

McKees Rocks Housing Strategy & Work Plan



Prepared by:



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Executive Summary

Overview

McKees Rocks Borough and McKees Rocks CDC retained Palo Alto Partners to facilitate a Housing Strategy and Work Plan. While McKees Rocks struggles with a large inventory of vacant residential property, the community's location and other assets create opportunities for revitalization. This Plan prioritizes three data-driven strategies to address vacant property and a Work Plan to guide implementation.

The timing of this Plan is timely, as McKees Rocks housing market is at an inflection point. After years of stagnant residential sales prices, the last three years reflect an upturn with a compound annual growth rate of 8%. As nearby areas such as Greentree, Mt. Washington, Brighton Heights become less affordable McKees Rocks will see increased interest from both investors and homeowners.

The stakeholder input aligned with the key themes from the data collection. Addressing blight and public safety are among the most common priorities mentioned by residents and other stakeholders. The conversion of owner occupied property into rental units was also a concern. Improving the business district is another priority, with a desire to add neighborhood serving restaurants and retail to the Lower Chartiers Business District. The data and stakeholder input informed the development of the priority strategies and recommendations.

Priority Strategies & Recommendations

Preserve Existing Owner Occupied Housing – Over time, McKees Rocks has seen a significant decline in its homeownership rate as properties have been converted to rental units. Only four of every ten rental properties in McKees Rocks are now owner occupied. As the remaining owner-occupied households age, these properties are at risk of being sold to a landlord rather than an owner occupant when the existing homeowner moves or passes away. Maintaining the existing owner occupied housing is essential to the long-term stability and economic growth of the community. Tactics to preserve existing owner-occupied housing include right-of-first refusal, establishing a homebuyer pipeline, and working with qualified homeownership developers.

Coordinate a Robust Property Recycling Program – Nearly one in five residential property is vacant, and many of these properties are blighted and tax delinquent. To address this challenge, an appropriately scaled property recycling program is necessary. This program will incorporate several different tactics including the use of Allegheny County's Vacant Property Recovery Program, participation in the Tri-Cog Land Bank, and establishing a pool of qualified prospective homeowners and developers.

Target Mixed-Use Projects within the Lower Chartiers Business District – Recent improvements to the Lower Chartiers Business District include conversion of Chartiers Avenue to two-way traffic and the renovation of the Roxian Theater. Creating a mixed-use district that includes housing will do two important things. First, it will introduce new or renovated housing that is in a walkable area and close to shopping and night life. Second, creating additional housing density supports the businesses within the district. Initial steps include starting due diligence on vacant parcels and completing a feasibility study on the re-use of upper floors as housing.

Capacity

Addressing vacancy and blight is a resource intensive effort that starts with a clear plan of action that has the buy-in of participating organizations. A common thread among communities that have successfully addressed blight is that they have leveraged additional capacity, both in terms of technical expertise and financial resources, to implement a locally developed plan. There are several potential resources including the Tri-Cog Land Bank, Rebuilding Together Pittsburgh, and City of Bridges Community Land Trust, that can act as extensions of the capacity that exists within McKees Rocks. Additionally, a comprehensive housing strategy better positions the community to compete for funding from public and private resources. We have highlighted some relevant sources that can support this work, as well as complementary initiatives in Appendix D.

Methodology

The planning process consisted of several components including: 1) review of existing plans, 2) data collection and analysis, 3) stakeholder input, 4) prioritization of housing strategies, and 5) development of a Work Plan. Several existing plans and studies including the Char-West multi-municipal comprehensive plan along with an Urban Land Institute assessment were reviewed for relevant content and recommendations. Data collection included a number of existing secondary data sources such as the American Community Survey and the Market Value Analysis completed for Allegheny County by the Reinvestment Fund. We also utilized primary data on building condition through McKees Rocks CDC's Loveland Database along with real estate sales data purchased through RealStats.

To gather community input, we worked with the Borough's Real Estate Committee and also drew from resident survey data gathered by McKees Rocks CDC staff in 2017. Based on a review of existing data and prioritization of community housing objectives, we developed a series of recommendations. Each of these recommendations is addressed in a Work Plan that includes next steps along with projected costs.

Review of Existing Plans

There are several planning efforts that have relevance for a housing strategy and work plan. We have highlighted a few of these below:

New Founding of McKees Rocks (2003) – The plan calls for a repositioning of McKees Rocks to take advantage of a new economy based on information technology. The plan identified existing naturally occurring affordable housing¹ as an asset and the concentration of public housing as a liability. Plan called for renovation of existing residential property along with the construction of new mixed-income housing. Sites along Chartiers Creek and the lower Chartiers Avenue business district were prioritized for development.

Char-West Municipal Plan (2011) – Plan is a multi-municipal comprehensive plan with McKees Rocks along with Neville and Stowe Townships. The Plan noted important economic information including the fact that within these communities 30% - 40% of households receive Supplemental Security Income. 10% of all occupied homes are in the Section 8 program. Addressing vacancy and tax-liened property was highlighted as a priority. Plan recommended the creation of a "community housing bank to acquire, rehabilitate, redevelop, and return tax-foreclosed residential and delinquent properties to private sector control."

¹ Naturally occurring affordable housing is abbreviated as NOAH and defined as housing that does not have a restriction on the maximum sale price or rental prices but is affordable based on current market prices.

Rebuilding the Working Communities of McKees Rocks and Esplan (2016) – This plan resulted from a five-day intensive panel assignment of real estate and community experts facilitated by the Urban Land Institute. Recommendations include selective demolition at the Shoppes at Chartiers Creek to connect Hays Manor to the larger community. New residential development along Chartiers Creek is highlighted as an opportunity. The plan recommended that McKees Rocks CDC focus its efforts on homeownership along with the downtown commercial core.

Stakeholder Input

The stakeholder input received through interviews, public meetings, and written survey instruments is summarized in the table below.

Table 1: Summary of Strengths, Weaknesses, Opportunities, and Threats

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Desirable location near accessible both to Downtown Pittsburgh and the Airport Corridor. • Strong history and sense of place. • Homeowners look after one another. • Housing stock is affordable. • Proactive code enforcement. 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Number of poorly maintained properties. • Poor perception of the Sto-Rox School District. • Aging infrastructure. • Much of Lower Chartiers Business District is within the flood plain.
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Opportunity Zone designation provides significant tax incentive for investment. • Marketing towards prospective millennial and empty nester home owners. • Available space for businesses in lower Chartiers Business District. • Potential connection to park across Chartiers Creek. 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Number of vacant properties can destabilize otherwise stable blocks. • Crime rate which exceeds County wide average.

Data & Analysis

The population decline in McKees Rocks has slowed over the past eight years. Median household income in the Borough remains roughly half of Allegheny County's median, while the poverty rate is 2.5 times the County benchmark.

Table 2: Population & Economic Data

Indicator	McKees Rocks	Allegheny County
2018 Population Estimate	5,885	1,218,452
% Change 2010 - 2018	(3.6%)	(0.4%)
% Population over 60	19.8%	22.8%
Median Household Income	\$28,571	\$56,333
% Persons in Poverty	28.6%	11.2%

Sources: 2013 – 2017 American Community Survey, 2010 Census

Nearly one in five housing units in McKees Rocks is vacant. Renters outnumber homeowners, and the median home value in McKees Rocks is just under \$40,000.

Table 3: Housing Data

Indicator	McKees Rocks	Allegheny County
Total Housing Units	3,425	596,504
Vacancy	17.7%	9.4%
Homeownership Rate	40.8%	64.7%
Median House Value	\$39,600	\$140,600

Sources: 2013 – 2017 American Community Survey, 2010 Census

Housing Market Assessment

Allegheny County's Market Value Analysis, completed in 2017, characterized most of the McKees Rocks as a transitional market characterized by housing values that are about half of the countywide average. These transitional markets are also noted by above average levels of foreclosure and residential vacancy along with below average levels of new construction. In 2010, nearly one in every four single family home sales occurred through a Sheriff's Sale. By 2018 that dropped to approximately one of every six single family home transactions.

McKees Rocks 1st Ward has a higher level of market distress according to the Market Value Analysis, evidenced by elevated levels of vacancy, a high rate of foreclosures, and a higher percentage of renters than homeowners. This data is consistent with household surveys completed in 2017 that highlighted resident concerns regarding vacancy, blight and the upkeep of rental property. The data from the Market Value Analysis aligns with data we analyzed from RealStats, a property sales database, which is summarized below.

Table 4: Housing Data: Sale of Single Family Homes

Year	Median Sales Price	High Price	Total Sales Volume	# Arms Length Sales ²	# Sheriffs Sales
2010	\$29,000	\$98,500	\$1,591,250	42	14
2011	\$26,000	\$165,000	\$1,698,976	48	9
2012	\$29,000	\$87,000	\$1,668,842	49	11
2013	\$24,000	\$78,500	\$1,402,201	51	14
2014	\$29,500	\$86,500	\$1,575,843	48	13
2015	\$28,000	\$97,000	\$2,710,504	70	10
2016	\$26,500	\$100,000	\$2,184,426	58	8
2017	\$29,000	\$98,400	\$2,404,610	61	5
2018	\$34,400	\$124,900	\$2,716,434	63	11

Source: RealStats

For the years between 2010 and 2015, median sale price of a single family home did not exhibit a consistent upward or downward trend and fluctuated between a low of \$24,000 and a high of \$29,500. From 2016 to 2018 the median sale price for an arms-length sale increased from \$26,500 to \$34,400 – a compound average annual growth rate of 8%. Sales prices should be monitored closely to see if the

² An Arm's Length Sale is defined as a transaction between a typically motivated buyer and seller.

trend continues.

Housing in McKees Rocks is not becoming significantly less affordable, but 2018 may represent an inflection point. Viewing this information in the context of surrounding markets, McKees Rocks is close to stronger markets to the west in the airport corridor (Robinson, Moon, Kennedy) and to the east (South Side, Downtown Pittsburgh, Mt. Washington). As these surrounding areas continue to get more expensive, McKees Rocks will generate additional interest from both investors and homeowners.

Not only is the median sale price of single family housing in McKees Rocks increasing, more homes are selling at the upper end of the sale price range. More than twice as many homes sold for \$50,000 in the last four years as compared to the previous four years. Additionally, in 2018 three homes sold for \$100,000, which is more than sold at that price point the previous eight years combined.

The poor reputation of the Sto-Rox School District was cited by stakeholders as limiting the demand for housing in McKees Rocks. The largest percentage of home buyers are now millennials, and this group has a higher percentage of households without children. With this group of buyers, the reputation of the school district factors less into the consideration of home buyers than other attributes of the community. This provides the opportunity to reach a demographic of home buyers that may have previously not been willing to consider McKees Rocks.

Priority Strategies

From the data and stakeholder input, three housing strategies were prioritized. The strategies are outlined below, and the Work Plan is included in the Appendix.

Strategy 1: Preserve Existing Owner Occupied Housing

A significant number of homeowners in McKees Rocks are long-time homeowners over the age of sixty. When elderly homeowners move or pass away they may not have children that are interested in the retaining the property. As a result, the property often ends up being purchased by a landlord or investor via a cash offer. In this situation, a home that has been owner occupied for generations is lost from the homeownership pool and the supply of affordable single-family properties available to prospective homeowners shrinks.

Preserving the existing owner-occupied housing for future generations of homeowners is important for several reasons. First, owner-occupied properties tend to be better maintained and have attributes that future homeowners value. Second, the cost of replacing a home that is lost from the pool of owner

occupied properties is significant. Rental properties generally require extensive renovation costs to convert them to homeownership, and building a new affordable unit requires significant subsidy given the high cost of new construction.

To manage the turnover of owner-occupied housing when elderly homeowners either move or pass away McKees Rocks CDC could offer to enter a right-of-first refusal to purchase the homes of qualified elderly homeowners. This would allow McKees Rocks CDC to have the ability to purchase the home when the current homeowner or their future estate is in position to sell. Through the use of this tool, McKees Rocks CDC can manage the turnover and ensure that the home ultimately ends up going to a buyer that maintains it as an owner-occupied property.

The right-of-first refusal would specify that the future sale price would be based upon appraised market value at the time of the sale, so the benefit to the homeowner is that they know they will be getting a fair price. Additionally, some homeowners like the idea of their property going to another homeowner who will raise a family in the property.



Well maintained owner-occupied property on State St.



Well maintained property on Catherine St.

Another component to this strategy is offering elderly homeowners small home improvement loans, the payment of which is deferred until sale. This provides another incentive for the homeowner to enter the right-of-first refusal, and allows them to make necessary improvements to their home without having a mortgage payment. For example, an elderly homeowner needing to replace their furnace could borrow \$5,000 from the loan pool which would get repaid when the house is sold.

Example of a Right-of-First Refusal Transaction

Right-of-First Refusal Contract Execution		Notes
Contract Payment to Homeowner	\$2,500	
No Interest Home Improvement Loan	\$5,000	
Total Proceeds to Homeowner	\$7,500	
Future Sales Transaction		
Sale Price	\$40,000	Appraised value
Less Seller Transaction Costs	(\$2,000)	½ transfer tax, other closing costs
Home Improvement Loan Payback	(\$5,000)	
Total Proceeds to Homeowner	\$32,000	

In comparison with a conventional real estate sales transaction, the homeowner in the example above benefits from not having to pay a sales commission, typically 6% of the sales price. Additionally the initial contract payment to the homeowner is in addition to the sales price. The sum of those two items provides a benefit to the homeowner of \$4,900, before the value of the no-interest deferred home improvement loan is factored in.

Strategy 2: Coordinate a Robust Property Recycling Program

Dealing with vacant property at-scale requires a complementary set of tools that acquire, clear title, and then return it to productive use. Since the circumstances of each vacant property can vary significantly, there is no single mechanism or tool that works in every situation. Municipalities that are most successful in recycling property use these tools together.

The property recycling process begins with proactive and consistent code enforcement and tax collections. These mechanisms help in a number of ways. First, they prevent properties from getting to the point where their condition is so bad that they are no longer economically viable to renovate. Secondly, they signal to property owners that lack of maintenance and tax payments have consequences. In this sense, code enforcement and tax collection are not only reactive tactics, but they are proactive as well by warning property owners that their failure to meet basic obligations will not be ignored.



Vacant property on Ella Street



Vacant property on Chartiers Avenue

There are several “front-end” tactics³ that work to begin the process of acquiring and clearing the title to vacant property. These include the use of existing tools, such as Allegheny County’s Vacant Property Recovery Program (VPRP) as well as the establishment of new tools such as a right-of-first refusal. Collectively they provide the opportunity to have a significant impact on reducing the number of vacant properties. The recommended “front-end” tactics are outlined in the table on the next page.

³ A “front-end” tactic refers to the acquisition of vacant property while “back-end” tactics refers to property disposition once the property’s title is cleared.

Table 5: Summary of Property Recycling Tactics

Tactic	Description	Appropriate For
Market the Vacant Property Recovery Program (VPRP)	Operated by Allegheny County's Economic Development Department. Interested individuals, municipalities, and developers that can demonstrate a re-use plan and capacity to implement it may apply to acquire tax delinquent & blighted property through the program.	Properties that are 3+ years tax delinquent where plans and financing are in place for the redevelopment of the property. Not appropriate for land banking for future development where no future use has been identified.
Join the Tri-Cog Land Bank	The Tri-Cog Land Bank operates in Allegheny County with 30 participating taxing bodies. ⁴ The Land Bank acquires tax delinquent and blighted properties and works with local taxing bodies on disposition and re-use.	The Land Bank can target property at scale, and work with the local community on disposition and future re-use of the property. This is helpful in a situation where an acquisition is strategic but plans and financing still need to be completed for the re-use of the property.
Sheriff Sale Originated by Taxing Body	Taxing body has a lien on the property and takes it to Sheriff Sale.	Instances where a property is less than 2 years delinquent, therefore not eligible for the VPRP or Land Bank. Additionally, property will be exposed to other bidders at sale which means the taxing body can not control the ultimate disposition unless it bids above its judgment and costs.
Right-of-First Refusal	CDC obtains a right-of-first refusal to purchase a currently owner-occupied property.	In contrast to the other front-end tactics, this tactic is appropriate for a property that is currently occupied, but at risk of future sale to an investor that would use it as a rental property.

Existing tools such as the Vacant Property Recovery Program and the Tri-Cog Land Bank bring valuable capacity. They allow McKees Rocks the ability to scale its property recycling efforts quicker.

After vacant properties have gone through the process of being acquired and having their title cleared, there are a set of “back-end” tactics that will govern how they are sold to an end user and returned to

⁴ Note: The author is a Board Member of the Tri-Cog Land Bank

productive use. These tactics are outlined in the table below.

Table 6: Summary of Property Disposition Tactics

Tactic	Description	Appropriate For
Sell to Household from Pool of Prospective Homeowners	MRCDC will market property to prospective homeowners that are interested and pre-qualified for a purchase rehab loan.	Properties that are the most desirable within the portfolio and need the least amount of renovation.
Sell to Pre-Qualified Developer	Property will be sold to a pre-qualified developer under the condition it be developed in accordance with the Comprehensive Plan.	Properties that require more work and financing than an individual homeowner is able to take on themselves.
Partner with Community Land Trust to Develop	Property sold to the City of Bridges Community Land Trust (CLT), a new regional community land trust in Allegheny County, to be renovated and maintained as an affordable homeownership property.	Properties that may require construction subsidies that the CLT may be able to access in order to make the renovation financially feasible.

Used collectively, these tools allow McKees Rocks' property recycling program ramp-up quicker. A balanced approach in which no single tool is favored or overly relied upon will provide for a sustainable the development of a mix of market rate and affordable homes.

Strategy 3: Target Scaled Mixed-Use Projects within the Lower Chartiers Business District

McKees Rocks has a compact traditional business district concentrated in a three-block area along lower Chartiers between Island Avenue and the Chartiers Crossing shopping center. The building blocks of a successful business district are in place. Chartiers Avenue was recently converted to two-way traffic, and the streetscape features traditional streetlights and banner polls. There are several architecturally interesting buildings, and the district has a destination draw in the recently renovated \$9M Roxian Theater which hosts local and national acts.

Continuing the momentum within the business district is a priority, and there is an important housing component to business district development. Several key properties, such as 602 Chartiers Avenue, are completely vacant or have underutilized upper floors. Adding housing units to the upper floors of

existing buildings helps strengthen the market for existing businesses, and creates additional vibrancy within the business district. Vacant land in the 500 block of Chartiers Avenue, owned by the McKees Rocks CDC, is a prime opportunity for new mixed-use construction with retail or restaurant on the first floor and housing above.

Prioritizing downtown development is timely because the area falls within an Opportunity Zone, which provides an incentive for private investors to defer capital gains. In addition, other tools such as Historic Tax Credits, and Pennsylvania's Anchor Building Program are resources that help make these types of projects financially viable.⁵ Providing technical assistance to building owners, so that they understand different development options and financing strategies, is a tactic that has worked successfully in other communities and should be employed in McKees Rocks.



Typical 3-story storefronts present opportunity for mixed-use



Vacant lot owned by MRCDC in 600 block of Chartiers Ave.

New construction within the business district faces a distinct set of challenges; however, these can be addressed through the Work Plan. The vacant lots within the 500 block of Chartiers are within the 100-year flood plain. This requires specialized construction design as well as the purchase of flood insurance. Some popular community development programs, such as the Low Income Housing Tax Credit (LIHTC) program have underwriting requirements which effectively make properties within the floodplain non-competitive for funding. If flood mitigation measures are implemented for this area, the Borough can petition Federal Emergency Management Agency (FEMA) to update the flood map.

⁵ See Appendix D for summary of several of these financial programs.

Capacity, Roles & Responsibilities

Addressing vacant properties in McKees Rocks is a resource intensive task. In order to have greatest impact, the Borough, McKees Rocks CDC, and other stakeholders must share in that work with an agreed upon set of roles and responsibilities. There are roles that only the Borough can provide, just as McKees Rocks CDC has the ability to access resources beyond what local governments can access. Partners from outside of the community can bring additional expertise and capacity that supplements what already exists in McKees Rocks.

McKees Rocks Borough

The Borough's role is essential throughout the entire process of returning a vacant and / or tax delinquent property to productive use. Consistent and proactive code enforcement either generates compliance from the owner or puts the Borough in position to take enforcement including obtaining judgments against the owner that can ultimately go to Sheriff's Sale if not resolved. Many of the stakeholders that we spoke with during this planning process identified the Borough's code enforcement office as a strength. The Borough is often where residents will start with concerns or complaints about a specific property, and as a result the Borough has the role of initiating the enforcement process.

McKees Rocks CDC

The McKees Rocks CDC plays an important role in recycling vacant property. The CDC works with potential homeowners and developers, and can manage the "back-end" of the property recycling process by getting properties into the hands of those that will renovate them. Managing this process helps the Borough by diverting vacant properties that might otherwise need to be demolished with tax dollars to a privately funded renovation. In addition, McKees Rocks CDC can hold property for redevelopment. Municipalities generally shy away from holding land for redevelopment because it is outside of their core functions.

Because the priority strategies outlined require ongoing work, we recommend that McKees Rocks hire a full-time Housing and Real Estate Manager. Initially this position will need to be funded through philanthropic funds; however, as a development pipeline is established the earned revenue from real estate transactions can fund a greater percentage of salary and associated costs.

Strategic Partners

The role of outside partners is to supplement the capacity that exists within McKees Rocks. These partners bring capacity that would be too costly to try to re-create internally. Examples of this capacity include the Tri-Cog Land Bank, City of Bridges Community Land Trust, and Rebuilding Together

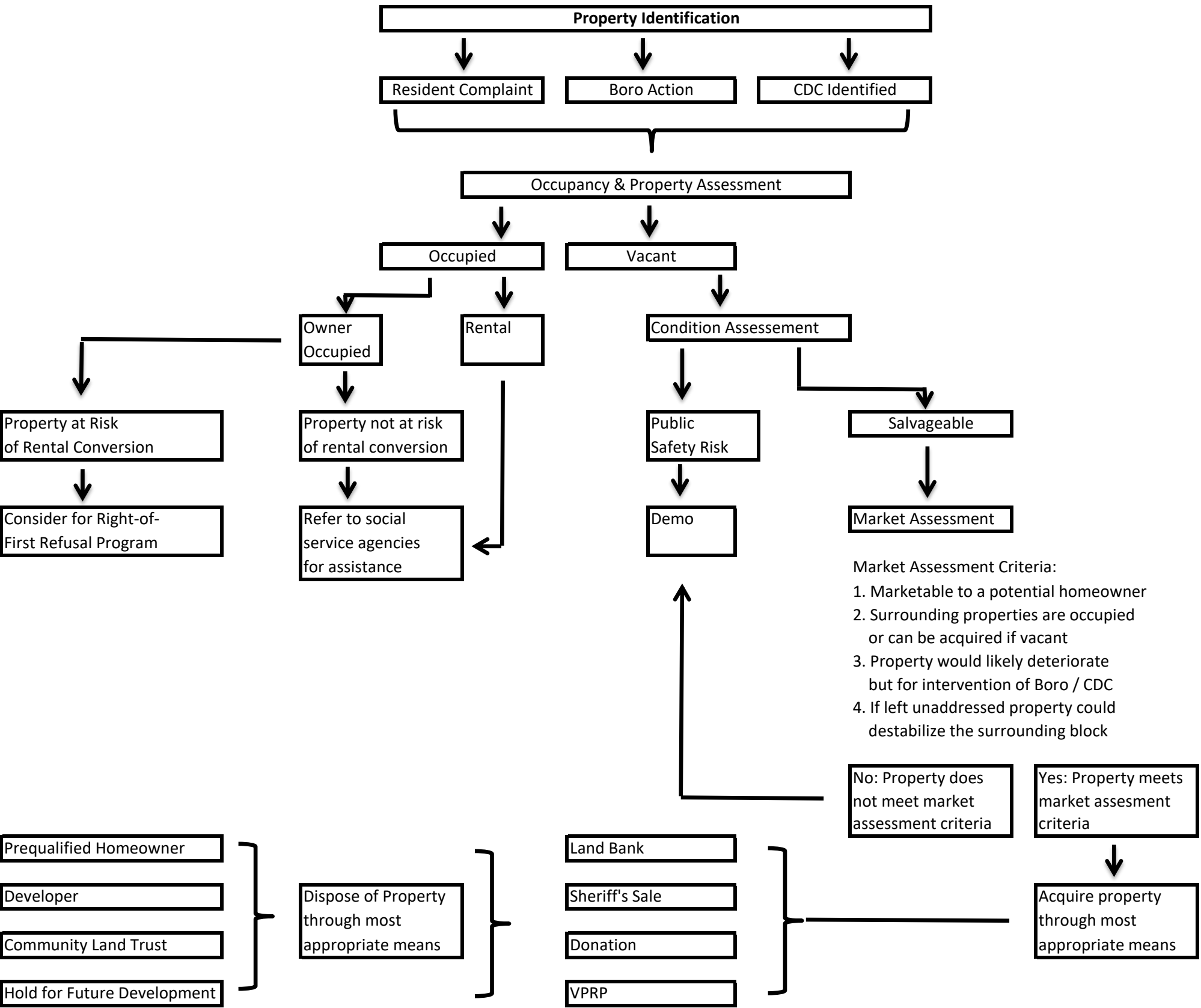
Pittsburgh. The concern with bringing in outside partners is often articulated as the potential loss of community control or self-direction. These concerns are understandable, but they can be managed by clearly defining the engagement and decision making authority. The role of outside partners is to implement locally defined strategies, not to create them.

The capacity network that includes McKees Rocks Borough, McKees Rocks CDC, and outside partners is greater than the sum of its individual parts. Each of these entities brings capabilities and resources that the other partner doesn't have. Working together provides the opportunity to address the scale of the vacant property problem in McKees Rocks in a way that has impact.

Housing Task Force

In order to communicate and share information across the entities working to implement McKees Rocks housing strategy we recommend the formation of a Housing Task Force. The Task Force would have representation from Borough (Mayor, Council, Staff, Real Estate Committee), the CDC (Board and Staff), and strategic partners (Staff). The size of the Task Force should be between 8 – 12 members. The role of the Task Force is to manage the implementation of the Work Plan and share information between members.

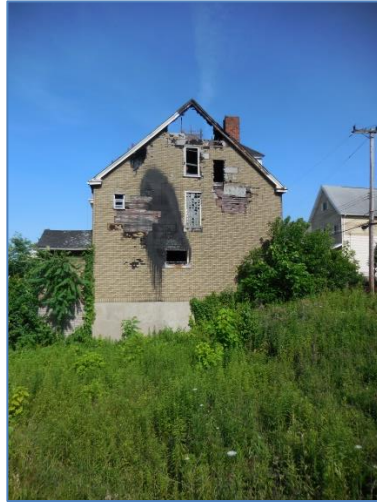
Appendix A
Problem Property Process Flowchart



Appendix B

Sample Property Evaluation Using the Process Flow Chart

To provide an example of how the Process Flow Chart is used we applied it to two properties on the same block.



Address:	1146 Church Street
Lot Block #:	72-S-53
How Identified:	Visual inspection
Owner:	Robert & Anita Wagner
Tax Status:	County taxes delinquent 4+ years, [Boro and School District to be determined]
Code Violations:	[To be determined]

Occupancy & Property Assessment

A. Occupancy Status – Vacant

- B. Condition Assessment – The property was evaluated from the street and exhibits significant structural damage from a fire. Portions of the western side wall and structure have been destroyed. The main roof and porch roof are sagging due to the structural damage. In its current condition, the property is economically unfeasible to save and should be demolished.

Based on the conclusion of the Condition Assessment that the property is not economically feasible to save and represents a potential public safety risk, we stop at this point on the Process Flow Chart and do not proceed to the Market Assessment for this property.

Appendix B Continued

Sample Property Evaluation Using the Process Flow Chart



Address: 1112 Church Street

Lot Block #: 72-S-68

How Identified: Visual inspection

Owner: Beatrice Agnotti et. al

Tax Status: County taxes delinquent 4+ years, [Boro and School District to be determined]

Code Violations: [To be determined]

Occupancy & Property Assessment

- C. Occupancy Status – Vacant
- D. Condition Assessment – The property was evaluated from the street, the inside of the property was not accessible. The property appears structurally sound but in need of maintenance. Front door and window have been boarded. Porch roof fascia shows rust. Downspout needs to be repaired. Siding is in average condition. Rear of the property is covered with ivy. Rear porch roof should be evaluated for structural stability.

Market Assessment

- A. Marketable to a Potential Homeowner? -- Property is a typical townhouse style approximately 20' x 40'. We are assuming three bedrooms. Property has a front-porch and a lot that extends to the alley. This property needs renovations, but based upon its size, features, location and potential acquisition of the adjacent vacant lot we believe it would be marketable to a potential homeowner.
- B. Surrounding Properties are Occupied or can be Acquired if Vacant? – There are roughly forty properties on this block and the vacancy rate appears to be less than 10%. Some of the other vacant properties appear to be similar situations in which back taxes are owed and the owners may have walked away. The immediately adjacent property (72-S-67) is a vacant tax delinquent lot. The potential acquisition of these vacant properties will need to occur through Sheriff's Sale or potentially the Tri-Cog Land Bank if McKees Rocks Borough and Sto-Rox School Districts were to become members.
- C. Property Would Likely Deteriorate but for Intervention of Boro and / or CDC? – The property is significantly tax delinquent where the owners have walked away. Given that the tax delinquency may be significant, this property is not likely to transact without the intervention of the Borough and / or CDC to assist with addressing the tax delinquency and title issues. The property would likely deteriorate but for the intervention of the Borough and / or CDC.
- D. If Left Unaddressed Property Could Destabilize the Surrounding Block? -- The block consists of properties of mixed-condition. If left unaddressed the property would have a negative impact on the surrounding properties, but the negative impact is lessened by the fact that this is a fairly dense block with high occupancy property by itself will not destabilize the block.
- E. Conclusion – The property has the potential to be marketed to a homeowner, particularly if the vacant lot adjacent could be included. This market potential, along with the fact that it will likely continue to deteriorate without the intervention of the Borough or CDC are factors that support trying to acquire it and clear the title of liens. This property is a good acquisition candidate, particularly if the adjacent lot can be acquired and packaged together. After acquisition this property could be offered to a prospective homeowner or a pre-qualified developer.

APPENDIX C
Work Plan

Strategy: Preserve Existing Owner-Occupied Housing

Tactic 1: Obtain Right-of-First Refusal (R-o-FR) on Properties At-Risk of Future Rental Conversion

Description: This tactic focuses on owner-occupied homes where the householder is elderly and the home may be sold or transferred within the short-term. The CDC would obtain a right-of-first refusal to purchase the property at appraised value at the time the property is sold by the homeowner or his or her heirs. The CDC would then work through the land recycling program described later in the Work Plan so the property can be preserved as an owner-occupied property.

Tactic 2: Raise and Manage a Small Loan Pool Focused on Providing Small Loans to Low-Income Home Owners

Description : A significant portion of home owners in McKees Rocks are elderly and / or retired with a fixed-income. In situations where the home owner has limited savings, making important repairs to their home can be challenging. A small loan pool that offers loans of up to \$15,000 for items such as replacing an HVAC system, accessibility improvements, and other systems or structural improvements can help these home owners remain in their homes. The loan can be low-interest with payments deferred until sale or refinance. The program should be used to supplement other emergency assistance programs or in cases where the homeowner is not able to access these other programs. The program can also be used in conjunction with the right of first refusal to purchase--for example the CDC can approve an eligible homeowner for a loan and obtain a obtain a right of first refusal. In such cases the repayment of the loan may be deducted from the proceeds of the eventual property sale.

Tactic 3: Serve as a Resource Center for Existing Homeowners

Description: Work to match existing home owners with relevant program resources. This will include programs that the CDC manages, as well as programs managed by other partner organizations. These types of services could include: foreclosure prevention, weatherization, emergency home repair and others.

TASKS	TASK TYPE	DURATION (MONTHS)	ESTIMATED BUDGET	FUNDING TYPE	PROJECT LEAD	Notes
Detailed Business Plan	Planning / Feasibility	3	\$15,000	Grant		1
Identify Loan / R-o-FR Candidates	Planning / Feasibility	1	\$0	Existing Resource		2
Community Outreach	Outreach	4	\$0	Existing Resource		3
Establish Program Guidelines	Documentation	2	\$10,000	Grant		1, 4
Program Implementation Fundraising	Fundraising	6	\$0	Grant		5
Market Program	Marketing	3	\$0			5
Coordinate Programs	Program Management	24	\$165,000			6
Total Tactics 1 & 2			\$190,000			

Notes:
Assume an initial 6 month planning period, and initial two years of operations with 10 loans averaging \$12,500 and 10 R-o-FR averaging \$2,500.00
1) A planning / predevelopment funding ask would include \$15,000 for feasibility study / business plan and then the development of program guidelines after validation of the feasibility study. Consider approaching the following institutions: Neighborhood Allies, Hillman Family Foundations, Pittsburgh Foundation, and McCune Foundation.
2) This will happen concurrently with business / feasibility plan. Databases and local knowledge will be utilized to identify potential eligible homeowners, much of the relevant data exists, it just needs to be evaluated for this purpose.
3) Will happen through existing communication channels that the Borough and CDC each have.
4) Program guidelines include application materials, loan documentation, etc. Assume legal counsel involved.
5) Marketing, admin and program cordination including in the program implementation budget of \$200,000
6) Assumes initial two years of operations. 10 loans at \$12,500 average. 10 R-o-FR at \$2,500 average.
Administration and overhead at ~ 10% or \$15,000. We would recommend approaching the same institutions identified in #1, as well as contributing a portion of the NPP budget towards this purpose in order to show leveraging of other dollars. The foundation funding should be presented as a bridge, showing future funding from program related sources (i.e. re-sale revenue) and other non-restricted funds (i.e. future loan payment receipts for the Roxian). We assume strategy requires 25% of full-time staff persons salary. These costs are shown in the Capacity section of this Work Plan as not to double count.

Strategy: Coordinate a Robust Property Recycling Program

Tactic 1: Acquire Vacant Properties Through a Coordinated Set of Tools

Description: The importance of having a coordinated set of tools for property acquisition is that certain tools are appropriate in one circumstance but not in others. These complementary property acquisition tools are the "front-end" of a land recycling system and include: marketing the County's VPRP, joining the Tri-Cog Land Bank, and obtaining a right-of-first refusal on targeted properties. They are how vacant properties go from private ownership into a system that can return them to the tax rolls and productive use on the "back-end".

Tactic 2: Utilize A Balanced Set of Disposition Strategies

Description : As there is no one strategy or tool that works in every situation to acquire a vacant property, there is also not a single strategy or tool that works for every property disposition on the back-end. Since an important goal is to get to scale, having several tools that get formerly vacant properties now with clear title into the hands of home owners is critical. These tools include working with: 1) a pool of prospective home owners, 2) pre-qualified private developers, and 3) community land trust.

TASKS	TASK TYPE	DURATION (MONTHS)	ESTIMATED BUDGET	FUNDING TYPE	PROJECT LEAD	Notes
Front-End Strategies						
Market the Vacant Property Recovery Program	Program Management	Ongoing	see note	Grant		1, 2
Join Tri-Cog Land Bank	Program Management	Ongoing	see note	Existing Resource		2
Sheriff's Sale Originated by Taxing Body	Program Management	Ongoing	see note	Existing Resource		3
Back-End Strategies						
RFP to Establish Pool of Qualified Developers	Planning	3	\$0	NA		4
Identify Credit Counseling Partner	Planning	3	\$0	NA		4
Sell to Household from Pool of Prospective Homeowners	Program Management	Ongoing	\$0	NA		4
Sell to Pre-Qualified Developers	Program Management	Ongoing	\$0	NA		4
Work w/ City of Bridges Community Land Trust	Program Management	Ongoing	\$0	NA		4
Total Tactics 1 & 2			\$34,000			

Notes:

- 1) Costs associated with this tactic are primarily staff related. For this strategy we've assumed 1/2 of a full-time staff person's annual salary and associated cost which are included on the Capacity page.
- 2) Initially assume cost is funded via local foundation funding. The foundation funding will serve as a bridge in order to get to scale which will generate fee based revenue. In two years the CDC will likely be submitting a new Neighborhood Partnership Program (NPP) which could support a portion of program costs. Potential foundations and intermediaries to approach include: Neighborhood Allies, Heinz Endowments, and Hillman Family Foundation.
- 3) The Borough and Sto-Rox School District would both need to agree to join. The annual cost is 5% of the previous year's delinquent tax revenue collection, and a 50/50 split on five years tax revenue of properties recycled by Land Bank.
- 4) No separate budget related to this task. Staff time for this task shown in the Capacity section of the Work Plan.

Strategy: Target Scaled Mixed-Use Projects within the Business District, Both Renovation and New Construction

Tactic 1: Initiate due diligence on vacant lots on Lower Chartiers and seek a development partner

Description : In order to advance development along the vacant lots, we recommend moving forward with some initial due diligence that will better position the project to market to a development partner. For a project of this scale and complexity, attracting an experienced development partner is necessary. The initial due diligence should include at minimum, a Phase I environmental site assessment (and Phase II ESA if required), property survey, and geotechnical assessment. Completing this work addresses early stage feasibilty questions, and removes some of the cost and risk from the predevelopment process for a private developer partner. Once this work is completed, consider going to market with a request for qualifications from a private developer partner. This site is within the Opportunity Zone, so time is of the essence in order to take advantage of the full term of tax benefits.

Tactic 2: Complete a Feasibility Study on Potential of Developing Underutilized Upper Floors in buildings along Lower Chartiers as Housing

Description : The re-use of upper floors on an existing building is challenging in part due to code requirements around life safety and means of egress. Once existing owners are surveyed for their potential interest, engaging an initial feasibility study will help determine which buildings are the best candidates for redevelopment. The scope of the study should include a preliminary code and cost assessment.

Tactic 3: Complete Predevelopment and begin construction on 602 Chartiers Ave.

Description : 602 - 606 Chartiers Avenue is a priority property along the Lower Chartiers Business District. McKees Rocks CDC is inactive predevelopment for this building which is planned to include housing and retail space.

TASKS	TASK TYPE	DURATION (MONTHS)	ESTIMATED BUDGET	FUNDING TYPE	PROJECT LEAD	Notes
Property survey	Due Diligence	3	\$4,000	Grant		1
Phase I ESA	Due Diligence	1	\$3,000	Grant		2
Phase II ESA (if necessary)	Due Diligence	3	\$8,000	Grant		3
Geotechnical Study	Due Diligence	3	\$10,000	Grant		4
Prepare RFQ for Developers	Planning	3	\$0			5
Upper Floor Feasibility Study	Planning	3	\$20,000	Grant		6
Total Tactics 1, 2, 3			\$45,000			

Notes:

- 1) Property survey should include boundaries along with utility information. Bridgeway Capital has a Community Investment Fund which is a competitive pool of funds for due diligence activities that advance key projects that CDC's have control of. This may be a good fit for due diligence items on this list.
- 2) Phase I Environmental Assessment will review historical uses of property along with current conditions and recommend whether or not further investigation is warranted.
- 3) Phase II typically involves testing for specific contaminants.
- 4) Geotechnical study identifies any subsurface issues and can also evaluate bearing capacity of the soil.
- 5) Request for Qualifications should be completed after other due diligence is available to include.
- 6) Feasibility study can help determine most feasible appropriate for developing housing on the upper floors.

Strategy: Hire Full-Time Staff Capacity Dedicated to Implementing the Housing Work Plan

Tactic 1: Create a Housing Task Force to Oversee Management of Housing Work Plan

Description : A Housing Tax Force with representation from the Borough, CDC, and strategic partners along with the relevant staff persons allows relevant housing information to be shared. Addressing vacant property requires timely action, and access to relevant information by all parties that have a role in the property recycling process is essential. The Housing Task Force will oversee the implementation of the Work Plan, and be involved in the hiring of a Real Esate Coordinator.

Tactic 2: Hire a Full-Time Real Estate Coordinator to be Employed by the CDC

Description : Having a full-time person dedicated to the housing activities allows for consistency and accountability with respect to Work Plan implementation.

TASKS	TASK TYPE	DURATION (MONTHS)	ESTIMATED BUDGET	FUNDING TYPE	PROJECT LEAD	Notes
Recruit Housing Task Force Members	Planning	2	\$0			1
Develop Sustainable Business Plan	Planning	3	\$0			2
Prepare Job Description	Planning	1	\$0			3
Undertake Hiring Process	Planning	3	\$0			4
Hire / Supervise Real Estate Coordinator	Program Management	ongoing	\$64,000			5
Tactics 1 & 2			\$64,000			

Notes:

- 1) Task Force should consist of 8-12 members w/ representation from Borough, CDC, and strategic partners.
- 2) Sustainable business plan for the real estate coordinator should show funding strategy over a five year period. Initially, start-up funding should be sought from foundations to help the program launch and reach a scale where it is able to generate revenues through transactions and fee for service. A portion of future NPP funds should support this scope as well. Future loan proceeds from the Roxian Theater loan can help support the position in future years.
- 3) Review other sample job description for similar positions (i.e. Land Recycling Manager) to craft an appropriate job description that reflects the items in the Work Plan.
- 4) We have assumed for a position like this the hiring process will be managed internally.
- 5) We have assumed an annual salary of \$48,000 and that benefits and other related costs add and additional 33%.

Appendix D

Summary of Potential Financial Resources

The list below highlights programs that can support the strategies identified in the Work Plan, along with complementary public improvement initiatives.

Program Name	Eligible Applicants	Uses	Notes
Keystone Communities PA DCED	<ul style="list-style-type: none"> Local governments Redevelopment authorities Non-profits 	Façade grants, development grants, accessible housing grants.	<ul style="list-style-type: none"> Requires matching funds Typically one funding round per year in late summer
Multi-Modal Transportation Fund PA DCED & PennDOT	<ul style="list-style-type: none"> Public transit agencies Local governments COGs Businesses Economic Development Organizations 	Development, rehab and enhancement of transportation assets to existing communities, streetscape, lighting, sidewalk enhancement and pedestrian safety.	<ul style="list-style-type: none"> Requires match Applications reviewed March 1 to July 31 of each year.
Municipal Assistance Program (MAP) PA DCED	<ul style="list-style-type: none"> Local governments COGs 	Shared service activities including community planning & flood plain management.	<ul style="list-style-type: none"> Requires matching funds
Greenways, Trails, and Recreational Programs (GTRP) PA DCED	<ul style="list-style-type: none"> Local governments COGs Businesses Watershed organizations 	Development, rehabilitation, and improvement to public parks, recreation areas, greenways, trails and river conservation.	<ul style="list-style-type: none"> Requires 15% match
Community Investment Fund Bridgeway Capital	<ul style="list-style-type: none"> Businesses 	Early stage due diligence activities for community based projects.	<ul style="list-style-type: none"> Funding is a grant that can be paired with construction and / or term loan.

Appendix D
Summary of Potential Financial Resources Continued

Program Name	Eligible Applicants	Uses	Notes
Federal Rehabilitation Tax Credit IRS	<ul style="list-style-type: none"> Businesses 	20% of eligible expenditures on an approved rehabilitation project.	<ul style="list-style-type: none"> Can be paired with construction and / or term loan.
Historic Preservation Tax Credit (State) PHMC	<ul style="list-style-type: none"> Businesses 	25% of eligible expenditures on an approved rehabilitation project.	<ul style="list-style-type: none"> Can be paired with Federal Rehabilitation Tax Credit.
New Market Tax Credits CDFI	<ul style="list-style-type: none"> Businesses 	Income producing real estate, community facilities, and businesses in qualified census tracts.	<ul style="list-style-type: none"> Typically larger commercial projects (\$7M), however, has been used for single-family housing development
Opportunity Zones IRS	<ul style="list-style-type: none"> Businesses 	Substantial investment in businesses or real estate in designated Opportunity Zones.	<ul style="list-style-type: none"> Investments must be made by Qualified Opportunity Zone Funds. These funds often partner with private developers.