Nobody Home

The Rise of Vacancy

Part III EAST LIBERTY

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When East Liberty Development, Inc. officials were roughing out strategies for improving the Pittsburgh neighborhood, a big question was what to do with some 50 vacant properties that were robbing tax-paying homeowners of their equity, discouraging investment, and exacerbating crime and other factors that had led the neighborhood to become what Rob Stephany, director of the city Urban Redevelopment Authority, calls "below the line" – a place you don't visit.

They decided to buy them all, rehabilitate some themselves, sell others to rehab-minded buyers and tear down the rest.

"You can't change a neighborhood by building 10 houses on one street. We've tried that and it doesn't work," said Kendall Pelling, East Liberty Development, Inc. project manager. "You also can't change a neighborhood by buying a bunch of vacant houses and sitting on them like a chicken. We looked at how private developers work and at our situation and tried to come up with an intervention that was the right scale to stabilize and grow our market."

Some 10 years later, taking control of the vacant property in the neighborhood is a key part of a larger strategy for revitalizing East Liberty that has begun paying dividends ranging from a rejuvenated business corridor to steadily rising property values.

The notion that East Liberty would need to take such steps would've been inconceivable 60 years ago, when it was among the city's most robust neighborhoods with a business district that was ranked third largest in the state behind center city Philadelphia and Downtown Pittsburgh. But a half of century of decline followed, brought on by a number of factors, not the least of which was an ill-conceived urban renewal program that demolished some 1,200 houses, shrunk the bustling business district by 1 million square feet and reengineered the neighborhood's main artery, Penn Avenue, choking traffic flow in the heart of East Liberty.

Hundreds of the small businesses fled. By 2000, the neighborhood had lost more than half of its population and 14 percent of its housing stood vacant by the U.S. Census Bureau's count.

One of the first orders of business for East Liberty Development, Inc. was to stabilize and restore confidence in the local housing market. In 2002, the highest home sale price in East Liberty was $150,000 – for a seven-bedroom Victorian restored to historic detail with 3.5 baths, a modern kitchen and a fully renovated carriage house. To say that it didn't represent the overall housing stock in the neighborhood is an understatement.

"Structurally, our housing market did not work," Pelling said. "We had a bunch of houses that needed a lot of work that you couldn't renovate and get your money out of it. No one in his right mind will buy a house and renovate with the expectation of losing money. A basic question a buyer is going to ask the real estate agent is, 'Am I going to get money back out of this house?' And the answer in East Liberty was, no."

The role that vacant properties played in depressing the housing market soon became evident. In 2001, East Liberty Development, Inc. built 10 three-bedroom houses on Mellon Street, but could not sell a single one of them. Each featured a bath and a half and two-car garage and was priced a $105,000. Income-qualified buyers were offered deferred second mortgages at zero percent interest. The problem was across the street, where several tax-delinquent, rundown, abandoned buildings frightened prospective buyers.

The nonprofit bought the abandoned properties at city treasurer's sale and came up with a plan to renovate some of the buildings and build on other lots. "As soon as we had site control of those abandoned properties each of the houses sold, one right after the other, in very short order," Pelling said.

That led to a "mothball" strategy to buy all tax-delinquent, vacant properties as they became available at city treasurer's sale and hold them off the market until ways are found to reuse them to improve the neighborhood somehow. The Pittsburgh Partnership for Neighborhood Development, Urban Redevelopment Authority and the Local Initiative Support Corporation helped East Liberty Development Corporation secure the financing and other support the ambitious plan required, including a grant that allowed it to leverage a flexible line of credit.

Other strategies included rehabilitating the houses it acquired and reselling them, selling other houses to buyers interested in doing the rehab work themselves and doing targeted development, which included building new homes and offering them as affordable housing or selling them at market prices.

Today, the signs of recovery are clear. The "highest comparable" sale price for a home has reached $300,000, twice what it was a decade earlier. The median value of housing climbed to $69,000 in 2008, nearly 34 percent higher than values reported in the 2000.

The income mix of residents is more diverse. The housing stock is better. Homeowners have seen a steady increase in their equity, regardless of their income level. East Liberty's crime rates – although still higher than citywide averages – fell 46 percent between 1999 and 2008. The business district has been reborn with retail anchors such as Target, Whole Foods and Trader Joe's, as well as with bistros, cafes and lounges with names like Spoon, Ava and Brgr.

"I used to work in East Liberty," said Stephany. "There were times on Friday and Saturday nights that you just wouldn't go to the corner of Penn Circle West and Highland Avenue, which is now where Brgr is. The lesson learned here is that it can happen. You can have spill over. You can deal with low-income people responsibly. You can bring equity back to stakeholders. You can do all of that regardless of how high the hurdles are."

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