, and for PDP, is to clearly understand and define the obstacles that have made it difficult to build downtown housing, to assess the resources and tools that are available to downtown housing developers, and to create a “road map,” an action plan, for PDP, that will in turn also offer guidance to the City of Pittsburgh, the Urban Redevelopment Authority, local foundations, developers and lenders, and other key players to follow and implement, with the ultimate aim being to increase significantly downtown housing production and downtown living.

The Advisory Panel was led by IDA’s former president and current President, Civitas Consultants LLC, David Feehan, and included Barry Alberts, Managing Partner, City Visions Associates) Bill Dietrich, President and CEO, Downtown Council of Kansas City, Laurie Schwartz, President, LS Consulting, Laurie Volk, Managing Director, Zimmerman Volk Associates, and David Vos, Development Project Manager for The Alexander Company, Inc. Bios for the panelists can be found in the appendix. The Panel’s visit included walking and driving tours of both downtown and adjoining “in-town” neighborhoods, a full day of interviews with various downtown stakeholders, and hours of deliberation recording observations, refining conclusions and developing recommendations.

This report summarizes the work of the Advisory Panel.

Observations and Conclusions

- **National Downtown Living Trends**
  The explosion in downtown living throughout the United States has been fueled by several demographic trends.

  - Aging boomers are now empty nesters, free from the expense of raising children, and wanting to be free as well from the responsibilities of maintaining large suburban homes.
  - Young singles and couples, the so-called “echo boomers,” are finding the liveliness and walkability of downtowns to their liking, allowing them to socialize in a variety of planned and spontaneous ways.
  - Elementary and secondary schools, both public and private, have been appearing in and close to downtowns, thereby making it possible for even families with children to enjoy downtown living. (see right)
  - A major drop in crime over the past two decades has changed perceptions of downtown.
The undeniable effect of business improvement districts (BIDs) in making downtowns cleaner and safer, has made downtowns very marketable for condos, town homes, and apartments.

Downtowns are seen as a healthy choice in terms of a place to live. Because people who live downtown often work downtown, they can walk or bike to work.

Many downtown apartments and condos offer exercise facilities.

Specifically designated hiking and biking paths connect downtown with adjoining neighborhoods and parks, and with biking networks that range from state to state.

Access to intermodal transportation provides the ability to shed cars.

New downtown residential buildings are often built to high LEED standards.

The downtown housing market is currently trending toward rentals, not condos. There are several reasons for this. Older millennials, otherwise known as Generation Y or echo boomers (those born in the 1980s and 1990s) one of the primary markets for downtown living, are highly mobile, and find it often smarter and more convenient to rent. Buying a condo in today’s market is difficult as lenders are likely to require a 20% down payment and a 50% (or higher) presale threshold. Condos are typically finished with higher quality finishes, like granite countertops and better appliances, and are therefore more expensive to build and command higher prices as a result. Finally, the condo market in many downtowns became oversaturated during the building boom of the mid-2000s. While this may have caused condo builders to lower their prices somewhat, the market glut also probably scared away some potential buyers. However, financing both for builders and for buyers is seen in some markets to be loosening up, and the balance may shift back in coming years.

Regional and Local Downtown Living Trends

A trend observed by panelists is toward smaller, edgier units, because for many, downtown itself becomes a “living room” – a place to gather, to meet friends, to make new acquaintances, and to relax. These less expensive units are attracting younger downtown workers, who are mainly single or coupled but without children. These are often rental units.

Several writers have noticed a movement away from 20th Century goods-and-services economy to 21st Century experience economy – an economy where the purchase of things is almost secondary to the experiences that are sought and consumed. Joseph Pine and James Gilmore, in their seminal book The Experience Economy, list four types of sought-after experiences: entertainment, escapist, educational, and aesthetic. Downtowns are capable of delivering all of these. Pittsburgh, for example offers a wealth of entertainment options, from sporting events to
performing arts, festivals and nightclubs. Those seeking escape can find it in downtown churches and at Point State Park. Education can be found in Point Park University and elsewhere; and aesthetic pursuits can be satisfied in the Cultural District.

A trend that is present in Pittsburgh as well as other cities is the growing realization in neighborhoods that if downtown fails, neighborhoods themselves will have a much harder time succeeding. A couple of decades ago, it was easy to sound a “neighborhoods versus downtown interests” at City Council meetings and in the media; but today, there is a much greater appreciation of the symbiotic quality of this relationship.

People are seeking places to live based on neighborhood character as much as the unit itself. This trend is particularly strong when individual neighborhoods have a very strong and identifiable character. Some neighborhoods have strong ethnic identities, such as Bloomfield, Manchester, and Squirrel Hill. Some are more identified by architecture, history, the vistas they offer, or by a shopping district. Panelists asked the question: What is downtown’s character? Does it have a distinct and identifiable character, identity or personality? Panelists found that downtown’s “character” was not entirely clear. Panelists also noted that, given the desirability in many cities of river views, in Pittsburgh, access to the rivers seemed more important than views of the rivers.

Panelists concluded from numerous interviews and reviewing several studies that downtown Pittsburgh is attracting only a relatively narrow market given these downtown living trends. The relatively narrow market in downtown Pittsburgh is the result of the relatively narrow production of unit types, not that a relatively narrow group of people would consider living in downtown. A strategic focus for Pittsburgh must be the development of a range of housing products graduating from affordable small units to market rate condominiums. This provides a pathway for entry-level residents to grow with downtown. This is an important difference—it’s currently a supply-side problem, not a demand-side problem.

- **Observations on Previous Studies**

The Pittsburgh Downtown Partnership has commissioned a number of studies to help its board and staff better understand the downtown housing market and provide guidance for possible action.

Integra Realty Resources of Pittsburgh conducted a market analysis that was very recently completed to “provide a forecast of three factors: future housing demand in the Urban Core, the parameters of what constitutes a critical housing mass, and the time period it will take until a critical housing mass in the Urban Core is achieved.”
Integra’s key findings were:

- A forecast absorption 150 to 175 new units constructed each year, with 15% to 20% being condos.
  - In order to achieve a critical mass in Pittsburgh, there must be 10,000 to 12,000 downtown units.
  - It will take an estimated 16 to 40 years to reach critical mass.

IDA panelists found the data provided in the Integra study useful in demonstrating how far downtown Pittsburgh has come; however, they took issue with the study’s projections going forward; and also took issue with the linear forecasting by Integra. Panelists recommend that instead of an overall critical mass metric, PDP should focus on achieving more limited objectives in certain submarkets of downtown. Specifically, the PDP and its development partners should “drill down” into each submarket, identify residential development opportunities that support existing investments, and that have a catalytic potential to spark new development and synergy with the environment around them. For example, the submarket around Market Square has already shown potential; but converting upper floor in and around this important downtown plaza could have many beneficial effects.

One interesting study was conducted for PDP by Strategic Metrics Group. This study concluded by saying that “redevelopment efforts will have a greater chance of success if they address the needs of a wide range of socio-economic levels among workforce and students.”

The 2008 PDP Housing Year End Report involved a survey of downtown residents. The study looked at a “greater downtown” area that included the North Shore, South Shore, the Bluff/Lower Hill, and the “near” Strip district as well as the Golden Triangle. This study found roughly 4,600 non-student and 6,100 student residents in this larger area. The survey provided a picture of who currently lives downtown. As might be expected, few downtown residents (9%) were under 25. However, the breakdown showed a fairly even distribution of those over 25 (see below left), from 15% in the 35-44 category to 26% in the 25-34 category. Most of those responding were renters (78%) and almost half were married (46%). In terms of income, residents skewed toward upper levels, with 78% reporting household incomes in excess of $50,000 annually.

Panelists believe the trend toward rental units being more popular will continue in the next few years, and think smaller, more affordable units are missing from the Pittsburgh...
marketplace that might broaden downtown’s appeal to potential first-time residents.

- **Critical Mass**
  Reaching a certain number of housing units in downtown has been a goal in many cities. Occasionally various studies, including at least one done in Pittsburgh, have suggested that there is a magic number of units to support certain kinds of retail, particularly supermarkets. However, panelists think that because of the unique characteristics of Pittsburgh’s downtown – it compact size, density, and triangular shape – the idea of critical mass has less relevancy than specific targeted goals for residential investments that increase the number of units in strategically targeted downtown submarkets. This would have a meaningful impact on retail sales, restaurant sales, and other important cultural investments. For instance, PDP should analyze the South Shore District and determine a critical mass of housing needed to sustain that submarket, understanding that housing in the adjacent Golden Triangle submarket can contribute to that critical mass. Additionally, while housing may not be needed to sustain existing businesses in the Strip District, housing in this location is probably the easiest to achieve, and would benefit the adjacent Golden Triangle submarket, but probably less so, the once removed South Shore submarket.

While panelists believe that Pittsburgh should not concentrate on achieving an arbitrary number representing “critical mass” there was also unanimity among panel members that many local developers, lenders and city officials are misreading the size of the downtown housing market. The Integra study estimated that the market for downtown units was 175 per year, and this was based on historic trend data. However, many downtowns in cities of similar size have seen increments of 300-500 units per year, including Memphis, Denver and Minneapolis.

While more housing in downtown Pittsburgh in general is desirable, it was stressed that a more strategic approach would be to target particular downtown blocks or street lengths due to their ability to have more of an impact on a micro basis. These impacts may be to remove existing block-face gaps (vacant/under-utilized properties or surface parking lots), the ability to support adjacent retail viability, or to build off an existing healthy edge of residential development. While increasing the total supply of downtown units is an overall goal, a block-by-block approach is likely to yield more benefits from each individual new unit of supply.

- **The Pittsburgh Housing Market and Sub-markets**
  Identifying the boundaries of downtown helps to define the parameters {market and submarkets} upon which success can be measured. However, there was no general consensus among the interviewees on
exactly what constitutes downtown. Some consider only the CBD — that area bounded by the rivers (see right) and the Hill District. Others include areas of the North Shore and South Side. Still others include the Strip District or portions of it; the North Side as far as North Avenue; and portions of Uptown. Panelists considered these various definitions and agreed to use a somewhat conservative definition of downtown — namely, the CBD, the North Shore area across the 6th, 7th and 9th Street bridges (and including the new housing adjacent to the waterfront); and Station Square to the south. This definition specifically did not include East Carson Street historic district (flats and slopes). One panelist thought it useful to look at Downtown as a collection of neighborhoods, those “core” downtown neighborhoods and those that were “adjacent” Downtown neighborhoods, all defined by their lack of auto dependence and walkability.

Panelists learned from several studies and comments made by interviewees that the Pittsburgh housing market has been negatively affected by slow or no population growth for several decades. This has driven down housing prices, and made it difficult to finance and build new downtown housing, where cost per square foot significantly exceeds the cost of new (or existing) housing in city and suburban neighborhoods. While it is possible, for example, to buy a decent three-bedroom home on Mount Washington (though not on Grandview Avenue); on the South Side; on the North Side; and in many other close-in neighborhoods for less than $200,000, most downtown residents, while they may have looked in these neighborhoods (and according to a recent survey, many did) are not interested in a single family home, but are looking for condos or apartments that offer urban living with all that it offers.

There are condos and apartments in these “in-town” neighborhoods that might be more competitive with CBD units — for example, in the Strip District and immediately across the Allegheny River on the North Side and across the Monongahela River on the South Side offer close access to downtown via foot or bicycle, and an edgier style than a detached single family home might offer.

Further away but still competitive from an urban living point of view, homes in Oakland, Shadyside and Lawrenceville are close enough to downtown yet also close to public transit, and offer a variety of housing styles at reasonable prices. It must be kept in mind, however, that for many, downtown is the preferred choice if the right type of unit is available — and this is the crux of the problem — lack of availability of a broader range of housing types.
- **Marketing to Developers**
  Panelists perceived a need to proactively seek out individual developers or development teams who are experienced in downtown housing development. While expressing a healthy respect for the local developers with whom the panel met, panelists recommended steps to encourage other developers, including out-of-town developers, to take another look at the downtown residential market.

  Panelists encouraged PDP to consider creating a special downtown housing development group, and to market downtown to developers nationally. By packaging the current incentives with additional ways to close the financing gap, panelists believe overall housing production in downtown can be accelerated significantly. Specific program elements would include:

  - **Equity fund** – supported by downtown corporations, philanthropies
    multi-layered financing to assist with development gap, and/or land assemblage

  - **Marketing collaterals and campaign focused on:**
    - Potential regional residents
    - Buyers by market segment
    - Developers (“matchmaking” developers with projects)
    - Developer resource guide
    - Broker education program
    - Relocation Services
    - Employee incentive program

  *Overall, PDP must address, with the help of other key stakeholders, an effective way to manage the financing gap. Among the ways that might be effective in doing so, a broader range of products, a focus on smaller units, developing sources of patient money, and using URA to assemble sites should be considered.*

- **Marketing to Prospective Buyers and Renters**
  PDP’s efforts to market downtown to potential residents have been professional and effective, given the relatively small number and type of units that have been produced. Many of the developers interviewed by panelists reported good success in renting or selling the projects they have completed. However, the panelists saw opportunities that they believe are being missed to take a “laser” rather than “shotgun” approach to marketing. This could include marketing to existing downtown employees, new Pittsburgh residents recruited by major downtown firms, marketing through the local law firms which represent a major share of downtown tenants, and marketing to graduate students including medical and law, as well as graduating students who already live in or near
downtown. Empty nesters also represent a strong market, particularly those who already use and are comfortable with downtown [e.g. symphony and theatre attendees].

Clearly the PDP has already established strong working relationships with leasing and sales agents that have paid off.

Reaching many of these markets however requires building even stronger relationships with area stakeholders, including large employers, specifically, reaching out and connecting with HR Directors or office managers [within some companies the HR director is responsible for supporting new recruits, in other firms it’s the office manager, etc.]. Additionally, building relationships with key contacts at area educational and medical institutions can prove extremely beneficial.

In selling downtown living, the PDP is selling a lifestyle, and PDP can be most effective in selling on a ‘wholesale’ vs. retail basis – i.e. through others – whether they be the agents, employers or institutions of higher education. In selling through others PDP can play a critical function by arming the key contacts with important information they cannot easily assemble themselves; and provide connections between the key contacts’ employees or students, and the housing units.

Assembling information into downtown living marketing packages presents an opportunity for PDP. While the developers are selling or renting their properties, PDP is selling the downtown lifestyle (see left) so packages should include images of downtown living at its best: lots of photos of residents walking to work, walking to theatre or a ballgame; edgy units with beautiful views, parties on decks overlooking the downtown skyline. Packages can easily show the convenience of shopping – including to neighborhood specialty grocery shops or the proximity with a quick drive to grocery shopping options – including information on transit and Zipcar. Testimonials from existing residents – ideally with their photographs - should be spread liberally through the package, and information sheets on each rental and condo property should be included with contact information for each.

Opportunities to make downtown living presentations should be sought with area law firms, large employers, area ‘eds and meds’ particularly law firms attracting summer associations or recruiting new hires.

Tours already provided by PDP could be expanded to become twice a year bus tours for suburbanites and others to become acquainted with downtown living. Even if many attendees are not seen as the primary demographic, word of mouth can be a more powerful tool than any
advertising medium and should be capitalized upon. Tours should include visits to units of existing residents, where residents can provide living testimonials to the joys of downtown living and tours could conclude with cocktails at one of the buildings or a hip downtown café.

A significant Internet and social media presence is a must for any campaign promoting downtown living. A successful campaign will provide information on all the downtown attractions and latest happenings and openings downtown, and draw participants who will want to send their own tweets about the latest downtown find or cool space. A downtown living website can easily link directly to the sites of each downtown housing property as well as to area cultural attractions.

If available funding exists, a large image campaign would help support the overall effort, particularly when new inventory comes online. This could include paid advertisements in venues that attract the core demographic such as theatre playbills, university publications aimed at graduate students, local publications aimed at young professionals. Large banners hanging on all the downtown housing properties can help reinforce the growing number of options for downtown living and testimonials taped and placed on You Tube can reinforce the convenience and fun of Pittsburgh on one of the fastest growing websites nationally.

Finally, performing some key programming can help create even more of a ‘buzz’ around downtown living and further enhance the satisfaction of downtown residents. Creating a ‘live near your work’ program with area stakeholders and partners can provide another incentive to those individuals or couples considering downtown living but may be resisting due to condo costs. Programming music in area parks during after work hours could attract residents and help build a sense of community while also showing suburbanites leaving work and heading toward a congestion-filled commute home, another fun aspect of downtown living. Surely the suburbanites should be invited to participate, thereby providing opportunities to mingle with downtown residents hopefully chattering about the fun of living downtown and comparing notes about the latest openings. Working with area shops and restaurants to provide discounts to downtown residents could help increase the ‘value’ of living downtown and help draw more residents to their stores, showing those retailers that are reluctant to stay open later, the growing market that does already exist.

In sum, PDP is already playing an important role in promoting downtown living. To help build a stronger market and identity for the fun and convenience of downtown living, there is a range of ways PDP could continue to grow its marketing role.
Obstacles

Parking monetization and current parking conditions are viewed as current and future obstacles to downtown living and development. The City of Pittsburgh is well on the way to monetizing the public parking system by the end of the year in order to avoid a state takeover of the City’s pension fund. Whether this occurs or not, parking rates in downtown are certain to rise over the next several years; the only questions are how much and how rapidly this will occur. Several downtown residents described how downtown parking can be anything from a minor annoyance to a major impediment. Should the monetization process proceed as planned, it is extremely likely that the Pittsburgh Parking Authority will be constrained from building any new parking in downtown. In some downtowns, there is an adequate supply of parking to accommodate additional residents. This does not seem to be the case in most sub-districts within downtown Pittsburgh.

As mentioned earlier, lack of population growth is holding apartment rents and housing prices down. Developers are in business to make money. If rents or sales prices do not support the production of downtown living units, they will not build, unless subsidies of some kind, whether as tax abatements, concessionary financing, equity injections or outright grants are available.

Panelists believe developers are missing potential segments of market because of a narrow market mix. A closer look at who might live downtown and what kinds of units would attract them might reveal some as-yet untapped market niches. For example, rental units on Market Square leased up very quickly and are now fully leased. These units are smaller and cheaper, and are attracting a younger group of tenants. (see above right)

Assembling sites for any purpose in downtown is not often easy. Ownership of potential housing development sites in downtown Pittsburgh has sometimes proven difficult. A development of any large scale almost always involves multiple owners, some of whom may not reside in the city or the state. Local developers see the URA as often being more reactive than proactive in assembling sites. Developers believe if the URA took a more active role in site assembly, it could accelerate downtown residential development.

Other issues that were frequently mentioned as obstacles to downtown residential development were difficulties with certain public entities – PWSA was frequently mentioned, and occasionally there were problems with codes, permits, and loan approvals. Time is money, and developers urged the public sector to concentrate on providing more “green tape” and
less red tape. Many governmental agencies are using a green tape (or expedited review and approval) process for projects that meet certain community goals. This process can be applied to projects that provide downtown housing.

- **Opportunities**
  Panelists see a potential opportunity when larger downtown employers are recruiting workers who are relocating from outside the metro area. These employers could potentially package the benefits of living downtown, in cooperation with PDP. Having employees living close by has many advantages. Employers typically see fewer instances of lateness and absence, as employees who live downtown can walk to work even in inclement weather. Living downtown obviates the need for a parking or transit subsidy. Employees can actually go home for lunch or run errands over the lunch hour; and employees save huge amounts of time over the year by eliminating long commutes. PDP should pinpoint specific employee-assistance programs that the PDP staff should actively promote. For example, employers who currently contribute to the cost of employee parking could contribute this amount to the purchase of a residential unit, thereby helping to reduce the need for parking and stimulating downtown housing demand. This is a major recommendation of the panel.

Another potential opportunity is to capture graduating students, particularly those already living downtown or nearby. Point Park University and Duquesne University are downtown universities. The University of Pittsburgh, Carnegie Mellon University, and Carlow University are all close to downtown.

- **Developers and Developer Needs**
  Panelists met with a group of developers who have developed housing in downtown Pittsburgh. They are an experienced and savvy group, and have shown that they can produce attractive and in some cases, impressive products. Most of what has been produced, however, is aimed at a somewhat narrow band of the potential market. Some panelists thought that some of the units they saw had a "suburban" feel. Compared with some other cities, Pittsburgh seems to have the development capacity to produce numbers of high quality, marketable residential units if other requisites align.

Developers with whom the Panelists met were candid and clear about what they were developing and why. One of the problems currently faced by developers who would like to develop downtown housing is the differential between the costs of renovating an existing building for office use versus converting a similar building to residential use. One developer estimated that the build-out cost for office space might run $50 per square
foot, whereas the build-out for an apartment of condo could be in the range of $150 to $200 per square foot. However, the difference in rents is not currently enough to justify choosing the housing option. Many expressed that while their project appear to be successful, because they are fully leased, they are reluctant to endeavor another project because of the expense in time and money that it took to acquire the real estate and complete the project. The negligible operating income doesn't justify the effort and risk.

Developers asserted that it does not make economic sense at this point in downtown Pittsburgh without some form of assistance or subsidy – land write-downs and assembly, tax abatements, or other forms of public or private help. A specific tool missing in Pennsylvania is the state historic tax credit. A regional strategy should be considered to examine the feasibility of its creation. PDP and URA, with the political horsepower of the Allegheny Conference and local political leaders are encouraged to take a “package” to the State and request a program of matching funds, such as Enterprise zone and/or Historic Tax Credits as part of a job creation sustainability effort promoting downtown projects. The same can be accomplished at the Federal level with CDBG funds or EDI grants. Matching funds are always looked upon favorably for grant applications. This doubling and redoubling could potentially increase PDP/URA’s incentives four-fold.

Panelists described some of the marketing efforts they have undertaken in other cities, and developers indicated they appreciated the marketing programs undertaken by PDP.

- **Development Tools**

  One of the major sources of development assistance is the Urban Redevelopment Authority of Pittsburgh. According to URA’s website:

  “URA supported housing developments transform neighborhoods, protect affordability for Pittsburgh residents, and enhance the value of our communities. Residential developer financing is offered by the URA’s Housing Department. We offer a number of construction loan and grant gap financing programs that vary in features and eligibility requirements.

  Financing is available for small and large-scale new construction or the rehabilitation of rental or for-sale housing. We also provide equity financing to assist community-based organizations in real estate development projects that provide housing or job creation opportunities. We work with both for-profit and non-profit developers to structure individualized financing programs that work over the long term to create sustainable housing developments.”
There are a variety of financing programs available for your rental or for-sale housing development project. The Pittsburgh Housing Construction Fund is one source available for financing new construction or rehabilitation of for-sale housing. Rental Housing Development & Improvement Program provides permanent gap financing for new construction or rehabilitation of rental housing.”

In today’s market, first mortgage lenders are requiring higher debt coverage ratios and loan to value figures. An increase in the size of gap financing loans is justified both because of the resultant larger gap, but also because there is more projected operational cash flow to support these loans after first mortgage debt service payments.

The URA website also cites tax abatements as a “new tool” it can offer to help close the gap when financing housing developments.

TIF districts can also be utilized in addition to tax abatement. Excess increment from an adjacent project can be borrowed against to support incentives for a project that qualifies for tax abatement. This support can be provided in many forms such as providing parking, acquisition or even a backstop to commercial leases.

Foundations have also played a role in helping to finance downtown housing. Foundations have funded the Vacant Upper Floors Loan Fund (Heinz Endowments and URA) and made grants to the Cultural Trust to acquire and assemble property.

Key Findings

- The downtown housing problem in Pittsburgh is basically one of supply, not demand.
- Managing the financing gap – not necessarily eliminating it – will make the production of more downtown residential units significantly easier.
- The market has shifted and is now demanding smaller, more affordable rental units rather than higher end condos.
- Critical mass is not as important in downtown Pittsburgh as carefully targeted submarket strategies
- While there are development opportunities in close, “in-town” neighborhoods, PDP should concentrate its efforts on the CBD, North Shore and South Shore.
The Pittsburgh Downtown Partnership can and should play a key role in redefining the market and identifying submarkets where residential development can have a catalytic effect.

Key players in Downtown Pittsburgh must all play effective roles if Pittsburgh is to accelerate the production of downtown housing units.

- the Urban Redevelopment Authority can continue to provide financing and engage in site assembly.
- City government can streamline the development process and develop “green tape” initiatives.
- Local foundations can and should continue to assist by funding marketing.
- The Cultural Trust can engage with PDP and developers to better utilize properties currently owned by the Trust but being held off the market.
- The Allegheny Conference on Community Development can lend its support to securing state legislation and corporate support for encouraging downtown employees to live downtown.
- PDP should actively recruit other partners – universities, hospitals, law firms, accounting firms, and other companies to recognize that there is still potential for residential development in downtown, and should continue to be patient and supportive partners in this endeavor.

Recommendations

- An Expanded Role for the Pittsburgh Downtown Partnership
  PDP has played a lead role in educating its members and larger community about the dimensions of downtown living and the possibilities for Pittsburgh. Now is the time for PDP to move beyond its current role, and take advantage of a larger, untapped market, which will be aided in Pittsburgh by changing demographics and in the US by a recovering economy. There really is no other entity with both the focus on downtown and the required expertise to undertake this vital mission.

- A One-Stop Information Shop
  One action PDP can take almost immediately is to become the “one-stop shop” for housing developers and potential downtown residents. Undertaking this role will require a commitment of staff time and resources, but the payoff could be significant. One possibility is to launch a partnership with URA, the City of Pittsburgh and even a private sector partner like the organization that sponsors www.wedoproperty.com.
A Convener of the Public and Private Sector to Facilitate Projects
As the repository of all essential information about downtown Pittsburgh housing, **PDP will be in an ideal position to convene decision-makers in order to facilitate larger or more difficult projects.** A few years ago, PDP played this role with regard to saving and converting so-called “sliver” buildings. Today, PDP could help build consensus among private and public sector officials regarding the downtown submarkets that offer the greatest potential, the financing tools that are needed to make deals work, and the best ways to explore new markets for downtown living.

Continued Need for Community and Foundation Support
Given the current state of the economy, the situation with regard to available buildings for conversion and sites for development, and national and regional trends and demographics, **panelists strongly concur in recommending that both the Urban Redevelopment Authority and local foundations need to “stay in the game” in terms of providing financing and other incentives for downtown residential development.** As with many other cities, it often takes a decade to build downtown into the kind of residential market where market forces make subsidies unnecessary. (see above left)

PDP should act to create a growth fund – a seed fund capitalized by investments of $5 million and up from Pittsburgh banks who set aside these funds. The funds should be used to provide gap financing to spread the risk in financing downtown residential developments.

A Time for Action; Great Studies – **Now Results!**
The staff of the PDP should now engage the Board of Directors and a newly-created housing task force in defining which are the key submarkets, how much potential exists in each submarket, and what marketing, convening, and deal-making strategies will be most catalytic in producing desired results.
Appendix I

Panelist Biographies

Barry Alberts, AICP, Managing Partner, CityVisions Associates

Barry Alberts, a graduate of Harvard University’s Graduate School of Design, is the Managing Partner of CityVisions Associates, a real estate development and consulting firm specializing in the creation of mixed-use destinations and place-making, with current projects ranging from the rehabilitation of a 400,000 square foot H.H. Richardson-designed former sanitarium in Buffalo, NY to the creation of a new downtown arts district in Owensboro, Ky. Mr. Alberts is also involved in the revitalization of West End Village in Pittsburgh, and is providing real estate assistance to RiverLife. Prior to the creation of CityVisions, Mr. Alberts served as the Executive Director of the Downtown Development Corporation (DDC), a development entity responsible for the long-term economic health and vitality of downtown Louisville.

William Dietrich, President/CEO, Downtown Council of Kansas City, Missouri

Bill has worked in economic and community development for more than 15 years. He has served as President and CEO of the Downtown Council of Kansas City, Missouri since June of 2002. Bill has played a leading role in implementing Downtown’s revitalization strategy. He has developed the DTC into an effective urban management group implementing a wide range of urban revitalization strategies. Initiatives under its umbrella include the development and management of multiple Community Improvement Districts delivering $23 million of clean, safe and marketing services. Bill also serves as the Chief Administrative Office of the Downtown Community Improvement District and the River Market Community Improvement District. He serves on the Board of Directors for the Local Initiatives Support Corporation, the Art in the Loop Foundation, and Kansas City’s Heritage Trail.

David M. Feehan, President, Civitas Consultants LLC

David M. Feehan is a world recognized expert in downtown revitalization. For more than forty years, he has provided leadership and management to successful downtown and business district organizations, founded and directed a technical assistance center for community development organizations and a public policy organization, authored numerous books and articles, including co-editing and writing the most recognized textbook on downtown management, Making Business Districts Work. He was awarded the University of Pittsburgh Distinguished Alumni Award in 2008 and was the President and CEO of the International Downtown Association from 2001 – 2009. He is a frequent speaker at conferences and meetings, and has provided consulting services to many government agencies, organizations and associations.
Laurie B. Schwartz, Founder and Principal, LS Consulting, Inc.

Laurie Schwartz, Founder and Principal of LS Consulting, Inc. brings more than 30 years of experience in the field of community and economic development to the organization. A seasoned executive and business leader, Laurie Schwartz has held a number of high-profile positions in the Baltimore community. Laurie also works with the Waterfront Partnership of Baltimore, Inc., located in Baltimore, MD. She has helped organize a group of Inner Harbor property owners, attractions and city agencies to create organization intended to manage and promote one of Baltimore’s greatest assets, its waterfront. She also prepared a start-up operations plan, fundraising plan and budget; successfully implemented the fundraising plan; oversaw drafting and filing of tax exempt application, and the drafting and negotiation of Waterfront Services Contract with City of Baltimore.

Laurie Volk, Principal, Market Studies, Zimmerman/Volk Associates

Laurie Volk is principal in charge of Zimmerman/Volk Associates’ market studies and is the firm’s primary analyst of demographic, market, and lifestyle trends. Since 1988, the firm has completed more than 400 market studies, for properties ranging in size from the redevelopment of half a block to the establishment of a new town on several thousand acres. Volk has conducted more than 60 downtown studies across the country, in cities ranging in size from Petersburg, Virginia (population 29,000) to Detroit, Michigan (population 834,000). Volk currently serves on the Advisory Board of the Remaking Cities Institute and the Technical Advisory Group for Location and Planning of the U.S. Green Building Council. She was a founding board member, now emeritus, of the National Charrette Institute, and served for more than a dozen years on the Board of Governors of the Seaside Institute.


Dave has worked for the Alexander Company for twenty years. He is currently a Senior Development Project Manager and was formerly the Director of its Architectural Division. His positions have encompassed the entire development process including urban planning, acquisition, entitlements, financing, design, construction, lease-up/sales and operations. He has a unique, applied knowledge of building systems and delivery processes, historic building codes, new markets tax credits, low-income housing tax credits, state and federal historic tax credits, HOME and CDBG funding, federal grants, Brownfield loans and conventional financing tools. In additional to the projects that he leads, he also continues to provide consulting services on historic adaptive reuse and urban infill projects. His clients have included municipalities, state government, private developers, lenders, investors and the National Trust for Historic Preservation.