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East Liberty housing now pays big dividends

After a decade of aggressive planning and work, the real estate market in East Liberty is bouncing back

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By Diana Nelson Jones, Pittsburgh Post-Gazette



Larry Roberts/Post-Gazette

The new Boulevard Apartments at 5801 East Liberty Blvd. were finished last week.

The century started well for East Liberty, where retail won the starring role in the drama of its economic recovery.

Whole Foods was scouting locations in 2000, when Home Depot and the hipster haven Shadow Lounge opened. Whole Foods opened two years later and became one of the highest grossing stores in the Austin-based chain. Then came the Mosites Co.'s Eastside development and several small, high-end restaurants.

This July, a new Target will open on Penn Avenue.

That's a lot of chewed scenery, but the role of housing may yet steal the show.

Two homes in the neighborhood are now under agreement for \$340,000 each. Even the guys who helped make that happen -- real estate specialists at East Liberty Development Inc. -- were staggered.

"Whoever would have thought?" said Eric Jester, a project manager for residential development.

The average sales price of a single-family home in that area in 2008 was \$75,000. The average hit \$146,000 last year, when ELDI sold a house for \$315,000.

For the past seven years, ELDI's acquisitions manager, Kendall Pelling, has been buying abandoned, vacant and liened properties. The portfolio now totals \$10 million and accounts for almost 15 percent of the neighborhood's parcels.

Payment of liens alone has East Liberty looking more like Shadyside than its neighbors to the east and west on a demographic map that shows liened parcels in red.

Nathan Cunningham, director of real estate development for the agency, said that five years ago, East Liberty's portion of the map "looked like blood spilled all over the place." Today, that portion pops out from between Garfield and Larimer because it has so many fewer red parcels.

The agency's target area for renovating and selling homes is between Penn Circle and Stanton Avenue and Negley and Highland avenues, "the historic core," Mr. Cunningham said.

The concentrations range from 20 to 80 percent of a given block.

Andy Haines, a vice president at S&A Homes, which has built about 10 properties with the agency, said East Liberty's market has improved "but it took a while to sell some" that he said may have been overpriced.

"They had an awful lot of properties on the market."

In response to concern that the market may push low-income people out, Mr. Jester countered that the slumping market of previous decades "trapped people in big homes they couldn't sell or get anything out of." If they stay, they can get their equity back.

"Our goal is a stable, sustainable mixed-income neighborhood," said Mr. Cunningham. "We want to enhance the ability of the market to accomplish that."

The agency's initial housing focus was to "replace dysfunctional affordable housing with the highest value, best managed affordable housing," said Rob Stephany, executive director of the Urban Redevelopment Authority and a former real estate specialist at ELDI.

Since 2007, the agency has partnered with the URA and the Pennsylvania Housing Finance Agency to build 533 apartments and townhouses for low-income residents and has a waiting list of about 2,000 for the largest development, the Fairfield Apartments between Penn Avenue and East Liberty Boulevard.

This has been competition for exploitative landlords, said Mr. Stephany.

"When good, working-class families have good options in front of them, they don't have to take the path of least resistance," he said. "You can't just keep building around nuisance properties. You have to compete with them."

Last week, city and agency officials cut a ribbon at the Boulevard Apartments, a new six-unit building on East Liberty Boulevard and Euclid Avenue. It is solid brick, has hardwood floors, balconies with hand-crafted iron work and energy efficiency that exceeds Energy Star standards.

Three other buildings are part of the Boulevard Apartments, one on the boulevard and two on North St. Clair Street -- 14 units in all for families whose income is at or below 60 percent of the area median.

It has a waiting list of 60.

For balance, the agency is working with developers to turn three existing buildings into 234 market-rate apartments. They include the Highland Building and former YMCA, both in the business district.

The neighborhood agency's strategy is atypical. Most community development corporations depend on public money and build homes on spec. The East Liberty group builds for a waiting buyer.

"Rather than going to the URA for money to renovate, I use the market and let the flippers take the risk," said Mr. Jester. "We have legal safeguards that require the flipper to sell to a home owner."

East Liberty's new residents include those who moved to Pittsburgh from out of state, some to work for Google and American Eagle, and people who have relocated from other neighborhoods and area suburbs.

The agency also has a strategy for attracting contractors, who have little incentive to take on a 25- by 100-foot lot between two old homes on top of 100-year-old water and sewer lines.

"We do the land prep work, we go to zoning, we deal with water and sewer," said Mr. Jester.

Mr. Stephany called East Liberty "the most recent member of the esteemed market-rate community developers. After almost a decade of very aggressive work, there is a bona fide housing market.

"The next step," he said, "is to start working on the edges."

Correction/Clarification: (Published 5/9/11) The Shadow Lounge in East Liberty opened in 2000.
Diana Nelson Jones: djones@post-gazette.com or 412-263-1626. Read her blog City Walkabout at www.post-gazette.com/citywalk.

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