

# HOME TOWN

**EVEN THE BEST-LAID PLANS FOR A FOUNDATION'S GRANTMAKING CAN BE UPENDED  
PITTSBURGH FOUNDATIONS ARE WORKING TO WIN CONVERTS TO THE DOWNTOWN LIFE.**



A woman with curly hair, wearing a dark jacket, stands on a rooftop at night. Behind her is a city skyline with several lit-up buildings. The most prominent building has a blue light beam shooting from its top. The sky is dark blue.

[LAURA MOTCHALOV, ON THE VIEW]

**"I love big cities. I like looking at the lights. I like the fall here—it's mild, it's colorful. And I'm 90 seconds from work."**

With degrees from the Eastman School of Music and the Cleveland Institute of Music, Laura Motchalov became the youngest member of the world-renowned Pittsburgh Symphony in the summer of 2003, embarking on a frenetic schedule of touring and performance that took her to Europe three times in the first year. The second violinist relaxes by exploring the city—the walk across the Allegheny River to Heinz Field is a favorite—and skating on downtown's outdoor Hillman Rink at PPG Place.

**IN A REGION WITH A DECLINING CITY CENTER. h REPORTS ON HOW SEVERAL  
BY CHRISTINE H. O'TOOLE PHOTOGRAPHY BY STEVE MELLON**

**A**s dusk softens the corner of Ninth Street and Penn Avenue, Geoff Webster doffs his workday duds and grabs gear from his third-floor loft, heading out for an evening of deck hockey with friends. His century-old home, a former printing plant with 15-foot ceilings, is a stroll across the Ninth Street Bridge from his evening match. Around the corner, Laura Motchalov picks up her violin and serenades a pair of pet cats with a few more hours of intense rehearsal. Her Penn Avenue flat sports the barely-there decor of a 25-year-old who thrives on late nights, midnight sushi and a six-day work-week with the Pittsburgh Symphony, 90 seconds away.

Downtown living in Pittsburgh used to be the subject of punch lines. Now, for a crop of new residents, it's a growing object of affection.

The trim, soft-spoken Webster describes the neighborhood as a linked chain of the amenities that other mid-sized cities would salivate to offer to downtown residents.

"This corner is a hub. You could draw a circle around each group of major institutions in Pittsburgh—corporations, pro sports, performing arts—and they'd all intersect right here. It's close to everything, even the [riverfront] trails," says the avid cyclist.

Webster, a 36-year-old healthcare policy maker, counts the durations of his commutes on one hand: the four-minute walk from his office, the three-minute walk from his gym, the two-minute walk from his favorite theater (the Michael Graves–designed O'Reilly) and the one-minute walk from the Allegheny River. Motchalov, a Calgary native, likes the scene as much as the location. "A lot of people in my building [the Penn-Garrison] are in the same boat as I am—young professionals who just got their first big job, who don't want to deal with driving and traffic."

The Penn Avenue storefronts plastered with "NOW LEASING" signs, the new striped awnings snapping in the wind, the brightly lit sidewalks and the sleek new restaurants serving

cocktails down the block all affirm the pair's hunch that the central business district is about to become one of the city's hottest neighborhoods.

"It's so important to have a strong residential base downtown. It supports retail, entertainment and restaurants," says Tom Cummings, director of housing for Pittsburgh's Urban Redevelopment Authority. The effort to use cultural, natural and retail amenities to lure new residents into a revitalized urban core is the result of years of spadework by government, civic associations, corporations and—what may be surprising to some—foundations, including The Heinz Endowments. But Pittsburgh is hardly alone. Some prominent American cities are benefiting from philanthropists rolling up sleeves in concert with private developers to immerse themselves in the details of apartment-building marketing, loft designs or haute cuisine.

In this unconventional role, foundations are convinced that what's good for downtown housing development is deemed essential to the success of more conventional grantmaking goals.

In Pittsburgh, pioneers like Motchalov and Webster are the round-the-clock component that makes all other philanthropic investments in downtown—from cleaning the air to world-class designing of a convention center to nurturing the arts scene—pay off. To help attract more like them, the Endowments is getting more development-minded, promoting quality, market-rate housing to such tantalizing demographic groups as young professionals and empty-nester retirees, and championing world-class design in all downtown building projects.

"We want to jump-start the market," says Mary Navarro, a senior program officer in the Endowments' Arts & Culture section.

Sustaining vibrant downtowns and preserving their handsome old structures have become a nationwide goal, both aesthetic and economic. Cities view the development spurred by young professionals and empty-nesters as a means of replacing tax revenues lost from decayed industrial buildings.



Geoff Webster and Christina Dixon have lived downtown for four years. Avid cooks, they shop on weekends in the Strip, the nearby wholesale district. Geoff, associate director of the Pittsburgh Regional Healthcare Initiative, and Christina, a partner at the True North Institute, bike, fish and compete with local amateurs in the Pittsburgh Sports League. They share Pirates baseball season tickets with friends and can hear the cheers from PNC Park from their home perch at 900 Penn Ave.



[GEOFF WEBSTER, ON CONVENIENCE]

**“You could draw a circle  
around each group of major  
institutions in Pittsburgh—  
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all intersect right here.”**



[JOY BRAUNSTEIN, ON LOGISTICS]

**"I do my light shopping downtown and the rest on weekends. Basically, it's no less convenient than anywhere you choose. Downtown is accessible to so many things — it's an easy bus or car commute to where I need to go."**

oy Braunstein swapped a suburban apartment near Pittsburgh International Airport for a downtown studio. Completing a doctorate in international affairs at the University of Pittsburgh, focusing on international water security, she works for the U.S. Department of the Interior. For her dogs, the highlights of the day are romps in Point State Park.



## HOUSING GRANTS

**With its 2003 ruling in favor of a Heinz Endowments argument, the Internal Revenue Service formally agreed: Foundations may make charitable grants to support cities' market-rate housing initiatives. The ruling was nationally reported in publications for tax professionals, and the Endowments' attorneys are fielding calls from other local foundations interested in the clarification.**

**"The concern is, would we be supporting people who can afford to pay for it themselves?" says Mary Navarro, the Endowments' senior program officer in Arts & Culture. "We had to make the case that the city was in decline, and that we chose to promote market-rate housing as part of revitalization. That's the core of the argument. We had to show that economic development and planning professionals nationally have recognized the need to incorporate housing into any revitalization program for downtown."**

**The IRS ruling agreed that some foundation grants for market-rate housing projects would be allowed, provided the sponsoring organizations are qualified nonprofits and that their projects meet certain standards.**

17

Milwaukee, Denver and St. Louis have recently pulled tens of thousands of newcomers to formerly dead downtowns. "In St. Paul and Portland, what's driving downtown revitalization is housing," notes local architect Don Carter, a downtown transplant from seven years ago, who has overseen projects across the country as principal of Urban Design Associates.

Cleveland, Duluth and Dallas are also setting ambitious targets for creating center-city, market-rate housing. The John S. and James L. Knight Foundation, St. Paul Foundation, and St. Louis' Danforth Foundation are among nonprofit funders leveraging local efforts to encourage downtown living.

McDuffie Nichols, who heads a preservation development initiative for the National Trust for Historic Preservation, argues that the trend is more than a way to subsidize yuppie housing. "New residents provide opportunities for the creation of jobs," he says. "Even if you're concerned about using public dollars to benefit a group that shouldn't need the help, higher property values provide the tax revenues that benefit the city. You have streets and infrastructure that have to be maintained. [You pay for that] through higher property values." That reasoning resonates in cash-strapped Pittsburgh.

In the 20th century, the city's only 24-7 districts were the steel mills running three shifts. The city has never had a large population in its compact city center, though nearby neighborhoods thrive. (See "Momentum," page 21) Indeed, the non-student total today in the neighborhood bounded by the confluence of the rivers stands at about 1,600. But the living area is only a little over a half-mile square, as compared with Cleveland's 4,300 residents in a 2-square-mile downtown. But despite population losses, changing commuting patterns and retail attrition, Pittsburgh has maintained a strong corporate hub and attractive, affordable outlying neighborhoods. Until recently, the paradox posed by those two pluses was that few had thought of downtown as a place to live.

"The blessing and the curse of Pittsburgh is that you drive 10 minutes from downtown and have nice housing stock," says David DeSimone, who has directed real estate projects for the Pittsburgh Cultural Trust since 1995. "The perception is that you don't have that downtown."

Changing that mind-set became another chapter in the Endowments' ongoing \$120 million commitment to a vibrant urban core. With new attractions in place, center-city—particularly the 14-block Cultural District—is ready for its close-up.

The cranes laboring on new river-view housing have been near-permanent fixtures along the downtown waterfront since 2001. Projects completed within walking distance in the past four years include new stadiums for both the Pirates and the Steelers, a revamped and enlarged convention center, a spacious public high school for the arts, two new corporate headquarters and water's-edge recreation trails. The green space at the confluence, Point State Park, is getting a face-lift, too, thanks to the public-private collaboration of the Riverlife Task Force and the Allegheny Conference on Community Development.

Most important, the maturing of the Cultural District—a 34-year effort begun by cultural philanthropist and business leader Jack Heinz and broadened by Teresa Heinz through her leadership at the Endowments—has given downtown the beginnings of a "night shift," with cafes and clubs sprouting among the theaters and galleries developed by the Pittsburgh Cultural Trust.

"Not a buyer ever misses mentioning the Cultural District" as a reason for moving downtown, says real estate broker Carole Clifford. "It was a combat zone 28 years ago. Now it's an absolute jewel." The neighborhood's biggest residential condominiums, Gateway Towers, have seen sale prices soar—up 60 percent in the past five years.

The “NOW LEASING” banners show that developers are beginning to recognize the market. In the past three years, they added 134 new residential units downtown. By the end of 2006, they’ll have created twice as many.

Representing the Endowments on two related efforts—the Riverlife Task Force’s Urban Design Committee and the Downtown Housing Working Group—immersed Mary Navarro in the deep waters of natural amenities, design and economic development. She says that, as a community, “we need to understand what the market is and, within that market, to build the best possible projects that we can. Then, over time, as downtown living becomes more desirable, the market improves.”

The Endowments, along with the McCune and the Richard King Mellon Foundations, have been key supporters in the creation of the Downtown Living Initiative, a three-year project to encourage housing development. The effort zeroed in on three early tasks: marketing, livability issues like residential parking, and streetscape improvements. “Our goal was to make

development easier and more profitable,” says Patty Burk, its project director.

Ground-softening efforts like the Living Initiative, says Cummings of the Redevelopment Authority, are a good place for foundations to apply funds, along with their support for public amenities like riverfront beautification. “That clearly has an impact on real estate activity,” he says. And a new IRS ruling, sought by the Endowments, gives a green light to foundation grants that support market-rate housing as a means of economic development. (See “Housing Grants,” page 17)

### The Tipping Point

What makes a neighborhood hot? At first glance, it seems that downtown has reached a tipping point for attracting residents. Nearly 140,000 people work in the compact core. “People who want to live downtown already work downtown,” says Burk. Culture mavens know the well-lit streets are safe—the city consistently makes the top 10 list for large U.S. cities with the lowest crime rates.

But the high occupancy rate for office buildings gives little incentive for owners to create residential units. Downtown shopping opportunities are at a low ebb. Developers point to sky-high costs and limited public money to move re-use projects forward.

No Wall Productions President Eve Picker was one of the first solo developers to test the downtown housing market, launching her first rental redevelopment in 1999. She quickly encountered the classic dilemma of downtown redevelopment, the so-called financing gap. Although the city had obtained “historic district” designation for several blocks surrounding the Cultural District in the mid-1990s, the federal tax credit alone didn’t defray much of the acquisition and construction costs. To close the gap between the loans totaling \$1 million and the overall project costs of \$2.2 million, Picker forged partnerships with the Urban Redevelopment Authority, lenders, the Cultural Trust and union pension-fund managers, who were interested as much in future construction jobs as return on investment. Other developers adopted those tools. Meanwhile, in another innovative partnership, the Cultural Trust developed a 25-loft property at 900 Penn Avenue—Geoff Webster’s current



### “TOMORROW, DADDY’S GIVING YOU A BATH”

**This tongue-in-cheek TV ad depicts a convert to downtown living hugging the car he hasn’t seen in weeks. It’s one of several produced through foundation funding for Pittsburgh’s Downtown Living Initiative. Now the group is hoping for more funding to air the ads. ([www.pghliving.com](http://www.pghliving.com))**



home—on a bankable asset from Pittsburgh Public Theater. The theater pre-leased half of the units to house out-of-town actors.

The success of those early ventures made investors warm to other plans. Two new hotels sprouted in elegant dowager buildings. Four new restaurants filled storefronts on Liberty Avenue. Backed by a \$1 million grant from the Endowments and a decision in 2000 by city officials to offer property tax abatements on rental property, the Regional Industrial Development Corp. launched the neighborhood's most ambitious apartment project: 117 loft-style units fitted into the Penn-Garrison Building at 915 Penn Avenue.

Rehabbing the 22-story former office building required some \$22 million, of which the Redevelopment Authority loaned 5 percent, plus a few compromises. Though it sported upscale features like a fitness center and a rooftop deck, the Penn-Garrison did not provide on-site parking. The Pittsburgh Parking Authority made discounted spaces available nearby—Laura Motchalov rents one, in addition to her \$810-a-month flat—but the arrangement deterred some potential tenants. The building took nearly three years to reach full occupancy.

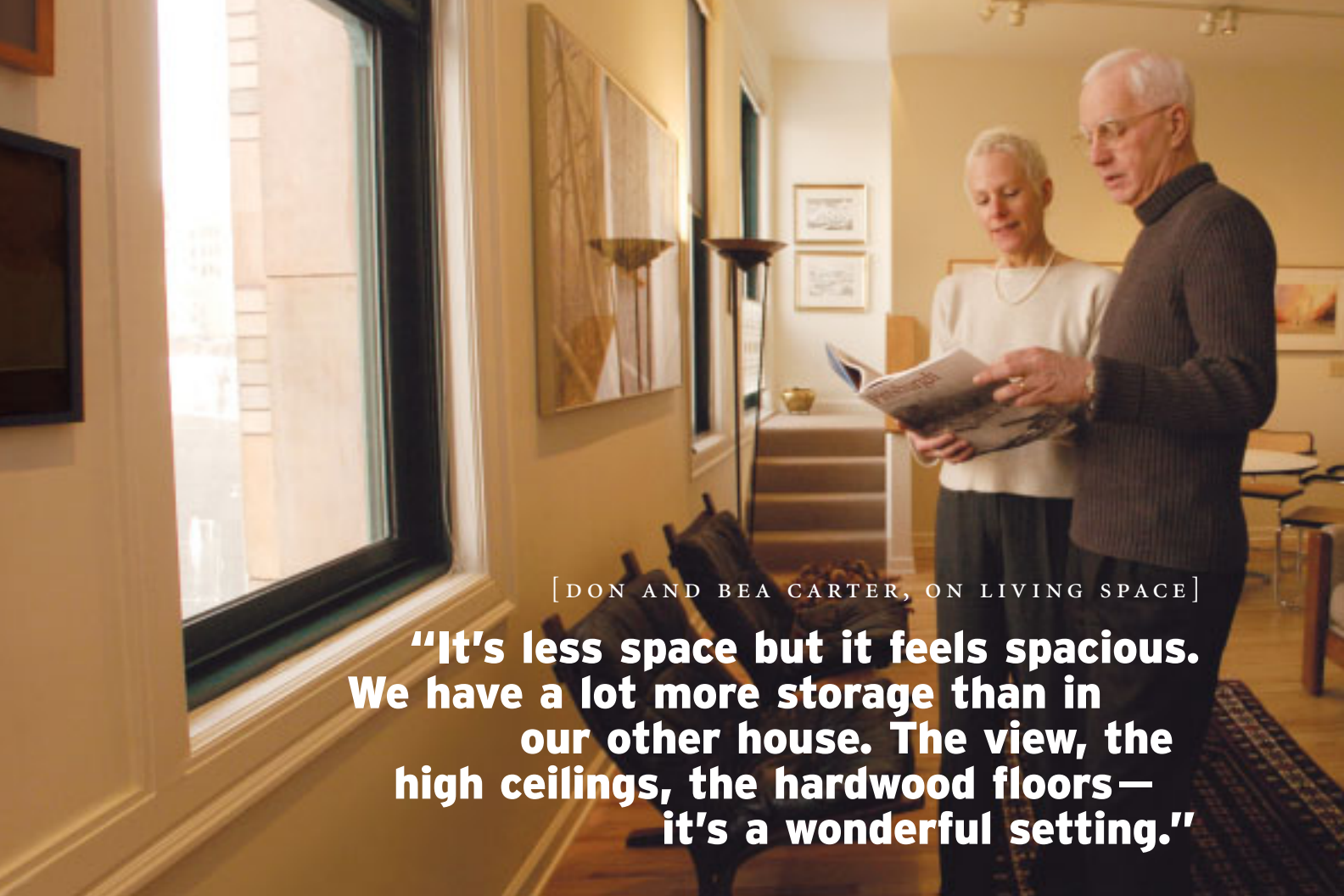
“That was a lesson learned,” recalls the Urban Redevelopment Authority’s Cummings. “I’m not sure we acknowledged the significant psychological difference between on-site parking and a secure public parking garage two blocks away.” Today, partly because parking leases are included with rents, the Penn-Garrison is nearly full.

And despite the walk-everywhere benefit extolled for downtown, the parking issue complicates every development in the built-up district. “I underestimated Pittsburghers’ attachment to their cars,” says Picker dryly, recalling her earliest loft projects.

No more. Picker’s company is partnering with Teterboro, N.J.-based Rugby Realty to renovate an old building at 930 Penn Avenue to house 20 rental units. The ingenious parking solution: an automated car elevator.

For urban Americans, Don Carter says, having a car has become a fact of life. “Unless you live in Manhattan, you drive to the grocery store.” For renters who work downtown, like Laura Motchalov, driving is an occasional option. For those who commute to suburban offices, like Joy Braunstein, wheels become more important.





[DON AND BEA CARTER, ON LIVING SPACE]

**“It’s less space but it feels spacious. We have a lot more storage than in our other house. The view, the high ceilings, the hardwood floors— it’s a wonderful setting.”**

iving in The Pennsylvanian, the former Pennsylvania Railroad station designed by Daniel Burnham, is a dream move for Don and Bea Carter. Seven years ago, the architect and his program officer wife traded the single-family home where they raised two children and downsized into a two-story, 12th-floor loft that they love. “I can’t tell you how liberating it is,” says Bea, who grew up on a farm in Maryland. She runs daily along the river trail.



## MOMENTUM

Less than a mile from the heart of downtown, several market-driven projects demonstrate that the urban-living trend has legs. Later this year, the Heinz Lofts

(A, left) will open on the North Shore. The 267 apartments, in renovated buildings of the former H.J. Heinz factory, will keep the names—like Meat and Bean—that designated their original use. The Strip District, a former warehouse area, has several fully occupied loft buildings, both rental and condo. The derelict Armstrong Cork factory there is slated for a 300-unit redevelopment (B), though the 440,000-square-foot property has posed problems for past developers. Duquesne University has announced a \$70 million retail and apartment plan adjacent to its downtown campus. And on the city's South Side, a major mixed-use development on the 34-acre site of an old Jones & Laughlin steel mill, called South Side Works (C), has property values soaring. Eighty-four loft-style units join other rental developments and condos in the area bordering East Carson Street, the neighborhood's commercial heart. A Redevelopment Authority-financed face-lift of the street's commercial facades was a crucial early element in improving its marketability.

21

"Maybe I could do without my car," says the 29-year-old environmental protection specialist, whose Stanwix Street apartment is midway between her South Hills job and her doctoral studies at the University of Pittsburgh. "But that would isolate me from some of the places I need to go."

Riffs on the idea of doing without a car were among the tongue-in-chic ads developed for the Downtown Living Initiative. (In one proposed TV spot, a man reminisces with his car about their former two-hour commute. He ends by promising, with a hug, "Tomorrow, Daddy's giving you a bath.") When funding for the campaign fell through, some of the materials were resurrected. Bus placards and public radio spots will direct the public to the Initiative's web site, partially underwritten by downtown property managers.

By 2001, with other local construction under way, downtown was ready to proceed with a long-deferred dream: a new residential high-rise with the Mannhattanesque name, 100 Seventh Street, overlooking the Allegheny River. The leasing office for the \$36 million, 18-story project by Lincoln Property Co. opens this fall.

"Doing the Lincoln deal is a milestone. The Holy Grail is new construction," says the Cultural Trust's DeSimone. "If you do new, it answers so many questions" about the long-term viability of the neighborhood.

The Endowments funded three-quarters of the land purchase for the project in 1986 as part of the original creation of the Cultural District, says DeSimone. "This never would have happened without The Heinz Endowments," he adds. But it was 15 years before the Cultural Trust sought developers to bid on the project. Three more were spent in design before Lincoln broke ground last November.

"There were complicated design review issues," explains Kevin Keane, senior vice president of Lincoln. Keane's firm had previous local success in Lincoln at North Shore, a new-construction project near the then new PNC Park. Though it boasts the city's highest rents and occupancy rates, the low-slung garden-style complex looked more raw-suburban than downtown-riverfront grand, with little connection to its waterway setting. Local critics held their noses.

"That's what the city could expect at that time," says Navarro. "There were lower expectations around riverfront design, and that apartment project was the mediocre result." Since 2000, the Riverlife Task Force has worked to raise design aspirations. "Now, the market is stronger," Navarro says. Riverfront projects should command premium, and, based on that, we can expect more attention to quality design in the broadest sense." The Cultural Trust, a party to the 100 Seventh Street discussions, wanted the new building to reflect the top-notch design standard it had developed in other nearby projects. Of the lengthy discussions about the cost and look of the new high-rise, Navarro concludes, "Basically, we all learned a lot about what the market would bear and at what point outside people should get involved."

Another consideration was making the building environmentally sound. "We knew we wanted to make the building LEED-worthy," says Navarro, referring to the national standard for use of sustainable building materials, energy-efficient heating and cooling systems, and a healthy internal environment. The environmental focus adds appeal and is expected to bur-nish Pittsburgh's growing national reputation in green-building design. A parklet tops one side of the building, and windows and balcony doors open for fresh air. Keane says there have been about 40 inquiries about leasing.

Rugby Realty vice president Larry Walsh is so convinced that the downtown core's time has come that he's stationed in an office downtown, busy supervising seven residential buildings on Penn and Liberty Avenues. The company also owns the



## HISTORIC TAX CREDIT

One key solution to the issue of gap financing is a state tax credit for those redeveloping historic properties. Twenty-one states have enacted such credits to spur rehabilitation, but Pennsylvania is not one of them.

“What we’ve seen, in cities where they work well, is whole downtown areas coming back to life,” says consultant Harry K. Schwartz, who helped Pittsburghers move the issue into the state legislature.

Like federal historic tax credits, a state tax credit could go a long way to soothe development woes. “For most projects of this nature, if we had the state tax credit, there would be no gap,” says the Endowments’ Mary Navarro.

While the structure of a state program is still unclear, most state credits average 20 percent. Some are subject to a statewide cap.

A generous state give-back can create the tipping point for urban-living projects. Since 1997, Missouri has spent an average of \$70 million per year in historic tax credits, mostly in downtown St. Louis. The city now boasts 5,500 downtown units with another 600 to come online this year, encouraged by a 25 percent state tax credit.

The Downtown Living Initiative studied the issue to gauge the impact of a development credit for Pittsburgh and concluded that every \$1 million in credits could bring a \$10 million return.

Gulf Tower and the Frick, two grande-dame office buildings in center-city. “We think it’s the right thing at the right time,” Walsh says of the company’s plans for residential development along Penn Avenue.

### The Starbucks Scale

If new construction is the Holy Grail for downtown developers, the corner store is the equivalent for residents. Oakland, California mayor Jerry Brown summed up the symbiosis between retail and residential growth with his “Starbucks Scale” for urban development: The later a coffee shop can stay open in a neighborhood, the healthier the street.

“I adore the view. I’m in the skyline. I have really easy access to the Cultural District and music,” says Joy Braunstein. “I like being able to walk to the river. But my wish list is for things to be open past seven o’clock!” Braunstein, who shares season tickets to the opera, ballet and theater, says that on non-show nights, downtown closes too early. “We need a 24-hour coffee shop where you could just hang out. A few [shops] would make a huge difference.”

Alice Murray, a Dallas-based consultant who created a Pittsburgh report card on factors influencing downtown living, calls retail “a chicken-and-egg question.” Small shops need built-in customers; residents want to grab a quart of milk on their walk home.

While city government officials were dogged in several attempts to jump-start city retailing, the plans didn’t go over well with the public. So the Pittsburgh Downtown Partnership launched a private-sector initiative to find a retail and housing developer for several blocks of tarnished storefronts between Fifth and Forbes Avenues. “If your goal is retail, you’re not necessarily getting residents,” observes Patty Burk. “The two have to work together.” The Endowments has underwritten a portion of \$250,000 in pre-development costs by Philadelphia developer Dranoff & Co. And while no one has hoisted an awning yet, a deal for a downtown grocery also is expected soon.

Among the items renters want to buy downtown: condominiums. As much as he loves his \$1,450-a-month two-bedroom loft, Geoff Webster recently purchased a home in Shadyside, in the city’s residential East End.

“There aren’t a lot of places you can buy [downtown],” he observes. “If we could buy our apartment, we would do it in a second. But you can’t, and the planned condos are still years away. There’s not a lot of variety right now.”

Condo development, says Dallas’ Murray, usually lags behind rentals. As part of bridging the financing gap, most early developers plan projects around historic tax credits. The program accepts only rental properties, which must stay off the market for five years. “Until there is an established rental base, people aren’t willing to invest. You have to prove it’s warranted, by building a strong rental base first.”

David Bischoff, whose firm plans to transform the imposing Union National Bank building into condos with price tags from \$200,000 to \$1 million, is one of those capitalizing on pent-up demand downtown; another developer plans an 84-condo building on First Avenue. Eve Picker welcomes the competition: “It all starts to create a neighborhood with a variety of housing choices.”

Geoff Webster believes that neighborhood variety is what downtown is all about. As he gazes at the streetscape below his living room, he calls the view “a cross-section of the world.”

“It’s more than diversity,” he says fervently. “It’s people of all types, an urban pastiche. Whether you stand at the window or walk out onto the street, you get to be a part of it daily. It’s a wonderful thing.” *h*

Rachel Baron-Horn and David Horn, shown here at Bossa Nova on Seventh Avenue, are volunteer ambassadors for the Downtown Living Initiative, touting the benefits of the urban lifestyle. The couple, both 33, has lived at the Penn-Garrison since May 2002. David is director of public relations and marketing for Littlearth, a downtown manufacturer of environmentally conscious fashion accessories. Rachel is administrative and financial coordinator at the Andy Warhol Museum.

A photograph of Rachel and David Horn sitting at a table in a restaurant. Rachel is on the left, wearing glasses and a dark jacket, looking towards David. David is on the right, wearing glasses and a dark jacket, looking back at Rachel. They are both smiling. In the background, other patrons are visible, and a large window shows a blurred view of the street outside.

[RACHEL AND DAVID HORN, ON NIGHTLIFE]

**"We can do things on the spur of the moment. Next week we're doing a gallery crawl, we're going to see 'The Producers,' and we're trying a new restaurant. And it's great being able to see films at the Harris."**