

HILLTOP HOUSING MARKET Restoration Strategy

November 2013

Analysis Conducted by:



Acknowledgements

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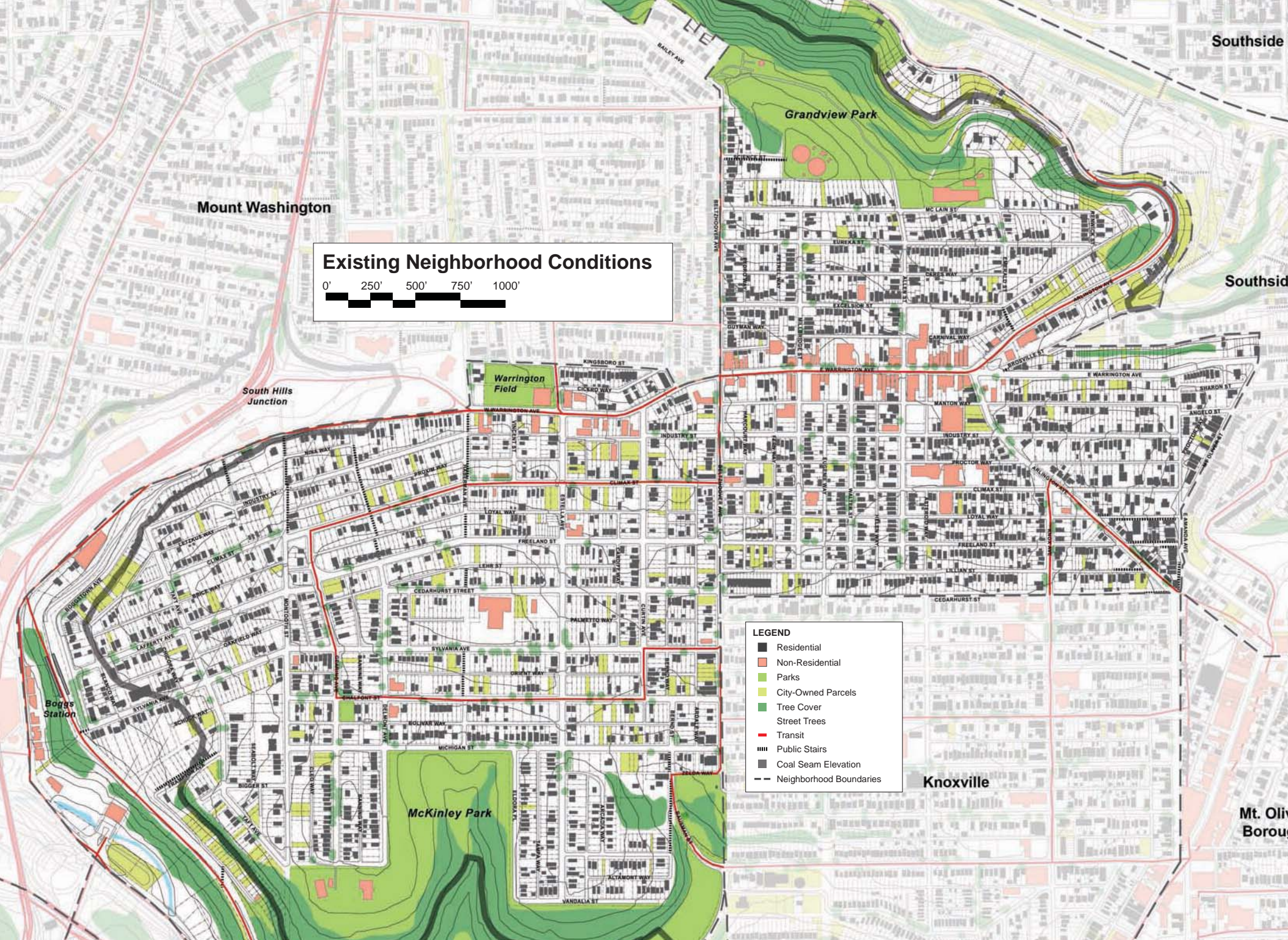
Introduction

The Hilltop Alliance, with funding from the Design Center of Pittsburgh, contracted with Fourth Economy Consulting (FEC) and Maynes Associates Architects, LLC (MAA) to analyze the housing market and develop a market-based housing strategy for the neighborhoods of Allentown and Beltzhoover. These communities have been analyzed and studied through Pittsburgh's SNAP profiles, the South Hills TRID Study, and the University of Pittsburgh Center for Social and Urban Research. The Hilltop Alliance also recently completed the 2012 Green Toolbox and Assessment Report as part of an overall Quality of Life Plan. These planning efforts identified the need to address vacant property and stabilize residential areas.

The housing market in these neighborhoods is suffering from neglect, disinvestment, and vacancy. The goal is to stop the decline and restore the housing market in these neighborhoods by helping existing homeowners improve their properties and promoting increased homeownership and family occupancy in restored properties. Because investors and developers have largely ignored these neighborhoods, the residents have the opportunity to determine the future of the community, rather than having that future driven by outside developers.

This plan seeks to leverage the efforts of these individual homeowners and add the power of collective action by coordinating activity street-by-street and block-by-block and adding community and public sources to the efforts of individual homeowners. The project team developed a Housing Repair Toolkit and a Housing Finance Toolkit that can be used by homeowners, in partnership with the Hilltop Alliance and community groups, to prioritize the repairs to their home and discover how to pay for those repairs. This partnership between homeowners and community associations reduces the risk of financial loss by investing in a sinking asset, provides more favorable pricing on the renovation by taking advantage of group discounts, and helps the community be strategic in leveraging and sustaining investment to restore the market.

The strategy targets the lowest value properties for renovation to restore them to a level that is at or near the market average. The Housing Toolkit enables the development of budgets and plans for individual properties, as the success will ultimately happen one house and one block at a time. An implementation plan, included in this strategy, identifies potential starting points and the estimated effort required to begin to restore the market in five Emerging Market Demonstration Areas (two in Allentown, two in Beltzhoover and one on the border of both). These Emerging Market Demonstration Areas provide an example of how the strategy rolls up to the community level, but also provides strategic starting points to begin to restore the market.



Community Overview

Both of these neighborhoods are currently undergoing a revitalization spearheaded by dedicated community members and local organizations. It is hopeful that these neighborhoods will again be vibrant parts of the city and places where neighbors, new and old, will come to live, work, and play. The neighborhoods offer amenities to residents such as beautiful parks, a pop-up library through the Carnegie Library of Pittsburgh, and easy access to a rapid transit system that delivers them safely into downtown Pittsburgh in minutes. Pittsburgh's rapid transit system, the "T", has the infrastructure in place to run through the Warrington Avenue business district and currently connects to the South Hills Junction Station and Boggs Station. From Beltzhoover Avenue, where Allentown and Beltzhoover meet, it is less than ten minutes by car or less than 20 minutes by transit to Market Square in Downtown Pittsburgh. In addition, the neighborhoods are close to the University of Pittsburgh, South Side Hospital, Station Square, a branch of the Carnegie Library, Heinz Field, PNC Park, Mellon Arena, and Point State Park. Though the physical infrastructure is in need of repair, many steadfast community residents still find a safe haven here and hopefully, in the near future, many new residents will as well.

Allentown

South of Downtown Pittsburgh, just above the slopes of the South Side, is Allentown. Arlington Avenue, which connects to the Liberty Tunnels and Carson Street, is one of the primary gateways, running right through this neighborhood's East Warrington Avenue business district. The residential areas are primarily mid-sized, modestly priced single-family frame and brick homes throughout Allentown. The homes in Allentown provide spectacular views of the Downtown Pittsburgh skyline. At the northern end of the neighborhood is the appropriately named Grandview Park, one of the city's gems.

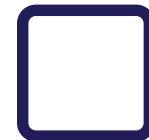
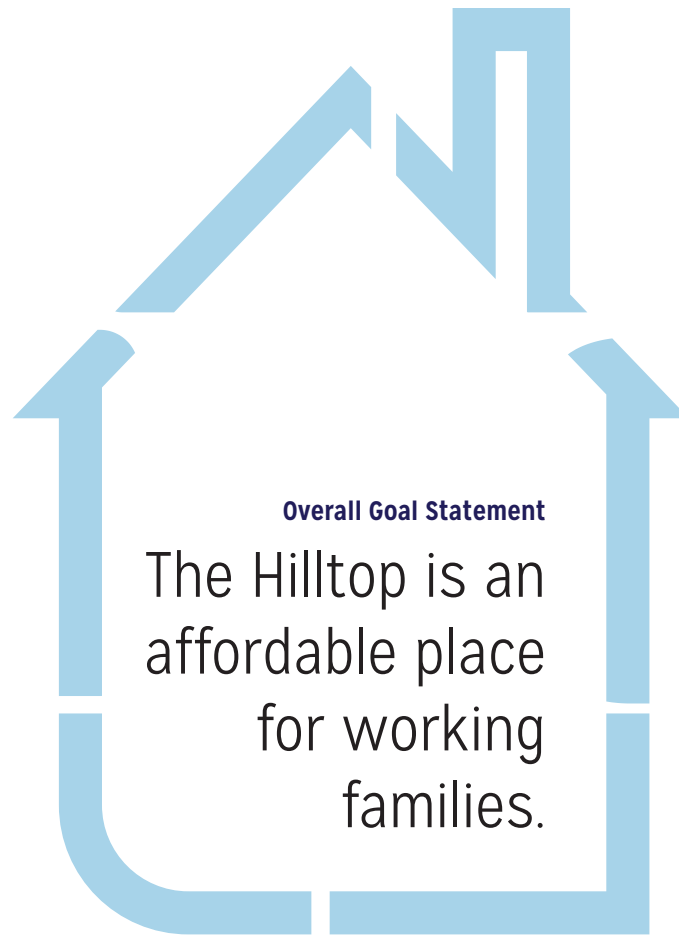
Beltzhoover

Beltzhoover is bordered by Mount Washington on its northern end and Allentown and Knoxville on the east. The Port Authority's "T" serves South Hills Junction (across the street from Warrington Recreation Center), the site of the 2011 TRID Study, and Boggs Station in the heart of Beltzhoover. McKinley Park borders the southern edge of the community, providing nature trails, playgrounds, tennis courts, a baseball field, and a senior citizens' center. Many houses in Beltzhoover are pre-1900 construction when homes were built individually and not in development plans. As a result, the homes vary more in style than in many neighborhoods, but they were also made with quality materials that make renovation an attractive option.

During the initial phase of the project, FEC and MAA conducted an initial windshield survey of the neighborhoods. In addition, members of the advisory group and other community representatives toured the neighborhood with MAA to gather direct input on community conditions. An initial community meeting was conducted on July 11, 2013, to introduce the project to the community and gather resident perspectives on neighborhood issues and assets. A final community meeting was held on September 19, 2013, to discuss the draft recommendations and housing strategy.

Community Concerns / Objectives

- New housing should fit the character of the neighborhood
- Homeownership should be encouraged and stabilized
- Residents have a strong commitment to stay in the neighborhood
- Unmaintained vacant lots are decreasing surrounding property values
- Community safety must be improved and promoted

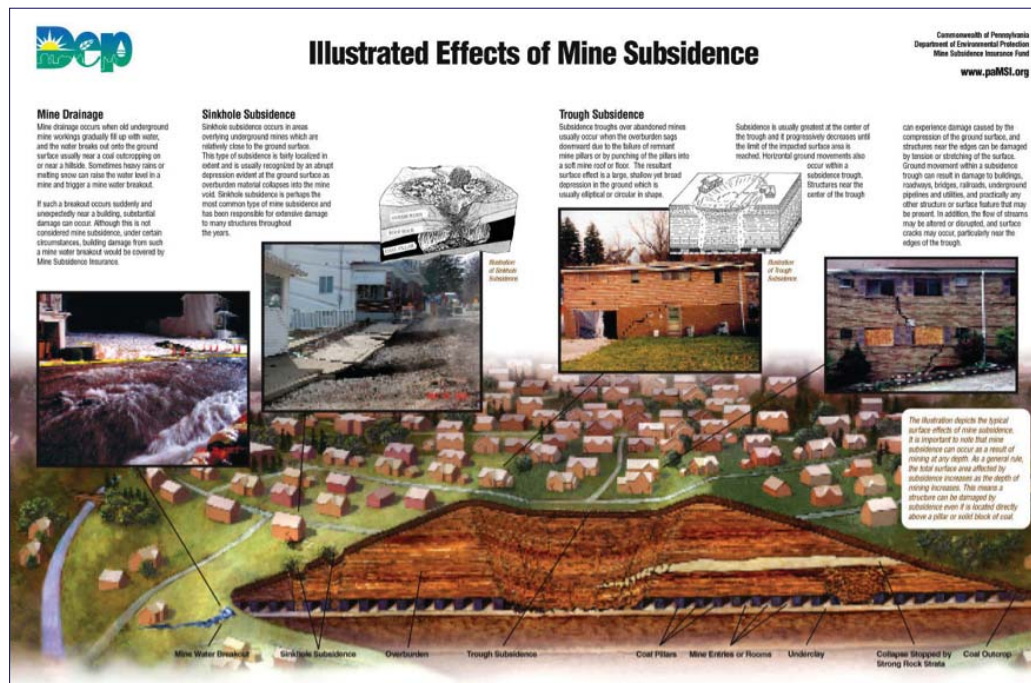


Community Snapshots

At nearly three-tenths of a square mile, Allentown has 39 acres of park space and 87 trees along its streets. Beltzhoover, at more than four-tenths of a square mile, has 55 acres of park space and 200 street trees. In addition, both communities have designated more than 20 percent of their land as park space, compared to an average of eight percent for the overall city of Pittsburgh. These park spaces provide significant amenities that increase the value of the local housing stock and afford residents a higher quality of life.

However, a large percentage of the communities' land has been undermined, which increases the risk of landslides and, thus, significant and expensive damage to home and building foundations. In fact, 27 percent of the land area in Allentown is landslide prone compared to 21 percent overall for the city of Pittsburgh and only 18 percent in Beltzhoover. More than one quarter of Pittsburgh's land is undermined, but in Beltzhoover more than three-quarters is undermined and in Allentown 90 percent of the land is undermined. Any redevelopment or renovation in these areas would require a site and building inspection by a qualified professional.

Fig. 1: Effects of Mine Subsidence

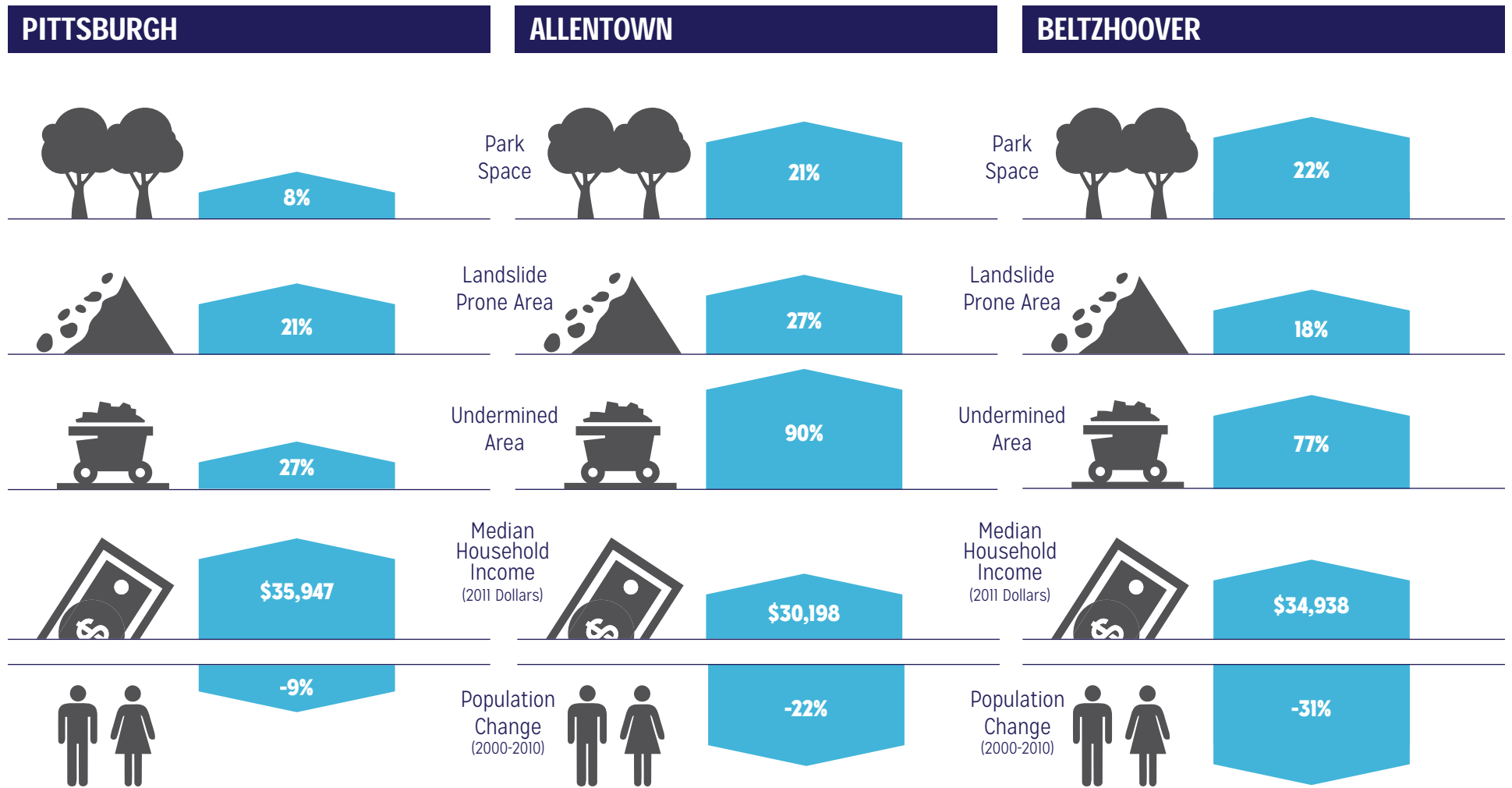


Source: Pennsylvania Department of Environmental Protection

The population of Pittsburgh has grown since the 2010 Census, but it has not rebounded to the population level of the 2000 Census. Population losses in Allentown and Beltzhoover have been particularly severe, declining 22 percent and 31 percent, respectively, since 2000. If the city of Pittsburgh continues to grow in population and attract new residents, Allentown and Beltzhoover may stabilize their population loss, but will probably not grow enough to absorb the vacant and surplus housing units currently in the community.

Aside from population stability, another factor to consider is household income. Median household incomes in Allentown and Beltzhoover are below the median for the city of Pittsburgh. Though, Beltzhoover's median income is only \$1,000 below the City's median household income of \$35,947, Allentown's median household income of \$30,198 is nearly \$6,000 below the City's median. The median household income in a community directly reflects that community's capacity to support new housing starts and improve the existing housing market.

Fig. 2: Community Comparisons



Market Conditions

The majority of homes in Allentown and Beltzhoover are owner-occupied, with 59 percent of home owner-occupied in Allentown and 74 percent in Beltzhoover. Even though there has been some increase in the number of rental houses on the market in recent years, both communities have more owner-occupied housing than the overall city. Owner-occupied housing is not a specific goal of either community but studies do show that it tends to promote stability within the community and fosters higher value housing.

Tab. 1: Home Value

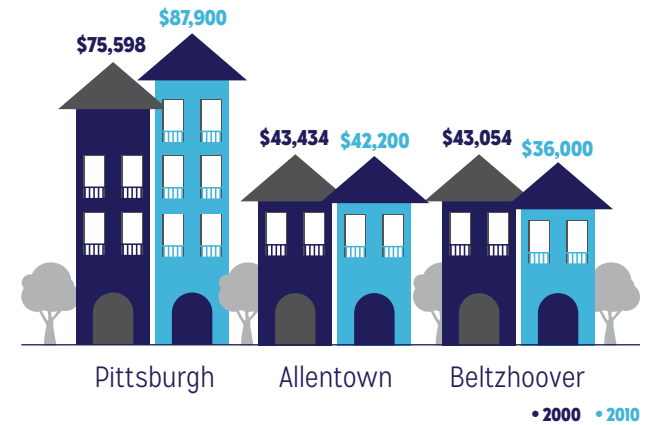
	Median Sales Price	Price/SF
Pittsburgh – All Homes	\$125,000	\$92
Pittsburgh – 2/3 BR Home	\$107,500	\$88
Hilltop – All Homes	\$58,250	\$43

The value of homes has grown in Pittsburgh since 2000, but home values eroded by nearly three percent in Allentown and more than 16 percent in Beltzhoover in the same time period. Despite the higher owner-occupancy, the median value of homes in both communities is below the median value for the City as a whole. The

Fig. 3: Percent Vacant Properties



Fig. 4: Median Home Value

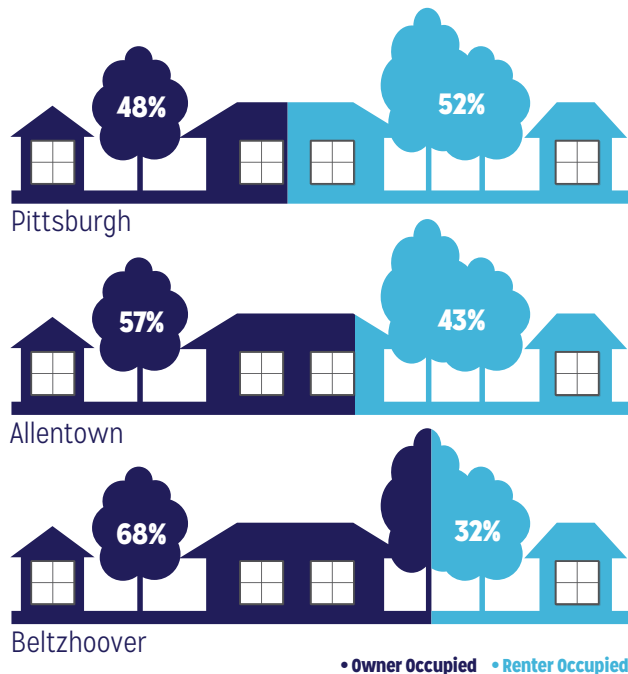


median value is the price at which half of the homes are higher priced and half of the homes are lower priced. A contributing factor to the reduced home values in the community is the high number of vacant properties. The city of Pittsburgh as a whole has a 13 percent property vacancy, while Allentown and Beltzhoover have a 20 and 27 percent vacancy, respectively. Vacant properties inhibit efforts to attract new residents and to attract the economic growth that is happening elsewhere in the City. In turn, as long as vacant or unmaintained properties are present and degrading the value of the surrounding properties, construction of new units will not go forward. Therefore, given the craftsmanship and quality of the existing housing stock, it is a top priority to renovate the properties that can be saved, and housing that is in undermined or landslide prone areas with signs of failing foundations should be considered for demolition and land banking (see page 27 for more about land banking).

Over the last five years the median sales price was \$58,250 for homes in the 15210 ZIP code, which is less than \$38/SF. Houses in the 15210 ZIP code are now selling for an average of \$43/SF, or \$64,500 for a 1,500 SF house. In Allentown and Beltzhoover, homes are currently selling significantly below these prices and below the asking price.

After decades of population losses, Pittsburgh has begun to experience some modest growth in population of approximately one quarter of one (0.25) percent, which equals nearly 3,000 individuals per year from 2010 to 2012. While this growth is exciting and welcome news, it is not sufficient to eliminate the surplus housing in the city or the high rates of vacancy that plague neighborhoods

Fig. 5: Owner Occupied vs. Renter Occupied



like Allentown and Beltzhoover. If this growth continues through 2020, then conditions may be conducive to new residential construction. But, until then, any new housing that is built will only displace existing units. Furthermore, these communities are burdened by a large stock of below-market housing that makes new construction financially risky. New construction can cost upwards of \$150,000 and in some instances as high as \$250,000 for a two to three bedroom home that would fit well into these communities. However, with the majority of homes valued below \$50,000, any new construction would quickly lose its value.

Tab. 2: Asking Price vs. Sold Price

	Allentown	Beltzhoover
Asking	\$58,000 (\$39/SF)	\$38,000 (\$25/SF)
Sold	\$34,000 (\$23/SF)	\$28,000 (\$19/SF)

Even if population growth in the city overall will not restore these neighborhoods, the changes in demographics in the community and the in-migration of new residents will provide an opportunity to renovate and rebuild existing housing to serve the market of today and tomorrow. Currently, Allentown has a net loss of households with approximately 18 leaving and only 15 new households moving in and Beltzhoover is doing slightly better with 25 new households to replace the 20 households that are leaving. In both communities, the death rate is greater than the birth rate, so again the net change is negative. However, for the housing market, these 15 new households in Allentown and 25 new households in Beltzhoover provide an opportunity to renovate and improve the units families are moving into. In turn, each of these new residents represents an opportunity for new housing investment.

Fig. 6: Change in Real Value 2000-2010

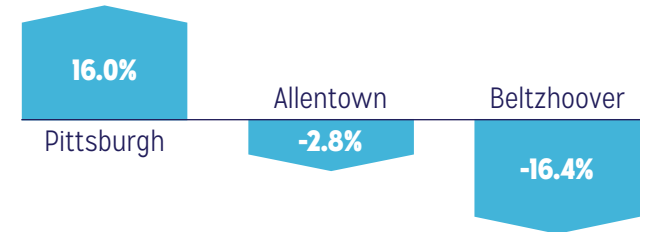


Fig. 7: Housing Unit Value Comparison



Regardless of whether the City continues its recent growth trends, the age structure will look very different by 2020 than it has in the past. It appears that after decades of getting older Pittsburgh's population will be younger in 2020 due to natural population changes amplified by migration. Projecting the changes in the age structure for the City indicates that there will be approximately 35,000 more individuals aged 30 to 39 years in 2020. These individuals represent a critical demographic for both the workforce and the formation of new households. These young families and new households represent the core market desired by both Allentown and Beltzhoover.

Fig. 9: Change in Population Age in Pittsburgh (2010 - 2020)

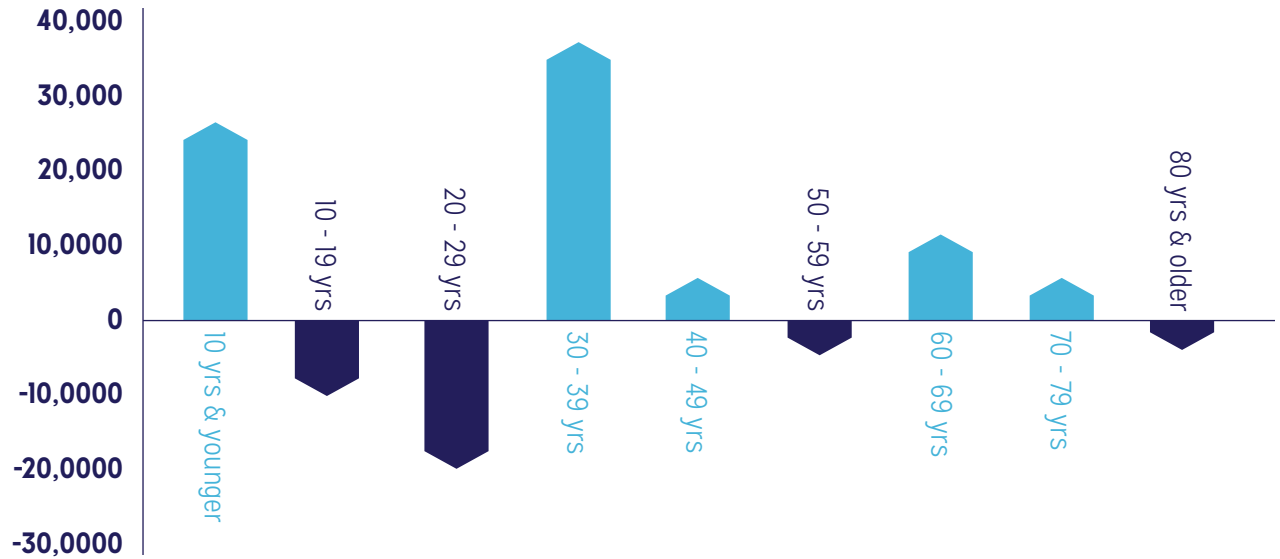


Fig. 8: New Resident Origin (2007 - 2012)

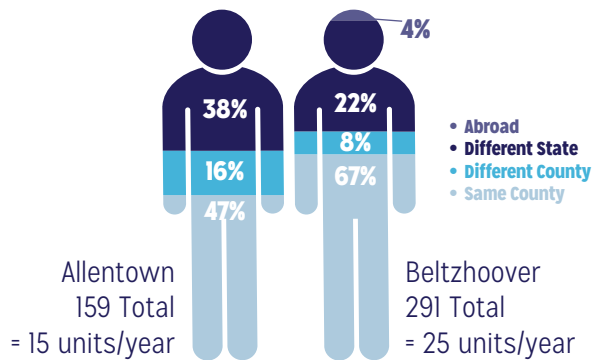
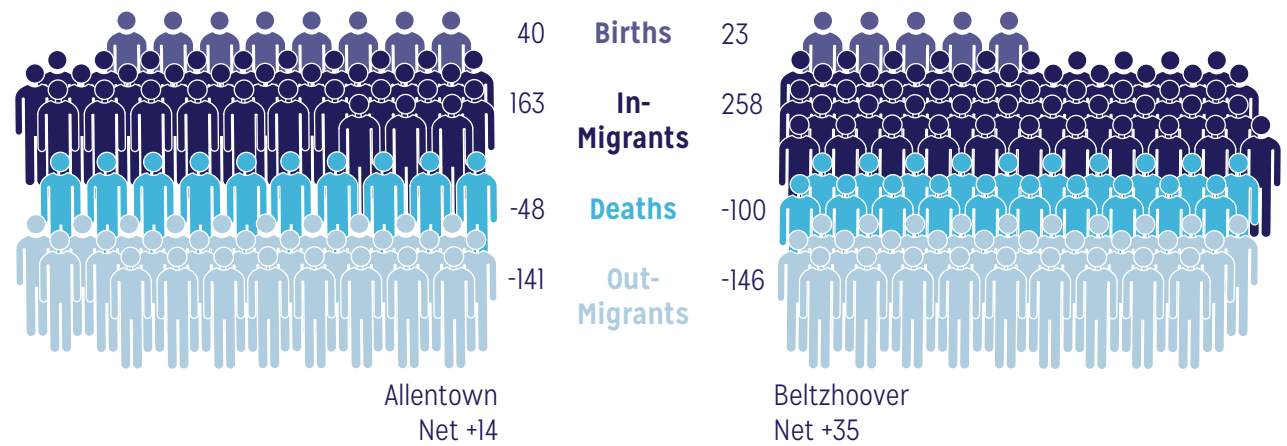


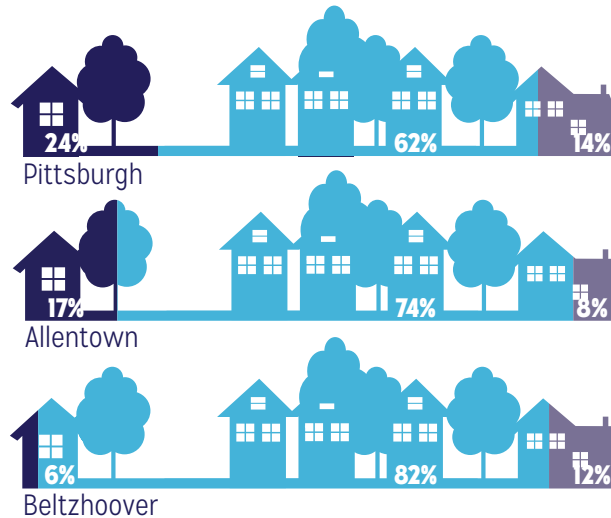
Fig. 10: Birth vs. Death vs. Migrant Rates



Allentown and Beltzhoover are currently comprised of older, mid-sized homes. Two-thirds of the homes in Beltzhoover and more than three-quarters of the homes in Allentown were built before 1949. The good news is that these homes were built at a time when the quality of materials, construction, and architectural amenities was high. Therefore, these homes are worth renovating more so than investing in newer construction. The majority of the homes in these neighborhoods are mid-sized two to three bedroom homes that are a good fit for working families desiring to live Allentown and Beltzhoover.

Household incomes in Allentown and Beltzhoover are lower than the City as a whole. More than half of the households in these communities make less than \$35,000, but these communities also have nearly one-third of their households in the middle-income category of \$35,000

Fig. 12: Comparison of Bedroom Size



• 0-1 Bedrooms • 2-3 Bedrooms • 4+ Bedrooms

to \$75,000, which is slightly higher than the City. While household incomes are lower, neighborhood incomes are not negatively affecting home prices. With median household incomes of at least \$31,000, both Allentown and Beltzhoover have the population to support home values that are higher than the current market value. A mortgage of \$65,000 to \$80,000 is potentially affordable for half of the households (median household income of \$31,000). This estimate is more conservative than most mortgage affordability calculators.

Tab. 3: Purchase Prices vs. Income

Purchase Price of Home		\$65,000	\$80,000
Mortgage	7.0%	\$5,238	\$6,447
Taxes	3.0%	\$1,950	\$2,400
Insurance	0.5%	\$325	\$400
Annual PITI		\$7,513	\$9,247
Family Income		\$31,000	\$31,000
Income Spent on Housing		24%	30%

Fig. 11: Comparison of Age of Housing Stock

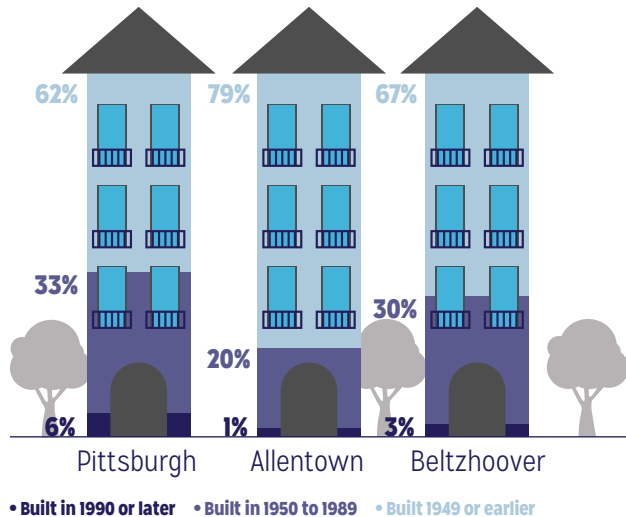
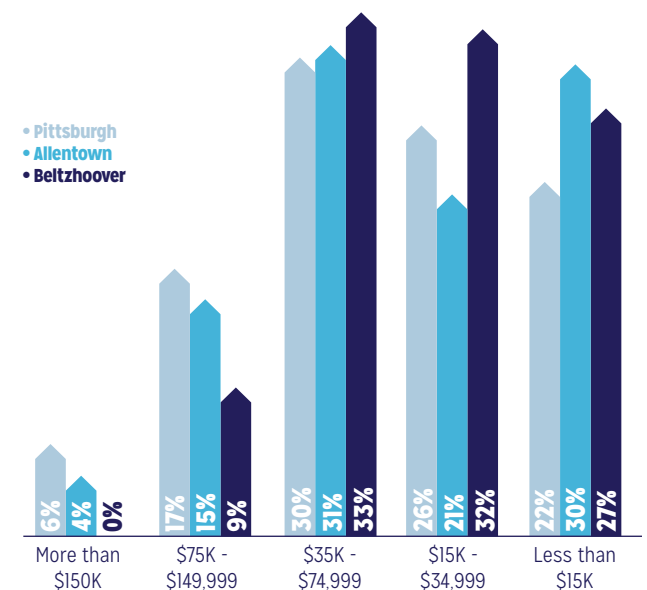


Fig. 13: Households by Income



Allentown and Beltzhoover have a greater number of lower value housing units than they have low-income households. The tables to the right show the number of housing units and owner households that could afford a particular house pricing value. The majority of housing units in both areas are valued below \$50,000. These lower-value units are negatively affecting property values in the community, which will, in turn, reduce the wealth and savings of the homeowners over time. There are enough middle-income residents that can afford houses valued between \$50,000 and \$150,000. Renovating the lower value properties and vacant homes can be accomplished without gentrifying the neighborhood and without displacing existing residents.

Tab. 4: Allentown 2010

Home Value	Housing Units	Owner Households	Housing Need (too few units)	Housing Surplus (too many units)
Less than \$50,000	359	91	-	268
\$50 - 99,999	172	59	-	113
\$100 - \$149,999	34	152	118	-
More than \$150,000	0	263	263	-

For example, Allentown has a surplus of 268 units valued less than \$50,000, and a gap, or need, for 118 units valued between \$100,000 to \$149,999. Over the next five to ten years, it would be possible to renovate enough of these lowest value homes to fill that gap of 118 units, and there would still be a surplus of housing for the lowest income residents.

Tab. 5: Beltzhoover 2010

Home Value	Housing Units	Owner Households	Housing Need (too few units)	Housing Surplus (too many units)
Less than \$50,000	371	170	-	201
\$50 - 99,999	361	142	-	219
\$100 - \$149,999	24	158	134	-
More than \$150,000	32	318	286	-

In Beltzhoover, there is a surplus of 201 units valued less than \$50,000, and a need for 134 units valued between \$100,000 to \$149,999. Over the next five to ten years, it would be possible to renovate enough of these lowest value homes to fill that gap of 134 units, and there would still be a surplus of housing for the lowest income residents.

Housing Strategy

Strategic Goals

- Promote homeownership
- Build from strength
- Connect individual to group action
- Preserve and restore
 - Clean up trash and weeds
 - Restore exteriors
 - Prevent further damage
 - Highest impact on surrounding values
 - Demolish the worst properties
 - Stabilize (land bank) for re-building
 - Renovate interiors
 - Rebuild

The ultimate goal of this housing strategy is to stop the decline and restore the housing market in these neighborhoods. The focus is to help existing homeowners and to promote increased homeownership and family occupancy. Investors and developers have largely ignored these neighborhoods, providing a unique opportunity for existing residents to actively plan the future of the community, rather than have that future driven by outside developers.

Residents have expressed a strong commitment to these neighborhoods and many are actively investing and improving their properties. Unfortunately, too many homes are vacant or un-maintained which decreases the value of all of the homes in the community. The plan being put forward seeks to leverage the positive efforts of these individual homeowners and add the power of collective action by coordinating activity street-by-street, block-by-block, and adding community and public sources to their efforts.

Renovating existing homes that are currently below market values will help to stabilize the housing market and attract new residents to fill the vacant and surplus housing. As the stock of unoccupied and unmaintained property is reduced, it will create a foundation and a market for building new homes.

Market Restoration Approach

The Market Restoration Approach involves working from the outside-in, and starting with the issues and problems that contribute to the reduction in residential property values. The issues and problems to be addressed are the visible, exterior signs of disinvestment and decay. The first step in restoring the housing market in Allentown and Beltzhoover is to clean up trash and weeds in front yards and on the streets to showcase a basic level of maintenance. It is crucial to give a good first impression to visitors and neighbors alike.

The next stage in the market restoration approach is to address the physical exterior of homes, specifically, their roofs, gutters, windows, doors, and siding. This is important not only because of the positive curb appeal, but also because a solid exterior preserves the interior. When a roof or windows are not maintained, then water or other elements can enter a home causing major damage to the interior and decreasing the value of the home. Unfortunately, with the high level of undermining and landslides, some of the homes with foundation or structural damage may not be able to be saved. It will be necessary to assess individual properties to determine how much the exterior repairs will cost and whether it is financially feasible to do so. So, the process begins with an assessment of the lowest value homes in order to determine which units can be saved and which, unfortunately, need to be demolished.

The Housing Repair Toolkit, available through the Hilltop Alliance, provides guidance on this assessment as well as resources for homeowners to help with the renovation planning and construction. A brief overview of the toolkit is provided in the following section.

Emerging Market Demonstration Areas

Since there are not enough resources to repair or restore every home at once, it is important to prioritize and focus the effort. In order for the restoration of value to last, it is necessary to restore groups of neighboring homes, rather than restoring homes scattered throughout the community. If you are building a wall, you stack the bricks next to and on top of each other. If you are rebuilding the market, the same analogy applies, but the bricks are the homes and properties within the neighborhood.

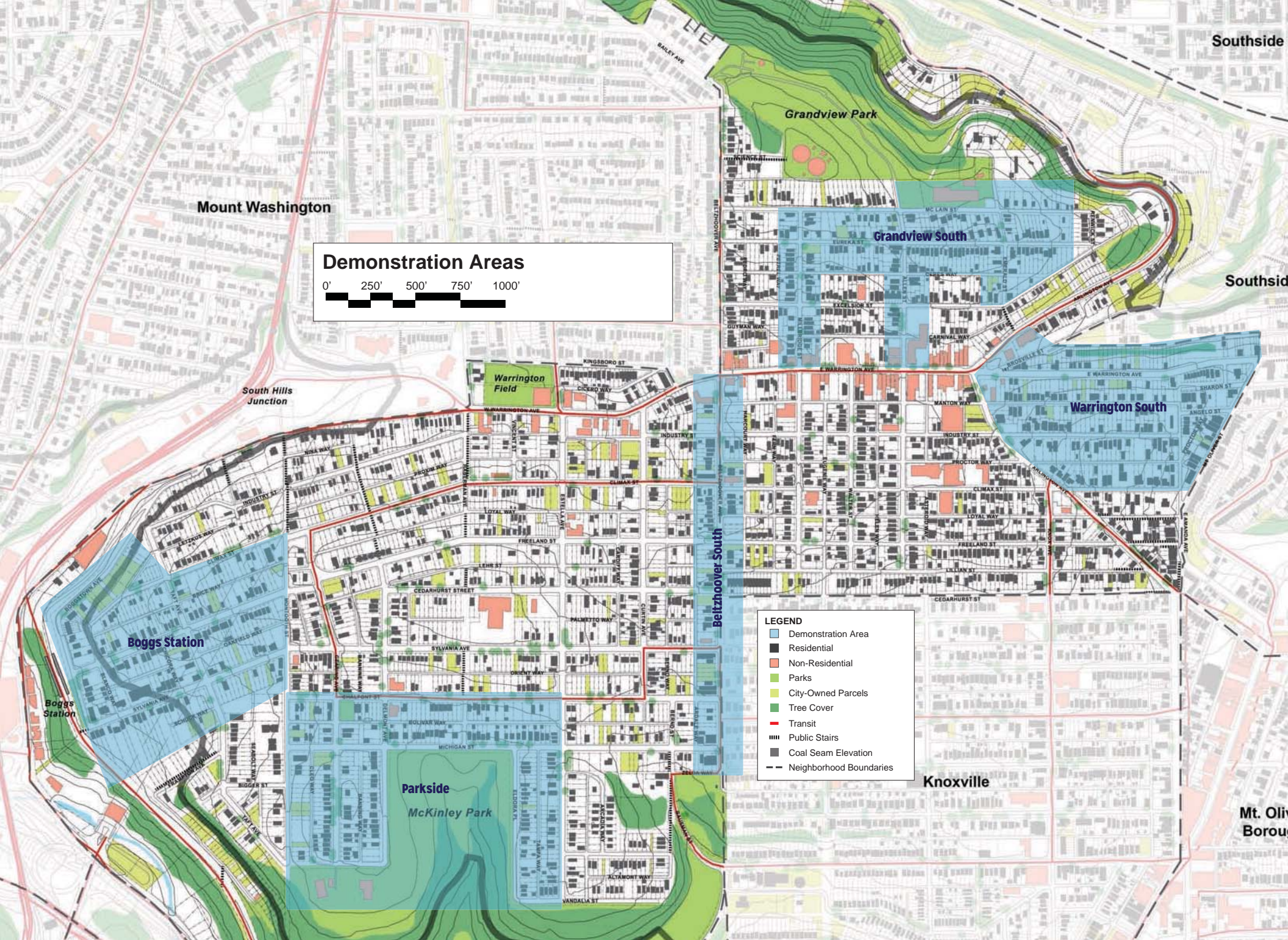
The following five areas represent potential starting points for intervention. The idea is to focus and scale the re-investment to change the market in a few defined areas. Other areas (see map [Neighborhood Assets](#)) have been identified for landbanking in the future

How were the Emerging Market Demonstration Areas chosen?

- Potential high impact on perception of the community
- Access to a major commuter route
- Access and links to public transportation
- Street-facing housing
- Strong homeownership
- Access to parks
- Good views
- Quality housing potential

For each demonstration area we classified the housing by the value per square foot. The data is from the county assessment, but we have sampled the property values from the assessment system and have found that they match the recent sales and closely match other value estimates from Zillow and Trulia.





Emerging Market Demonstration Area Grandview South

The Grandview South area is next to Grandview Park and boasts some of the highest property values in Allentown, due to the proximity of the park and the views afforded by the location. More than one-third of the homes in this demonstration area are owner-occupied and eight percent of the properties are valued above \$30/SF. Only thirteen percent of the residential properties are vacant.

The budget target for renovating 20 percent of the lowest value properties to get them near the average market value would be \$736,715. This should provide sufficient stabilization of the market in the near term. The total effort to upgrade all of the properties below \$15/SF would be \$3,683,575.

The phasing strategy in this area begins along the edge of the park along Mclain Street where there are 37 properties below the market average. The next phases would move down the slope from Grandview Park with Eureka Street next, followed by Ceres Way and then Excelsior Street. See the Implementation Phasing on page 25 for more detail.

Effort by Phase & Street

Phase	Street	Effort
1	Mclain Street	\$300,000
2	Eureka Street	\$1,012,500
3	Ceres Way	\$37,500
4	Excelsior Street	\$300,000

Overview of Demonstration Area Properties

Priority Area	Quantity	Share of Parcels	Owner-Occupied
> \$60	9	2%	33%
\$45 - \$59	2	1%	50%
\$30 - \$44	19	5%	53%
\$15 - \$29	211	54%	44%
< \$15	97	25%	30%
Vacant	51	13%	0%
Parcels	389		
20% Effort	\$736,715	Effort to Renovate Properties < \$15/SF	
Total Effort	\$3,683,575		





Assets & Land Bank Areas
 0' 250' 500' 750' 1000'

- LEGEND**
- Residential Buildings
 - Institutional Buildings (Churches, Community Centers, etc)
 - Commercial Buildings
 - Demonstration Areas
 - Landbanking Areas
 - Potential TOD Project
 - Potential Urban Trail Route
 - Parks
 - ▲ Views
 - Light Rail (T) Service
 - Bus Service
 - Both Light Rail and Bus Service

Analysis conducted by:



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