What will our new reality look like?

illustration: Daniel Marsula; photos throughout this section: Adobe Stock

Pittsburgh Post-COVID

Baby Boom, or Bust?

written by **JULIA FRASER**

AFTER A MAJOR POWER BLACKOUT LEFT New York City in the dark in 1965, the New York Times suggested it led to a citywide baby boom, citing a surge in births at local hospitals. After Boston was hit with a blizzard in 1978, the Boston Globe predicted it would result in a baby boom. In 2012, the New York Times reported the possibility of an uptick in births following Hurricane Sandy, calling it the "Sandy Syndrome." And after a federal government shutdown led to mass layoffs in 2013, the Washington Post wondered, "Is Washington in the midst of a post-shutdown baby boom?"

The logic behind those forecasts goes: When couples are cooped up, they turn to each other. And babies are made. As it turned out, however, none of those events resulted in a baby boom nine months later.

But social restrictions put in place to slow the COVID-19 virus have kept Americans more homebound for a much longer time than any blackout, hurricane or blizzard. The virus has led to recession and job loss. And after nearly one year of pandemic living, speculation of an uptick in births has resurfaced.

U.S. population growth had slowed to a crawl prior to the pandemic, in part because there have been fewer births in recent years. The fertility rate—the estimated number of births a woman has in her lifetime—sat at 1.7 at the beginning of 2020, the lowest in 40 years, according to the Centers for Disease Control and Prevention.

Could pandemic pregnancies reach numbers high enough to reverse the declining U.S. fertility rate and give the nation's population a boost?

If history has the final word, the answer is no. Economic and health crises most often lead to fewer births, not more. But some hospitals, including Pittsburgh's UPMC Magee-Womens Hospital, say they're seeing an increase and expecting to deliver more babies.

HIGH HOPES IN PITTSBURGH

Whether or not the COVID pandemic's impact on fertility rates is following historic trends is expected to become more clear when 2020 data are tabulated later this year. But certain characteristics of the pandemic, such as the way health and economic impacts have been unevenly felt across races, income levels and job sectors could influence birth trends in at least some places.

Southwestern Pennsylvania may be one of them. "What's interesting is that in Pittsburgh, we seem to be seeing an increase in expected births," said Dr. Susan Lareau, division director of obstetrical specialties at UPMC Magee-Womens Hospital. "We have seen a steady increase in expected deliveries throughout the pandemic."

Typically Magee-Womens would see a flat to a 1 percent increase in birth rate. Now, however, the hospital reports a 3 percent increase in deliveries that were expected to begin in December 2020 compared to a year earlier.

HISTORY: NO BABY BOOM

"The intuition behind why there would be a baby boom is rooted in historical stories about what happens after a blizzard," said Philip Levine, professor of economics at Wellesley College. "Everyone is stuck inside and has nothing to do and one thing leads to another and there's more babies. That's cute and romantic and all that, but that's not where we are right now."

Levine co-authored a recent Brookings Institution report estimating the national public health crisis and recession will result in about 300,000 fewer U.S. births this year. "The economic crisis that we've

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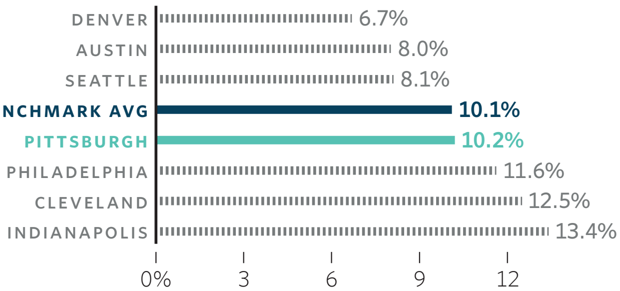
PITTSBURGH TODAY

Health: Adults With Diabetes



Percentage of MSA population with diabetes; Pittsburgh with highest and lowest among Pittsburgh Today benchmark regions.
SOURCE: *Centers for Disease Control and Prevention, 2019 Behavioral Risk Factor Surveillance System*

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been through and the stress and anxiety and health implications that result from the pandemic itself—neither of those things are good for fertility."

Economic conditions matter when it comes to having babies, according to the report which found that, historically, a one percentage-point increase in the unemployment rate is associated with a 1.4 percent decrease in birth rates in U.S. metropolitan areas. Similar trends are also seen outside metro areas, studies of statewide data suggest.

And that could have a long-term impact on population. Fertility rates after the 2007–09 Great Recession suggest that when women have fewer babies in the short term, they have fewer children over their lifetime. "The Great Recession had a significant impact on births leading to a declining birthrate," Levine said. "Even after the recession, births continued to fall."

Other circumstances contribute to the drop in U.S. birth rates. Access to more effective forms of contraception has played a key role, for example, particularly access to intrauterine devices, or IUDs, which are effective for years.

Women with the highest levels of education are the least likely to give birth during their lifetime. But over the past 20 years, the share of highly educated women who become mothers has grown in the United States. In 2014, 80 percent of women aged 40 to 44 with a Ph.D. or professional degree had given birth at some point during their lifetime—more than 10 years earlier, when 65 percent of women with similar levels of education had given birth, according to a Pew Research Center report. Women with bachelor's or master's degrees also were increasingly likely to become mothers during this period.

More recently, the decline in U.S. births has been driven by a sharp decline among young mothers with less education. In 2018, the teen birth rate in the U.S. dropped below 18 births per 1,000 women aged 15 to 19 for the first time since 1940, according to an analysis of the 2018 data, the most recent available, from the National Center for Health Statistics. The teen birth rate of 17.4 births per 1,000 women in 2018 was less than half of the 41.5 births per 1,000 women for this age group in 2008.

The last great pandemic resulted in fewer babies born in its wake. Each spike in mortality during the Spanish Flu epidemic early in the 20th century led the birth rate to drop about 21 births per 1,000 population. Similar "death spikes" and subsequent drops in fertility also occurred after Hurricane Katrina and the 2015 Ebola outbreaks in West Africa, according to a March 2020 report from the Institute of Family Studies, a conservative think tank focused on marriage and family issues.

While 2020 birth data are still being gathered, some researchers are already pointing to evidence that suggests a continued baby bust in the United States. An estimated 34 percent of American women have either delayed their plans to have a child or reduced the number of children they expect to have as a result of the pandemic, according to survey by the Guttmacher Institute, a reproductive health research nonprofit.

And a study published by the German economic research institute, IZA Institute of Labor Economics, predicts a 15 percent drop in U.S. monthly births between November 2020 and February 2021.

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The forecast is based an analysis of Google Trends data that weighed the trend in searches for pregnancy-related terms, which could reflect higher birth rates, with the trend in searches related to unemployment, which researchers associated with lower birth rates.

PREGNANT IN A PANDEMIC

Alysia Davis began 2020 with big plans and high expectations. "We planned on starting a family," said the 32-year-old public health worker from Homewood. "It was something we had talked a lot about and had started prepping for." It wasn't long after the pandemic arrived in March that Davis learned she was pregnant with her first child. By then, her expectations had already been tempered by the global health crisis.

"When I told my mom, she wanted to give me a hug," Davis said. "I had to tell her, 'no,' because she's in the population that's high risk. I had to tell her through a screen door. It was devastating."

One thing seems clear about the pandemic: It's a difficult time to be pregnant and it is forcing women and health care providers to adapt their pregnancies, care and expectations to extraordinary circumstances.

COVID-19 has led pregnant and postpartum women to experience greater uncertainty and anxiety related to factors ranging from having to change birth plans and doctor's visits to worrying about how the coronavirus might affect their babies, according to the American College of Obstetricians and

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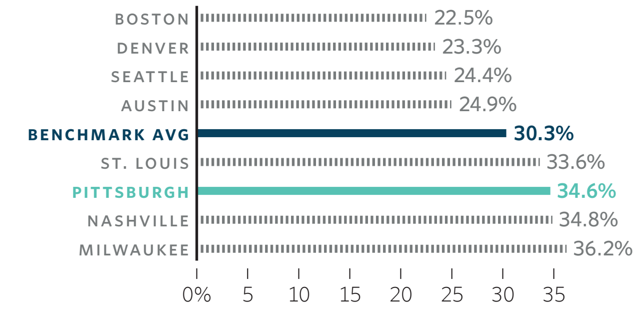
Health: Adults With Obesity



Percentage of MSA population with obesity; Pittsburgh with highest and lowest among Pittsburgh Today benchmark regions. SOURCE: *Centers for Disease Control and Prevention, 2019 Behavioral Risk Factor Surveillance System*

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The look on my face doesn't begin to tell the story.
CHRISTIAN
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Gynecologists.

Researchers are still learning how COVID-19 affects pregnant women. But some early studies suggest they are at greater risk to experience a severe case of COVID compared to women who are not pregnant. And pregnant women with COVID-19 might have an increased risk of adverse pregnancy outcomes, such as preterm birth, according to the CDC.

"First-time moms are stressed in general with what's happening with their bodies and their child," said Megan Rinard, a home-visiting nurse in Allegheny County with Nurse-Family Partnership, a community health program that serves low-income, first-time mothers. "Is this feeling normal? Or, is the baby doing OK? The general stressors are still there and then there's the extra piece of the coronavirus to think about."

There also is concern that the pandemic poses risks to women's health in general. "One thing we saw in the beginning, and I worry about, is women not getting their routine care—not getting mammograms, not getting their colonoscopies," Dr. Lareau said. "That's how we pick things up early and I worry we're going to [later] find more advanced stage breast cancer, colon cancer."

Holly Pisanelli counts herself as one of the fortunate ones. "It has been a long journey," said the 42-year-old, who is an attorney with Highmark. "We were going to attempt another round of IVF [invitro fertilization] in the spring. Then COVID hit. Once everything started opening up, we wanted to jump on the next round. Given my age, we didn't have the luxury to wait until the pandemic was over."

Still, the pandemic brought worries she couldn't have anticipated. "The procedure is in a hospital and there were concerns about the elevated risk. They weren't sure about how COVID would affect pregnant women—if it would carry over to the child. The concern was there, but the risk was worth it for us."

Pisanelli found out she was pregnant this summer. After years of waiting, she was ready to celebrate. "When you imagine having a baby—the celebrations, the parties—it won't be the same. We'll just have to rethink things and be creative." PQ

Julia Fraser is a Pittsburgh Today staff writer and research specialist.

2021 Economic Outlook

written by **STUART HOFFMAN** *and* **KURT RANKIN**

Pittsburgh faces slow recovery, will lag other regions

Economic recovery prospects in the Pittsburgh metro region are challenging for 2021. Government-mandated business closures and capacity limitations have sunk the metropolitan area's labor force into steeper-than-average declines, undermining the ability of existing household consumption and business expenditures to reignite economic gains in the near term.

New stimulus from the federal government may well provide a floor to the freefall and vacuum faced by both households and businesses. The recovery of local economies will be based upon their ability to recreate jobs and incomes once business and consumer activity is allowed to resume in full. Pittsburgh's labor force deficit will present it with higher economic hurdles to clear this year.

Job creation in Pittsburgh ground to a halt to close out 2020. Renewed business closures from state government restrictions left employment in the metropolitan area at 7 percent below 2019 as of the November 2020 data release (latest available as of this writing). This compares with the national average of 6 percent below year-ago levels, and the U.S. job market experienced renewed declines in December, which are likely to have been mirrored in Pittsburgh.

Pittsburgh's labor market, however, faces more acute concerns unlike other Pennsylvania markets or the nation. Pittsburgh's labor force (workers and those seeking work) shrank to more than 4 percent below its year-ago level as 2020 came to a close, whereas the national labor force trend has been down 2.5 percent versus the prior year since mid-2020. Philadelphia maintained year-over-year labor force increases through September, only to see that number finally fall into negative territory (-2.3 percent) as state officials reinstituted business closures and capacity limitations late last year.

With job re-creation near a standstill and fewer people looking for work, a pall will hang over Pittsburgh as it attempts to spark new job creation in 2021. Compared with national trends, Pittsburgh already had been mired in a below-average job growth pace since mid-2018. Hamstrung labor force engagement and worker discouragement add further drag to the metropolitan area economy's near-term outlook.

Small businesses were likely less prepared to endure the business interruptions endured throughout 2020. Businesses will spend 2021 planning ways to return to pre-pandemic business as usual—incentivizing consumers to purchase their goods and services versus those offered by competitors in what may be the most competitive economic environment in decades.

However, they also will have to plan for the prospect of rising minimum wage requirements if current policy chatter gains traction. Both the legislative and executive branches of the federal government have voiced support for such a move, making it a real consideration for small businesses, despite their coinciding need to recover from lost revenue over the past year. In short, Pittsburgh's small business community has a maze of near-term and long-term challenges converging upon it this year.

If pre-pandemic conditions give any guidance, wage growth potential in the Pittsburgh economy will be less likely this year. Average hourly wages finished 2019 slightly negative on a year-ago

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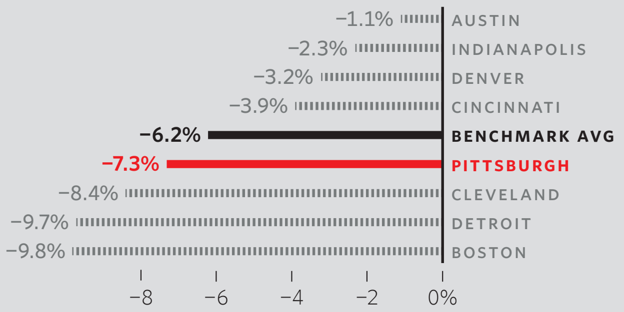
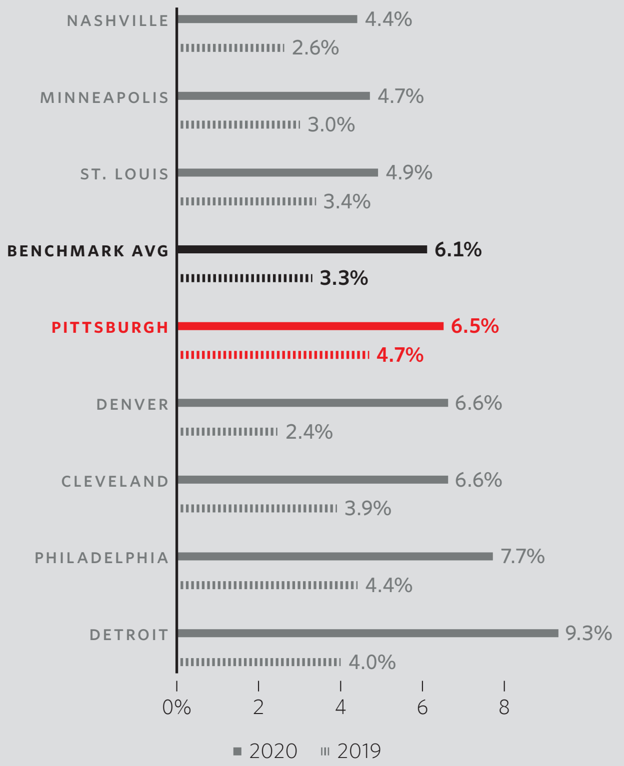
Economy: One-Year Job Growth



Percentage of job growth, November 2019–November 2020 by MSA; highest and lowest among Pittsburgh Today benchmark regions.
SOURCE: *U.S. Bureau of Labor Statistics*

Economy: Unemployment in Benchmark Regions



Unemployment rate, November 2019 and November 2020; Pittsburgh with highest and lowest among Pittsburgh Today benchmark regions.
SOURCE: *U.S. Bureau of Labor Statistics*

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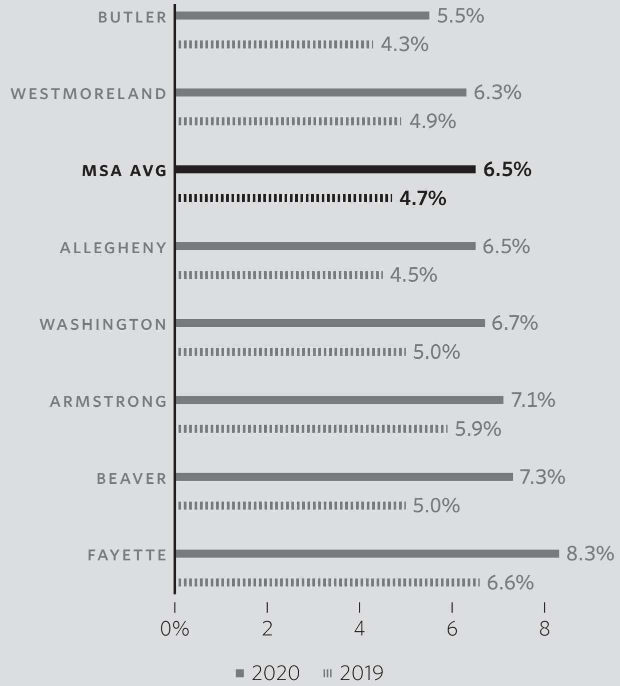
growth basis. And while pre-pandemic trends offer little predictive power given the likely volatility of the 2021 recovery, they do offer some perspective on what Pittsburgh's job market is capable of generating when near full capacity.

Here again though, structural labor force weakness rears its head. Below-average labor force growth—even once the effects of the pandemic have waned—means that Pittsburgh's job seekers, or those looking to transition between positions in the local economy, do not have the bargaining power as their counterparts in more competitive markets do.

Pittsburgh's low cost of living is a helpful offset for those who are already established in their careers. But this often-touted benefit of Pittsburgh's economy does little for those looking to enter the job market and quickly establish household financial stability, especially if their financial burdens include student loan debt or other obligations that bear the same costs regardless of day-to-day affordability in a particular market. Nevertheless, Pittsburgh's low-cost qualities may never see a more opportune time to shine in terms of attracting new talent to the region than this year—as the local economy attempts to move on from the economic quagmire that was 2020.

Looking at Pittsburgh's recovery by industry, business and professional services employment was on a stronger recovery trajectory in Pittsburgh in the latter half of 2020 than that seen for the nation as a whole. This makes sense, as many jobs in this sector would be able to be performed on a work-from-home basis.

Economy: Unemployment in Local Counties



Unemployment rate, November 2019 and November 2020; Pittsburgh MSA counties. SOURCE: *U.S. Bureau of Labor Statistics*

However, the above-average performance in this segment of the local job market—and therefore, the incomes generated from those jobs—has not translated to job re-creation in consumer-oriented industries.

The job count in leisure and hospitality services remains well below the national average (-28.8 percent year-over-year in Pittsburgh, versus -19.6 percent nationally in November 2020). So incomes from jobs preserved—and recovered, going forward—in Pittsburgh have some greater potential to boost 2021 growth, but only if and when businesses are allowed to safely reopen on a broader basis as vaccinations become more widespread.

Other high-income industries in Pittsburgh remain below the national average in terms of recovering jobs. Local jobs in manufacturing, construction, and transportation and utilities also were further below year-ago levels than their national-level counterparts in November 2020.

Health care and social services, as well as government jobs, were ahead of the pace of the U.S. recovery, but are still below year-ago levels in November 2020. Only financial services employment in Pittsburgh in November was both above year-ago levels (+0.6 percent) and outpacing the national average growth rate. Disposable income recovery, and therefore consumer confidence and willingness to spend, will return only as quickly as these higher-paying industries are able to rebuild their payrolls, and through consumer spending, generate the demand that will support the rehiring of workers in retail and leisure and hospitality services industries.

In all, Pittsburgh's economy will lag the national pace of recovery in 2021. A diverse industrial base will help Pittsburgh eventually regain pre-pandemic economic conditions, but achieving that before a full national recovery is unlikely. Federal fiscal stimulus policies targeted at households and consumers will be of increased importance for markets such as Pittsburgh, where internal deficiencies will prolong recovery efforts and support. As a result, the pandemic's economic damage will linger that much longer in this region. PQ

Stuart Hoffman and Kurt Rankin are, respectively, senior economic advisor, and VP and economist, for the PNC Financial Services Group.

WANTED: MORE PEOPLE

COVID CLOUDS GREATER PITTSBURGH'S ALREADY SHAKY POPULATION OUTLOOK

written by **JEFFERY FRASER**

SOUTHWESTERN PENNSYLVANIA STAGGERED INTO 2020 in need of people, again. It was coming off of yet another year when deaths outnumbered births and the number of newcomers couldn't keep pace with the number of residents moving somewhere else.

The COVID-19 pandemic likely makes the already-long odds of a quick rebound in the region's population even longer. COVID's grim toll threatens to push natural population losses lower. And cutting the losses by gaining new residents is something that has eluded southwestern Pennsylvania for years and is now more difficult with the migration of Americans from region to region slowing to a crawl.

It is too early to know how the pandemic will influence the direction of the region's population. But deep-rooted, pre-pandemic trends in aging and migration suggest avoiding further population decline will still be a struggle long after the coronavirus is wrestled into submission.

COSTLY TREND

No major U.S. metropolitan area has lost more people and done so more consistently than the seven-county Pittsburgh Metropolitan Statistical Area (MSA), which has shed more than 400,000 since 1969, according to a Federal Reserve Bank of Philadelphia analysis.

But lately, the region has had company. The U.S. population as a whole hit a wall in 2019, when census estimates show it grew only 0.48 percent from 2018, the lowest rate since 1918, when the nation was at war and dealing with the Spanish flu pandemic. And it's possible that growth over the past decade could rank as the lowest since the census was first taken in 1790.

In a glimpse of how the pandemic might affect it, U.S. population growth slipped even lower from July 2019 to July 2020, a period that includes three months when the country was in the grip of the virus. "It's the first time we see a little bit of the pandemic in a year [of census data]," said William Frey, a demographer and senior fellow with the Brookings Institution Metropolitan Policy Program. "Whatever happened before July probably reduced immigration a bit more and increased mortality a bit more. There will be much more of that in the next year."

Southwestern Pennsylvania's long familiarity with population loss has been costly, dropping the region from the nation's 9th most populous metro area to the 27th. And the stakes are high. A regional economy is its people. Population shapes markets for goods and services and the vitality of the workforce. It decides the number of seats in Congress that states are awarded and how many Electoral College votes they wield. It determines the share of federal tax dollars that counties get to pay for health care, schools, transportation and other staples of life Americans count on.

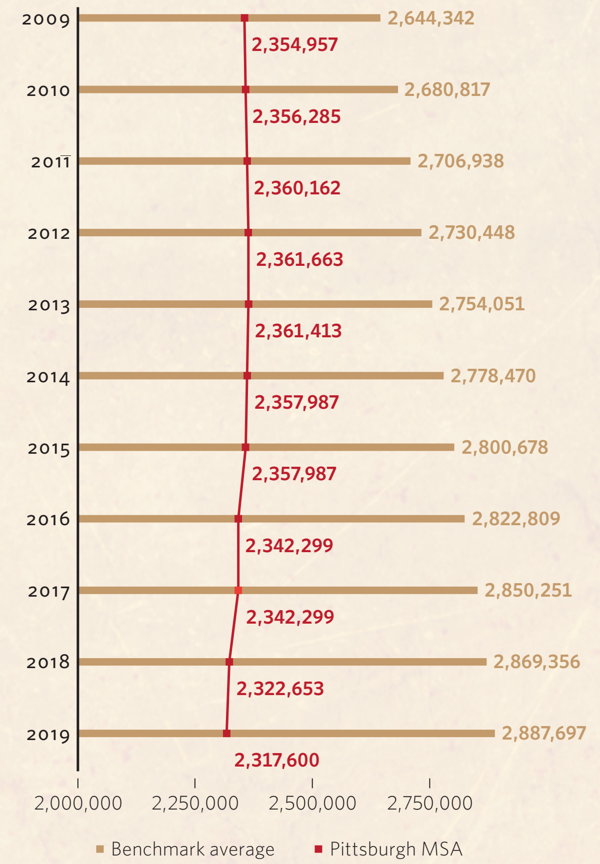
It's for those reasons and others that economic development organizations and public officials have continued the frustrating search for ways to reverse the region's chronic population losses for decades. They shouldn't expect respite anytime soon.

NATURAL DEFICIT

Southwestern Pennsylvania is still dealing with a demographic phenomenon that has dragged its population lower for longer than a generation. More people die each year than are born in the seven-county Pittsburgh MSA, making it the only U.S. metro area to experience natural population loss.

Having more births than deaths once fueled population growth. But that changed in the 1980s with the collapse of the steel industry that had been the bedrock of the local economy. Nearly 150,000 manufacturing jobs were lost and the exodus that followed cost the region 8 percent of its population from 1980 to 1990. Most of those who left were young people in search of jobs no longer available at home. And with them went their future families, leaving older adults behind and knocking the region's age structure out of balance.

Demographics: Pittsburgh MSA Population Trends



Pittsburgh MSA population compared to average population among Pittsburgh Today Benchmark regions, 2009–2019. SOURCE: *U.S. Census Bureau Population Estimates Program*

Decades later, growth in the number of local women of child-bearing age still trails the national rate by a wide margin. Birth rates are below the national average. The share of the population claimed by residents 65 years and older is one of the highest in the nation, as is the number of deaths per 1,000 residents, census data suggest.

COVID's toll threatens to temporarily increase the region's natural population losses. The virus claimed the lives of nearly 3,000 people in the Pittsburgh MSA during the first 10 months of the pandemic. The hope that the pandemic, by forcing couples to spend more time at home, will lead to more births is tempered by evidence that past recessions haven't had that result.

And it will take a lot to derail the trends driven by the region's aging population. "Even if those shift a little bit, the demographics of the region are pretty much baked in," said Chris Briem, a regional economist at the University of Pittsburgh's University Center for Social and Urban Research. "The range of potential outcomes is pretty narrow."

STUCK IN PLACE

The flow of people from one region to another hasn't worked out well for southwestern Pennsylvania, and it doesn't appear that will change soon.

For only one brief moment this century has southwestern Pennsylvania attracted more people than it lost—a five-year span that Briem found was driven by the boom in Marcellus Shale natural gas production some 12 years ago. When those jobs slowed, the migration gains disappeared.

Whether the COVID-19 pandemic can somehow steer more people to the region remains to be seen. Most people move between regions for job opportunities. But the Pittsburgh metro area's labor force was shrinking more severely than in the nation as a whole by the end of the year. Jobs were being restored at a more sluggish pace. And PNC Financial economists expect the region's economy to recover more slowly than what will be seen across the nation.

The virus and the social and business restrictions taken to slow its spread have broadly damaged local economies and jobs throughout the nation. For people in job sectors hardest hit during the pandemic, there are few opportunities for work anywhere, dampening the incentive to move.

"In the 1980s, we had job destruction far in excess of what was going on in other regions. It just made sense for some people to pick up and move," Briem said. "The difference now is that if you're a waiter or hotel worker, those opportunities are being destroyed everywhere. There isn't one region that has survived this well."

Americans weren't doing much moving to begin with. U.S. migration fell to a 73-year low right before the pandemic, when only 9.3 percent of Americans moved between March 2019 and March 2020, census data show. By comparison, the decade following World War II saw about 20 percent of the population move during a year.

The slowdown is seen in all age groups. But the migration of young adults declined the most in the decade before the pandemic. And some large metropolitan areas that had experienced robust population growth early in the decade were the biggest losers by the end, as what little migration there was began to favor smaller places.

No U.S. metro area lost more residents from 2012–15 than Pittsburgh, Frey's analysis of U.S. Census Bureau population estimates shows. Although the region's population continued to slip, it relinquished that unwanted crown by the end of the decade, when New York, Los Angeles, Chicago, and Cleveland posted larger losses.

The wild card in the pandemic is the surge of people doing their work remotely, which began when offices, schools and other workplaces closed or reduced occupancy to contain the outbreak. Nearly one-third of small and medium-sized businesses in southwestern Pennsylvania adopted work-from-home policies last year, a PNC Financial Services survey found.

It's unclear how broadly remote working will be offered after the pandemic and whether workers given the oppor-

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tunity will follow longstanding migratory patterns or break from them. "Most people move to places that are close by or larger," Briem said. "You don't see many people moving from San Francisco to Pittsburgh, as much as some people think that happens."

HELP FROM ABROAD

While migration from other parts of the country has failed to boost southwestern Pennsylvania's population, immigration has consistently added to it. Still, less than 4 percent of the region's population is foreign born, one of the lowest rates among U.S. metro areas.

Their impact is most greatly felt in the region's urban core. Nearly 80 percent of the region's foreign-born residents live in Allegheny County or the City of Pittsburgh. They're particularly important to local universities, where they contribute to enrollment and the bottom line. As Briem said, "The flow of international students is a non-trivial part of population here."

And immigrants tend to bring more than themselves to the table. "Immigration impacts the age structure," Frey said. "Immigrants and their children are younger than the population as a whole. One way to buck up your younger population is immigration. They'll come here and have children."

But prospects for increasing the flow of immigrants to the region face strong headwinds at the moment. The pandemic led to travel restrictions and to colleges closing or going remote—circumstances that are expected to send immigration even lower.

More restrictive U.S. immigration policy in recent years had already sharply reduced the number of people from other countries who settle in America. Frey pointed out that the nation barely added 200,000 people to its foreign-born population in 2018 and 2019. Earlier in the decade, the nation's foreign-born population had been growing by 400,000 to 1 million people a year.

As a result, immigration gains over the past decade are expected to be the lowest since 1970, despite coming during a period of economic expansion, when jobs are more plentiful. "We have to be serious and think about what level of immigration we should have in the United States and how it can help us be a more productive country," Frey said. "If we don't, we are going to have a continually aging population. In 10 years, most of the baby boomers will be retired and we're going to have to count on a smaller younger generation to keep things going." PQ

Jeffery Fraser is Pittsburgh Today's senior editor.

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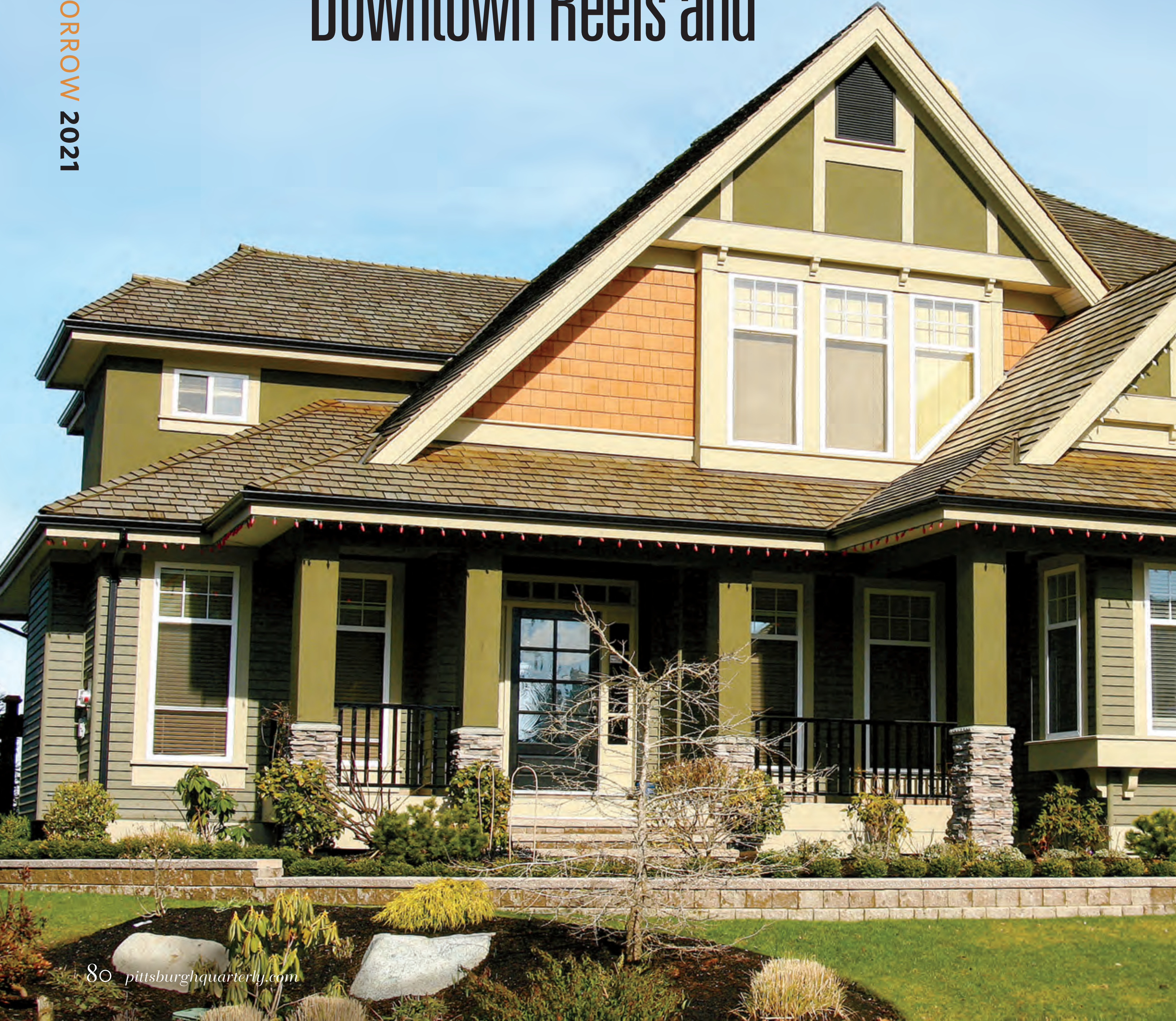

written by **JULIA FRASER**

THE TERMINAL, STRETCHING FIVE BLOCKS ALONG Smallman Street, had just been given a stunning makeover when COVID-19 arrived, threatening the eateries and shops it courted as tenants. Months later, the 95-year-old former hub of Pittsburgh's wholesale produce industry remains a hot real estate property that has attracted tenants throughout the pandemic, including District Brew Yards, a collective of small breweries and a pour-your-own-drafts beer hall.

It is the latest star to be added to the city's transformed Strip District neighborhood, where rows of warehouses peppered with small retailers, such as the iconic Pennsylvania Macaroni Company, have been joined by tech companies, such as Facebook and Uber, and high-end apartments and townhouses, some priced at more than $2 million.

"The Strip District, of all places, has been one of the most resilient in terms of interest and investment," said Brandon Mendoza, executive director of the NAIOP Commercial Real Estate Development Association Pittsburgh. "While the pandemic may have slowed down their leasing a little, it hasn't really stopped development. The premium location and iconic spot offset all the other things going on."

But the pandemic dealt the region's real estate sectors vastly different hands.

Emptied-out skyscrapers rise a few blocks from The Terminal. Only 13 percent of the office space in Downtown Pittsburgh was occupied in December 2020, according to data from the Pittsburgh Downtown Partnership. Without the bustle of workers, parking garages, restaurants and other commercial properties are under-used as well.

At the same time, home sales in the city's near suburbs have soared since summer.

HOT HOUSES

Residential real estate hit a speed bump early in the pandemic when the state banned in-person transactions for a couple of months as part of the public health measures taken to slow the spread of the virus. But with mortgage rates near historic lows, the market took off once the restrictions were lifted.

"It was a banner year for residential sales in southwestern Pennsylvania, despite not doing business for two months," said John Petrack, executive vice president of the Realtors Association of Metropolitan Pittsburgh. "The only thing the pandemic did was put a temporary hold on demand."

One indicator of housing market trends is how many people are locking in interest rates on a mortgage, which signals they are serious buyers. From last June to August, Pittsburgh had one of the highest year-over-year percentage increases in mortgage interest rate locks among the 40 largest U.S. metropolitan areas, according to an American Enterprise Institute's market analysis.

But location and price are strongly influencing where home sales are the hottest.

Lawrenceville, in the city of Pittsburgh, has been a real estate hot spot for years. Row houses sold quickly and developers crowded Butler Street with high-end apartments and condos. But there has been no shortage of houses for sale in Lawrenceville during the pandemic.

"The true change is there is a slight movement from the city to the near suburbs," Petrack said. "Any affordable suburb is where we see the strongest marketplaces: Ross Township, McCandless, Dormont, parts of Mt. Lebanon, Bethel Park—suburbs that are close to the city where people are able to find affordable value and pricing."

Real estate agents have noticed an increased demand for homes offering more outdoor spaces and room for a home office. But inventory remains low and the competition around popular price points is stiff. "Anything under $300,000 is extremely strong," Petrack said. "If the property is priced right, you'll have multiple offers in a month."

And he doesn't expect the market to cool. "How can you not consider buying when your mortgage rate is going to be roughly 3 percent, maybe even lower?"

WINNERS AND LOSERS

The region's commercial real estate market isn't known for dramatic swings, even during national economic downturns, such as the one it is mired in today.

"Pittsburgh is a slow and steady kind of market," said Dan Adamski, senior managing director at Jones Lang LaSalle, a commercial real estate company. "In times like these, it's helpful. We didn't have this massive amount of speculative building that you see in a lot of markets that leaves it vulnerable to market corrections. During the downturns, being a slow and steady market is beneficial."

Some sectors within commercial real estate have weathered the pandemic better than others.

With people more homebound than ever before, demand for everything from medical supplies to ketchup delivered

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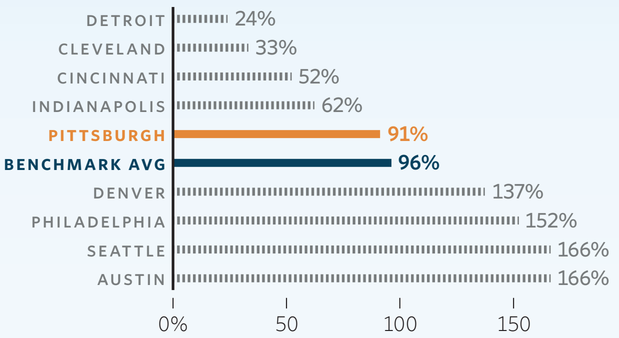
to their door skyrocketed. And industrial real estate benefitted. Last year, for example, Amazon completed a 1-million-square-foot distribution facility in Imperial.

"We've seen a surge in industrial development driven by companies such as Amazon and other supply chain warehouse distribution, and some specialty manufacturing and data centers during the pandemic," said Jeffrey Ackerman, managing director for the Pittsburgh office of CBRE, a commercial real estate services firm. "One thing is for sure, commercial real estate is going to emerge from the pandemic looking a lot different than it did before the pandemic."

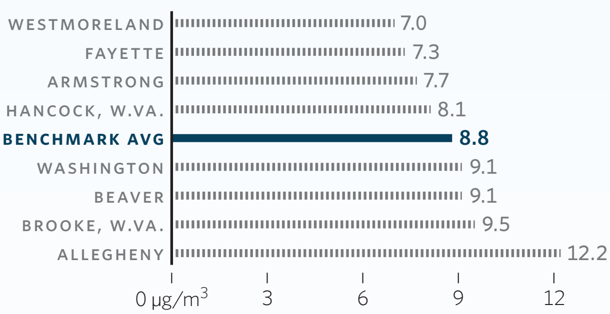
Life science research and development, which includes lab spaces for vaccine development, expanded alongside Oakland's research universities and hospitals. Pittsburgh was named the top emerging life sciences cluster in the United States in 2020, according to a recent CBRE report.

Housing: 20-Year Price Appreciation



Housing price appreciation from July 1, 2000–July 1, 2020 by MSA; highest and lowest among Pittsburgh Today benchmark regions.
SOURCE: *Federal Housing Finance Agency*

Environment:
Particulate Air Pollution in Local Counties



PM 2.5 annual average in micrograms per cubic centimeter by local county.
SOURCE: *U.S. Environmental Protection Agency, 2019 Monitor Values*

"Anything under $300,000 is extremely strong. If the property is priced right, you'll have multiple offers in a month."

—John Petrack, executive vice president of the Realtors Association of Metropolitan Pittsburgh

"There's a lot of optimism around the life sciences industry," Adamski said. "We believe that that sector is going to come out of the pandemic even stronger than it was before."

'A SAD THING'

Optimism is harder to come by among the region's retail stores and restaurants—two sectors badly damaged by the pandemic.

The virus shifted the nation's shopping habits farther away from brick-and-mortar stores. When 2020 began, e-commerce accounted for 11.3 percent of U.S. retail sales. By the fall, 14 percent of retail spending was done online—up 37 percent from online sales in 2019, according to U.S. Census data.

"Retail is a sad thing," Mendoza said. "Right now, large online retailers have fared OK—Amazon, Walmart and so on. Grocers have done well. But mom-and-pop main street retail has been decimated. I don't want to throw that all on the restrictions. A lot of that is a complete drop in demand. That's going to be a worry on the other side of this."

The region's malls had responded to the pre-pandemic retail downturn by adding gyms, theaters, restaurants and other entertainment—businesses that have struggled to stay open during the outbreak. Over the summer, Simon Properties Group, the nation's largest mall owner and owner of Ross Park Mall, bought Brooks Brothers, Aeropostale and Forever 21 out of bankruptcy with plans to restructure the brands, which are staples at its malls.

National brands with online stores have fared better than small, brick-and-mortar boutiques. Fast-casual restaurant chains, such as Jersey Mike's sub shops and Dunkin' Donuts, opened new stores throughout the region in 2020, while the independent restaurant scene in the city darkened.

Pandemic restrictions on social gatherings limited many restaurants to takeout. And the pall fell on the industry just as it was rising and garnering national acclaim. "Within our city, we were in a renaissance in terms of the amount of investment that was related to the quality of our restaurants," Mendoza said. "It was the best we've ever had. Then the pandemic came."

More than 110,000 restaurants have closed permanently in the United States since April, according to a recent survey from the National Restaurant Association. Among them were the iconic Original Hot Dog Shop in Oakland; Pittsburgh's oldest tavern, the Park House, on the North Side; and Spoon, a fine-dining restaurant in East Liberty.

OFFICE SPACE

Before COVID, companies were clamoring for space in the region's urban core. "Pre-pandemic, our [office] market was doing very well," Adamski said. "We were seeing a continuation of the urbanization trend, in which companies were moving in from the suburbs into our urban core. The pandemic put brakes on that immediately."

Stay-at-home orders and other social restrictions last spring moved thousands of workers out of the office and into their homes, where they work remotely. About half the U.S. labor force worked from home at the beginning of the pandemic, according to a working paper from the National Bureau of Economic Research.

The shift in work is reflected in the plummeting number of public transit users, particularly those who took the bus or rail to work. For the week of Dec. 8, 2020, only 101,514 people rode Pittsburgh buses compared to 535,633 who rode the bus that week in 2019, according to Port Authority of Allegheny County data.

And there were plenty of parking spots available in Downtown garages. Only 43 percent of downtown Pittsburgh's parking garage spots were full in December compared to a consistent 90 to 95 percent occupancy throughout 2019, according to Pittsburgh Parking Authority data.

"By most indications, it's looking like Downtown is taking the brunt of it from a commercial activity standpoint," Mendoza said. "It's where people meet. It's the hub of our region. In an environment where we're telling people not to gather, it's going to be the one most affected."

Many companies subleased their unused space. From January to March, subleased additions in the Pittsburgh region averaged 37,441 square feet per month. The monthly average more than doubled from April to December to 104,357 square feet of space per month, according to a recent report from Jones Lang LaSalle.

"I think the question that's on everybody's mind is what will the work-from-home trend will be like post-pandemic?" Ackerman said. "Will the people working from home right now return to the office?"

One possible scenario is the rise of a hybrid work schedule that has employees splitting time between the office and working from home. A recent McKinsey survey of 800 corporate executives around the world found that 38 percent of respondents expect their remote workers to work at least two days a week away from the office post-pandemic. About 19 percent expected employees to work three or more days remotely each week.

And the office may look a little different when they return. "I think that one of the big shifts that we're going to see is to less dense office space," Ackerman said. "People are going to want wellness brought into the workplace. They're going to want to spread out more."

"Tech-flex" office space, popular with tech companies such as

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> “The Cultural District is a driver of a lot of investment Downtown—the driver of a lot of demand for restaurants, hospitality and other amenities and parking.”
>
> *—Brandon Mendoza, executive director of the NAIOP Commercial Real Estate Development Association Pittsburgh*

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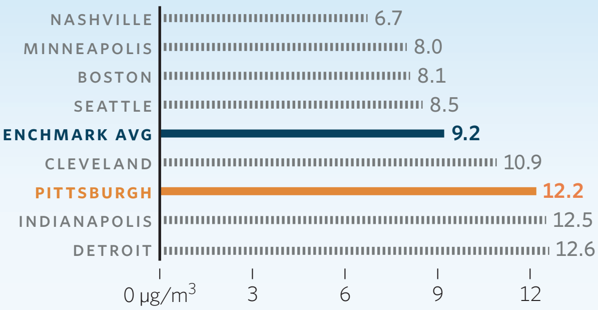
Aurora and Argo AI, is a broad real estate category that includes stripped-down office space with room for research and even light manufacturing on-site.

But forecasts of an exodus of offices away from Downtown Pittsburgh might be premature. While the pandemic halted the urbanization trend in the office market, experts haven’t seen a shift yet. “We are hearing a lot of noise about the shift to the suburbs, but we haven’t seen anyone actually do it yet,” Adamski said.

Downtown Pittsburgh’s future may rest on the Cultural District, where the pandemic has dimmed its restaurants and theaters. “The Cultural District is a driver of a lot of investment Downtown—the driver of a lot of demand for restaurants, hospitality and other amenities and parking,” Mendoza said. “We really need to think about the things that we can do to help the Cultural District, restaurants and our retailers bounce back on the other side of this.” PQ

Environment:
Particulate Air Pollution in Benchmark Regions



PM 2.5 annual average in micrograms per cubic centimeter by MSA; highest and lowest among Pittsburgh Today benchmark regions. SOURCE: *U.S. Environmental Protection Agency, 2019 Monitor Values*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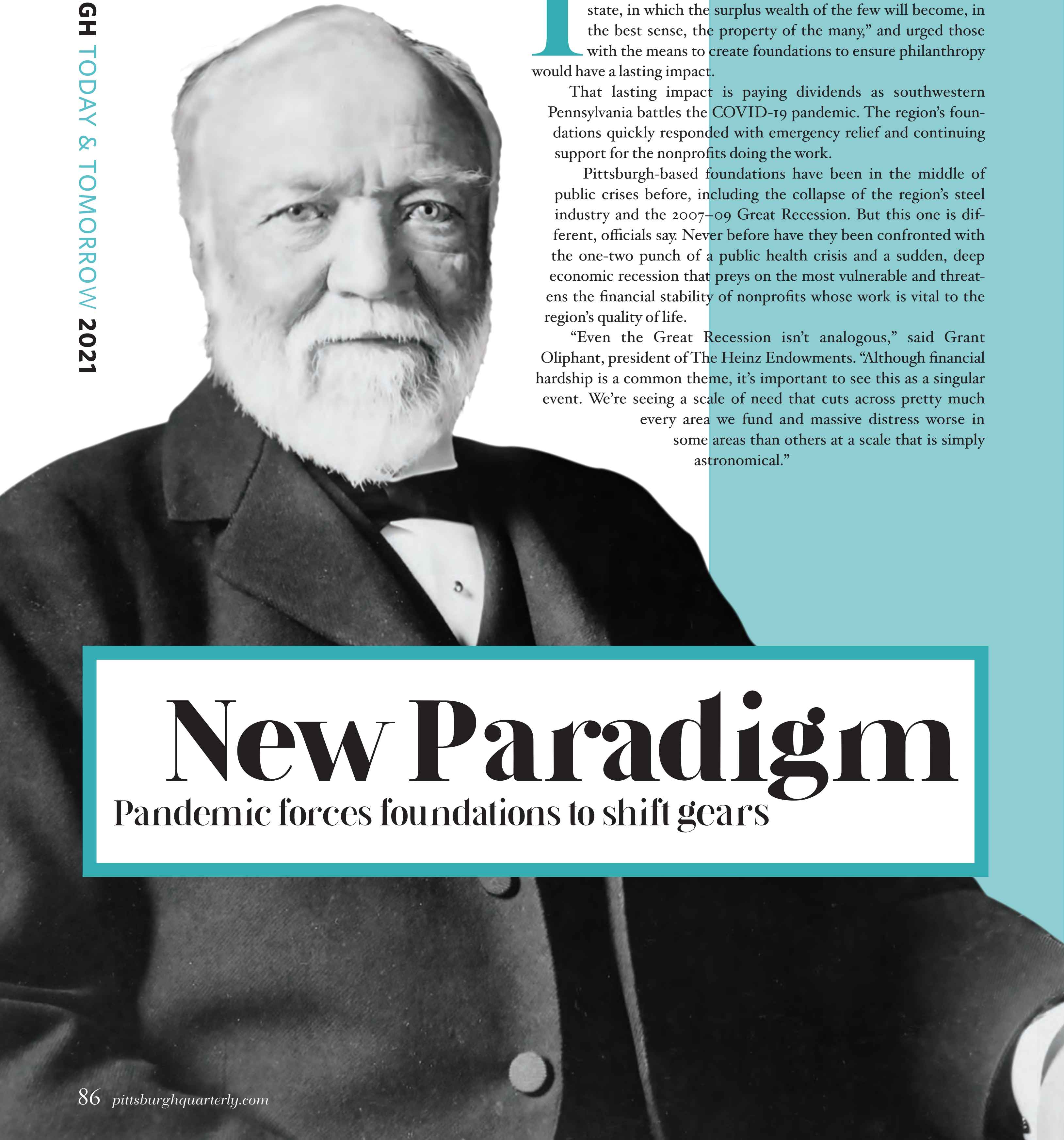

New Paradigm

Pandemic forces foundations to shift gears

written by **JULIA FRASER**

In 1889, Andrew Carnegie, whose immense wealth was earned along the banks of Pittsburgh's rivers, called upon his peers to direct their fortunes toward the public good. In "The Gospel of Wealth," he pitched "an ideal state, in which the surplus wealth of the few will become, in the best sense, the property of the many," and urged those with the means to create foundations to ensure philanthropy would have a lasting impact.

That lasting impact is paying dividends as southwestern Pennsylvania battles the COVID-19 pandemic. The region's foundations quickly responded with emergency relief and continuing support for the nonprofits doing the work.

Pittsburgh-based foundations have been in the middle of public crises before, including the collapse of the region's steel industry and the 2007–09 Great Recession. But this one is different, officials say. Never before have they been confronted with the one-two punch of a public health crisis and a sudden, deep economic recession that preys on the most vulnerable and threatens the financial stability of nonprofits whose work is vital to the region's quality of life.

"Even the Great Recession isn't analogous," said Grant Oliphant, president of The Heinz Endowments. "Although financial hardship is a common theme, it's important to see this as a singular event. We're seeing a scale of need that cuts across pretty much every area we fund and massive distress worse in some areas than others at a scale that is simply astronomical."

URGENT CRY FOR HELP

The impact of the coronavirus pandemic was swift. The virus strained health care systems, laboratories and emergency responders soon after it arrived last March. Within a few months, recession had cost tens of thousands of people in the region their jobs, increasing the need for food, shelter and other basic necessities.

After the first few cases of COVID were confirmed, the Allegheny County Board of Public Health turned to the local foundations for help. "What happened at the beginning is emblematic of a special quality in Pittsburgh," said Lisa Schroeder, president and chief executive officer of The Pittsburgh Foundation. "When the board of public health was socked by the reality of what was facing them, they reached out to us and asked us to consider how we could help. We realized we had to set aside the things we were doing and come together, come in fast and come in strong."

Within days, The Pittsburgh Foundation, The Heinz Endowments, the Henry L. Hillman Foundation and the Richard King Mellon Foundation pooled $1 million to seed a new Emergency Action Fund to support government agencies, nonprofits and community health organizations providing public health and human service aid. "We knew that the resources of the public agencies were not going to be able to hit the ground fast enough," Schroeder said.

The fund has raised $9 million and has provided $4 million in grants so far to support frontline services and meet needs ranging from bolstering COVID testing and childcare for essential workers to helping the homeless weather the pandemic.

The impact was so sudden that foundations, which usually are very deliberate in researching the issues and organizations they fund, did not have the luxury of time to devote to such a process.

"At the beginning, there was so much need and there wasn't a lot of time to carefully review every organization and determine how bad it was," Sam Reiman, director of the Richard King Mellon Foundation said. "But we have a lot of data and we know what happens when you see this kind of economic stress. We were preparing for the very worst right out of the gate. We knew there would be issues around homelessness, hunger, domestic violence and around kids not being able to complete their education. We had to get out in front of that, open ourselves up to more partners and think creatively about how the recovery might look like on the other side of [the pandemic]."

At the same time the number of needy residents was increasing, many nonprofits were taking a financial beating. Some had years earlier shifted their funding model to rely more on fees charged for services, which the pandemic has made difficult to perform.

"When the Great Recession hit, a huge amount of revenue that was coming into the nonprofit sector was from government contracts and grants," said Diana Bucco, president of the Buhl Foundation. "Since then, a lot of nonprofits have gone to fee-for-service models. The problem is, during the pandemic, they haven't been able to do their services to get their fees. That has been a really painful moment."

A Hillman Family Foundation study last spring "projected a failure rate of nonprofits that was just frightening," Schroeder said.

In response, foundations have reevaluated how they work with nonprofits. "It's about funding, but it's also how we work with organizations: being more flexible, being more responsive," said Mary Phan-Gruber, chief executive officer at Jefferson Regional Foundation.

"One of the first things we all did was realize that expectations for existing grants needed to be revisited—expectations around deadlines, specific commitments," Oliphant said. "We recognized that all our grantees were transitioning into a different environment that was alien to all of us. They were crushed not only by financial expectations, but also by this shift of how to operate in this virtual environment.

"Many of us lifted our restrictions on grantees, let go of requirements on reporting, converted grants to general operating support and various things like that to make life easier for executives who are under incredible pressure."

The urgent need for emergency relief also confronted foundations with difficult decisions about what issues to address and which organizations to support with limited grant dollars.

"Each foundation has different levels of agility and appetite for changing their model," said Jen Giovannitti, president of the Claude Worthington Benedum Foundation, whose reach includes West Virginia. "The Benedum Foundation shifted a lot of our grantmaking into COVID and are going to continue to try to funnel that money into places where we think it'll have long-term positive impacts through education and health care. But, philanthropy can only do so much. So, we try to be that

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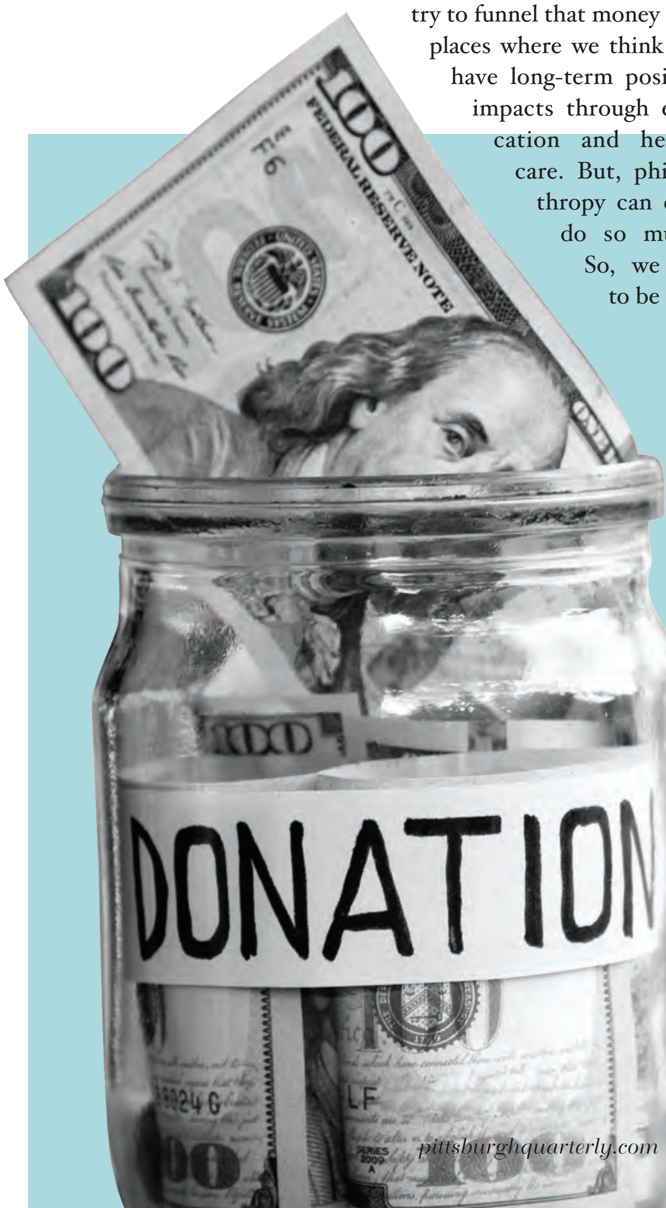

Andrew Carnegie image: Library of Congress

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creative piece and try to leverage other dollars."

Foundations have paused or delayed funding for some nonprofits or programs they deem non-essential in light of the public health and economic crises. Youth enrichment programs are one example. Some foundations stopped awarding grants for capital improvements.

"We've reached out to them early," Bucco said. "We've said that we're going to take a pass this year. We have to respond to the needs of the pandemic. By giving sufficient notice, these nonprofits are able to anticipate and adapt. No nonprofit right now is worried about thriving. They're only worried about meeting the needs of their communities and surviving."

HARD HIT

The pandemic almost immediately closed theaters, canceled concerts and darkened galleries, causing the region's arts organizations to suffer harsh economic consequences. For them, tickets and fees are important sources of revenue.

"The spring is a time when many arts groups get their subscriptions renewed, when they get the cash they need for the rest of the year," said Kathy Buechel, executive director of the Benter Foundation. "The pandemic hit them at that vulnerable time when people were not renewing and they had to cancel performances. It was a double whammy."

A group of 16 foundations and a private donor formed the COVID-19 Arts Working Group and a fund to help the arts through the crisis, particularly smaller organizations and those involved in marginalized communities. "I don't think we've seen a collaboration of this many partners working together," Buechel said. "The agencies running it are particularly close to communities of color and under-resourced groups. They helped build a bridge."

"Something that's changed in the past year is how foundations have been typically viewed as providing capital and nothing more," Reiman said. "I think we've all leaned on our networks in ways we haven't in the past to try and come up with solutions to the community. We're much more hands-on than I would've thought when this all started."

Pandemic and recession have also exacerbated deep-seated social problems that foundations were already aware of and addressing. In recent years, many local foundations had turned their attention to narrowing the wide disparities in income, education, justice and quality of life that separate races. Blacks and other people of color have been disproportionately affected by the harshest impacts of the virus and recession, data and surveys show.

"With racial justice, there's no vaccine," Phan-Gruber said. "That's a long-term investment. How do we think about that and respond to that in new ways?"

One approach being explored is to build the capacity of insti-

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Bob and Bobbie Tedesco have established 13 gift annuities at the Foundation since 2012 to support faith-based mission work and provide a legacy for their 10 children and many grandchildren and great grandchildren.

AFTER A CAREER IN ROCKET SCIENCE

Planning their legacy was much simpler.

In Bob Tedesco's engineering career, he worked on jetliners, nuclear reactors and missile systems. But when he and his wife Bobbie wanted to design a philanthropic legacy and a retirement plan, they turned to The Pittsburgh Foundation. Through gift annuities, the Tedescos are able to draw an annual income — and will leave behind the Tedesco Youthwork Fund to share their gift of faith around the world. With that endowment, along with their 10 children and many grandchildren, their legacy of generosity is sure to be felt for many generations to come.

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EUGENE'S STORY

Eugene began his journey to independence when he arrived at Life'sWork eight years ago. At that time, he joined the Mobile Work Crew program, where he worked alongside a small team and a job coach doing various types of work. Although he enjoyed the assignments, Eugene's ambition was to secure a full-time job beyond Life'sWork. His opportunity came this summer.

"He's proud of what he does every day. He comes to work, he tells people this is his job, he gets paid. He's just happy, and that's the most important thing."

— EUGENE

THE TRANSFORMATION

With the support and guidance of Life'sWork staff, Eugene went through the interview process and landed a full-time maintenance position with TREK Development in Pittsburgh's Cultural District. Eugene is now ready to pursue his goals, equipped with the skills and self-confidence he gained during his time at Life'sWork.

OUR MISSION

Life'sWork of Western PA is a non-profit organization that empowers people to live the life they choose. We support people with disabilities, people facing other employment barriers and young adults on their journey towards purpose, self-esteem and independence through meaningful work.

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- Cost-effective solutions for your business's next project
- Making a difference by giving your time or a donation

lifesworkwpa.org/give

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tutions and organizations to be able to promote racial equity on their own. “What does it mean to be an antiracist organization?” said Gregg Behr, executive director of the Grable Foundation. “Schools and other organizations are navigating that now, which is a difficult matter. Looking ahead, we have to make sure there is a system in place for them to address this.”

LOOKING FORWARD

From the early weeks of the pandemic, local foundations have coordinated relief efforts with local government, including the Allegheny County Health Department and Department of Human Services, and the Allegheny Regional Asset District, which allocates revenue from a special sales tax to help support museums, libraries, arts organizations, parks and other amenities that enrich the region.

And they expect to keep doing so. “I think we will continue to look for those niche opportunities where we can work with others to pool our resources together and increase our impact that way,” Buechel said. “This next year is a testing of the fortitude to give flexible spending, to give generously, to listen and learn and meet people where they are.”

Uncertainty over how long the pandemic will remain a public health threat and how much more economic harm it will cause have raised concern among foundation officials over the fate of local nonprofits. “Every organization we have talked to has said their biggest fear is the next fiscal year,” Bucco said.

Meanwhile, foundations find themselves balancing their response to the coronavirus crisis with preparing for unknown circumstances that await them after it passes. “All of us are doing the work that we’re doing [around the pandemic], but also thinking about what the next 10-plus years look like in the region,” said David Roger, president of Hillman Family Foundations, which was one of several foundations that were in the middle of strategic planning when the pandemic struck.

At The Pittsburgh Foundation, strategic planning delayed by the COVID outbreak picked up again in January with the benefit of lessons learned during the pandemic year. “What spontaneously happened was a very deep dive around issues of racial injustice and fighting for racial equity, without the framework of a strategic planning process,” Schroeder said. “We’re all thinking about strategy in a very different way.”

One lesson from past crises is the importance of the foundation community’s resiliency as a partner to lend support to recovery efforts—that however serious the emergency, it is critical to keep an eye on the road ahead. “There’s a sensibility that comes up every time there is a crisis that every foundation should be spent out of existence immediately to respond to that crisis,” Oliphant said. “If we had done that around the collapse of the steel industry, you’d be talking to an empty room right now. The importance is that these institutions continue and that they continue to provide resources to the community.” PQ

BREAKING THE NEWS

PANDEMIC PUSHES AILING LOCAL NEWS OUTLETS TO THE BRINK

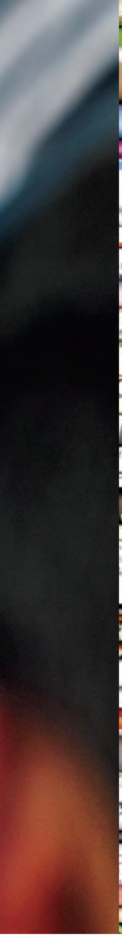
written by **BILL O'TOOLE**

WITH THEIR TRADITIONAL REVENUE MODELS already suffering a long-term structural decline, local media operations have been further weakened by the government lockdowns and economic havoc accompanying COVID-19.

Or as Tom Melia, Washington director of PEN America, the 99-year-old nonprofit that protects free expression, put it: "The pandemic has accelerated almost every contributing factor to the demise of local news across the country."

For those who see local journalism as indispensable to the region's civic, cultural and intellectual life, a survey of local news outlets provides cause for increased concern. While the pandemic hasn't affected every outlet equally, several of the region's leading news organizations reported diminished revenues over the last year and expressed uncertainty about when, or if, the sector will fully recover.

Advertising represents the most significant revenue source for

most local media organizations, and in the past year, struggling businesses across the economy have reduced their advertising budgets. By far the hardest hit is the leisure and hospitality sector, which includes the restaurants and live events that provided the bulk of ad revenues for many local news organizations.

"Our revenues have driven off a cliff, smashed on the rocks below and then burst into flames," said Charlie Deitch, editor and publisher of the alt-weekly Pittsburgh Current. "We have stayed in business by the sheer will of the people involved. During the pandemic, we received one $5,000 journalism grant from the Facebook Journalism Project and $5,000 in emergency funding from the Google News Initiative. We also received about $10,000 in donations from our very loyal and supportive readers."

Deitch said the organization has been operating in "survival mode" since March thanks to a small group of dedicated freelancers, "who quite frankly, give way more of their time than I can pay for. All we can do is keep kicking, stay afloat the best we can and then see what the world looks like post-COVID. Vaccines are coming, but the restaurants, venues and promoters we've relied on aren't going to be able to return to their pre-pandemic spending. Most of them are in the same boat we are. Even if this virus could be essentially wiped out by summer, I don't know if we, or any media company, are going to be able to get back to business as usual."

At Trib Total Media, President and CEO Jennifer Bertetto said, "When the non-essential business shutdown order occurred in March, we lost half a million dollars in revenue within an hour of the announcement. Our 2020 revenue, when compared to 2019, will be down about 26 percent overall."

Last spring, the company combined its two remaining print editions, The Valley News Dispatch in Tarentum and the Westmoreland edition, and reduced printing of its other local editions for several months. Bertetto said most of the company's pandemic-related layoffs were on the

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SAVING LOCAL NEWS?

FROM 2004 THROUGH THE END of 2019, the number of newspapers in the United States declined by 25 percent. In Pennsylvania, total daily and weekly newspapers decreased by 29 percent, while circulation decreased by 40 percent, according to research from the Hussman School of Journalism and Media at the University of North Carolina, Chapel Hill.

Print local news outlets accounted for the vast majority of closures as they lost readers and advertising revenue to rapidly growing digital publishing companies such as Craigslist, Google and Facebook. In a report published in late 2019, PEN America warned that the loss of local news "represents a crisis for American democracy."

In the last decade, a wide body of academic research has detailed how disappearing local newsrooms harms the surrounding communities. Citizens are less informed and engaged, politics becomes more partisan and governments engage in more frivolous spending.

Other studies show that the general public is largely unaware of the dire state of the news media, compounding the issue. According to a 2019 national study from Pew Research Center, 71 percent of adults believed their local news outlets were doing "very" or "somewhat" well financially.

However, as PEN America's Tom Melia said, "Members of Congress have become aware. There's potential for them to act."

Following years of research and advocacy from groups such as PEN and The Brookings Institution, a growing number of lawmakers in Washington, many of whom depend on local news coverage to campaign and reach their constituents, are calling for a fundamental rethinking of how the nation supports local news.

Sen. Brian Schatz (D-Hawaii) introduced the Local News Commission Act of 2020 in September. Drafted in collaboration with PEN America, the bill calls for the creation of a Senate commission comprising an even number of Republican and Democratic appointees to study the problems facing local media and recommend solutions.

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"The reason to do the commission is not so much that we're going to learn more, but that it becomes a consensus building mechanism," Melia said.

In July, U.S. Rep. Ann Kirkpatrick (D-Ariz.) introduced a bill entitled the Local News Sustainability Act in the House Ways and Means Committee. The legislation would create three tax credits to subsidize local news: one for subscribers, one for advertisers, and one for the newspapers themselves to preserve or hire new reporters. The legislation has attracted some bipartisan support in the House. So far, Congress.gov lists 58 Democrat and 20 Republican co-sponsors.

Internationally, a growing number of lawmakers are demanding that Facebook and Google pay for the local news their sites use. In December, Australian lawmakers began final negotiations for a law, widely expected to pass, that would force the two tech giants to pay local news organizations a fair rate for using their content. A few weeks earlier, Facebook agreed to pay millions of pounds to British news publishers after the threat of a wider regulatory crackdown. Similar negotiations with EU nations are ongoing.

In October, U.S. Sen. Maria Cantwell (D-Wash.) released a report calling for similar measures in the United States. "Congressional action is needed to help local news survive the global pandemic and onslaught of unfair practices by the dominant online platforms," she wrote. "Local news needs new laws and regulations to make sure it can compete fairly and provide its true value to local communities and American democracy." ■

production side, and in the absence of new commercial printing accounts, she expected them to be permanent. "At this time, I don't have a firm grasp on when the revenue might return to pre-pandemic levels, but experts in the industry suggest they will not return in 2021 or maybe ever."

The Pittsburgh Post-Gazette declined to offer specific financial information. "Like virtually every legacy media organization in America, our company has felt the impact of this pandemic," said Stan Wischnowski, executive editor and vice president. He said the Post-Gazette has not had layoffs, but 14 journalists accepted buy-outs in July. "What makes coverage of this pandemic unique for us is that our journalists are not only covering all facets of the crisis, but they are experiencing the ravages of the pandemic like everyone else. Our staff understands that this is likely the most important public service we will ever perform as journalists."

While the Trib and Post-Gazette have some subscriber revenues and copy sales to cushion the blow, the free Pittsburgh City Paper relies solely on advertising. "When the pandemic hit in March, we saw about 60 percent of planned advertising cancel immediately, then another wave of about 10 percent or more ad cancellations," Editor in Chief Lisa Cunningham said. In July, the paper furloughed six employees and laid off one full-time position, going from 19 employees to 12. Two furloughed employees returned in August. But in October, furloughed Managing Editor Alex Gordon took his own life. "It's left our small staff in a depression that's very hard to describe," Cunningham said. "During a year of this pandemic, already dealing with a smaller staff, and now losing one of our colleagues to suicide… this has been the very worst year I could have ever imagined."

Beyond ads, the pandemic also has cut off other key revenue streams for some local news groups. "The events that we produce are significant for us," said Evan Rosenberg, market president and publisher of The Pittsburgh Business Times. "We have shifted many of those events from in-person to virtual, and while the community and our sponsors have responded positively, it has still impacted our revenue." Rosenberg said other revenue sources, including specialized reports, remain strong. "Subscriptions are up, readership is up, and reader engagement is up."

Business Times Editor in Chief Jennifer Beahm said readers "couldn't get enough of our coverage of the Paycheck Protection Program. When the program launched, businesses had many questions about how it worked, where to get funding and what happens after they get funding. We've done a lot more breaking news this year—more than ever before—and a significant chunk of that has been to help businesses navigate all of the ever-changing restrictions and rules at the county and statewide level."

Nonprofit news ventures have felt the economic pain as well. "We are about $1 million behind in underwriting revenues for 2020, though we have been able to make up much of that thanks to continued strong support from our members," said Terry O'Reilly, president and CEO of the Pittsburgh Community Broadcasting Corporation, which manages WESA. "We were forced to eliminate two positions on the sales and marketing side in response to the pandemic, but at the same time made new investments in our newsroom to keep that service strong when it was needed most."

At Public Source, the fiscal year runs from July 1 to June 30, so they don't yet have a full accounting of the last year. The nonprofit, which receives grant support as well as donations, hasn't had staff reductions, but Executive Director Mila Sanina said, "We definitely had to recalibrate our reporting efforts to cover the pandemic. Reader need for current information about the pandemic has driven us to publish updates more frequently, which isn't something we did a lot in the past. You can take any beat, be it education, public safety, environment, economic development—all of them have been affected by the pandemic and have been examined through the equity lens. We really do not know what the media ecosystem is going to look like after the pandemic is behind us. The pandemic will definitely affect some parts of the media landscape and we need to save what's vital for understanding our neighbors and communities we care about."

The region's leading broadcast news outlets, including KDKA and WPXI, did not respond to requests for comment. At WTAE TV, President and General Manager Chuck Wolfertz declined comment. Pittsburgh Magazine, NEXTpittsburgh and Table Magazine did not respond to requests for comment.

At Pittsburgh Quarterly, second quarter revenues declined significantly, but the second half recovery was surprisingly strong, said Editor Douglas Heuck. "Being quarterly, we're very lean in general, so we had no layoffs, but we certainly did some belt-tightening. Our subscription numbers remained strong. We've also never relied on restaurant advertising, and the relatively few retail advertisers we have are the region's strongest so they actually did well last year. Most of our losses came from the arts and cultural sector. It's been a very difficult time for them, but many continued advertising given that we reach their donor base." Heuck said that the most disappointing part of 2020 from the magazine's standpoint was that a major initiative about Pittsburgh's future called Pittsburgh Tomorrow "launched just ahead of the pandemic and largely got swept into oblivion by it." PQ

Bill O'Toole is a Pittsburgh Today staff writer.

MUNICIPAL TIME BOMB

BRACING FOR THE REVENUE DROP

written by **JEFFERY FRASER**

THE FEAR WAS REAL LAST SPRING AS local taxes—the lifeblood of boroughs, townships and cities—were trickling in. The COVID-19 pandemic was closing or impairing businesses in southwestern Pennsylvania, the state and nation. The U.S. unemployment rate soared to nearly 15 percent.

"We worried that our revenues would collapse," said Scott Andrejchak, the municipal manager of Penn Hills, an Allegheny County suburb of nearly 41,000 residents. His worst fear never came to pass. And by winter, Penn Hills managed to deliver a balanced budget for this year without having to raise taxes.

The list of southwestern Pennsylvania municipalities that did the same is long, including the City of Pittsburgh, Allegheny County and McKeesport, a city still dealing with the financial strain of having lost the U.S. Steel National Tube Works and much of its tax base some 35 years ago.

But balancing their budgets came with a price. Municipalities trimmed spending, expecting greater revenue losses this year. Some laid off workers. Some deferred maintenance, banking on the local economy bouncing back before the work they put off catches up with them.

Many, if not most, dug into the reserve funds they had saved as a backstop against temporary financial shortfalls.

"I can't think of a better time to tap into a rainy-day fund," said James Turner, a University of Pittsburgh adjunct professor, who had served as finance director of the City of Pittsburgh and as director of the Pennsylvania Economy League. "If it's not raining now, I'm not sure when it ever will be."

Having survived one year under a pandemic, the region's municipalities are bracing for a second, uncertain how long the recession will last and how badly it will damage their finances before it runs its course. "It's going to be incredibly difficult to govern on all levels until we see how this whole thing plays out," Turner said.

NOT OUT OF THE WOODS

Balancing a budget without raising taxes should not be mistaken as a sign that municipalities have escaped the perils of the pandemic and recession, experts say.

"The first thing that tells us is that local governments that have reserve funds would prefer to spend those now rather than raise taxes," said George W. Dougherty Jr., a local government expert at the University of Pittsburgh. "That's not bad policy as long as you guess correctly about how long [the pandemic] will last."

Municipal budget officials were forced to make such projections having never dealt with a pandemic's impact before. And the tax revenues that came in last year were a deceptively poor barometer of what to expect this year. For most, tax revenue collected last year wasn't as bad as anticipated. But their property taxes largely came in early in the year, before the pandemic. And the business taxes they collected reflected pre-pandemic 2019 gross receipts.

The moment of reckoning will arrive this year, when local taxes that reflect a full 12 months of pandemic recession come in and budget officials see how accurate their forecasts are. They will also learn whether more federal aid will be offered to help them deal with their losses.

The City of Pittsburgh adopted a "stop gap" budget good through June. It forecasts steep revenue losses, but avoids raising taxes. The budget eliminates unfilled city jobs, but doesn't call for layoffs. It was balanced by drawing down the city's reserve balance to below the minimum threshold set by ordinance, which required council's approval to do.

But laying off hundreds of city workers and other cost-cutting measures are likely by summer without federal relief or other outside help, the budget states. Several sources of revenue have been badly damaged. With commerce restricted, offices emptied of workers and sports stadiums barren of fans, city officials expect parking tax earnings to be cut in half and amusement taxes by more than that. Overall, the city projects $130 million in tax losses spanning 2020 and 2021.

ALREADY STRESSED

A large swath of the region's municipalities were in financial trouble before the pandemic. In Allegheny County alone, 32 were found to be financially stressed in an analysis by University of Pittsburgh researchers. Using a different measure of stress, the Pennsylvania Economy League placed 56 among its list of the most-financially-at-risk municipalities in the county.

For this group, taxes tend to be high, making it

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more difficult to attract businesses and new residents. And the revenue those taxes earn depends on household income and property values, which are lower than in more financially healthy municipalities. Under such constraints, municipalities struggle to cover basic services and fund aspirations to improve their communities.

Although those municipalities face the greatest peril in the pandemic, the outlook for their survival has improved.

Early in the pandemic, Pitt's Center for Metropolitan Studies estimated that more than 100 southwestern Pennsylvania municipalities could lose 16 percent or more of their revenues, rendering them insolvent and eligible for the state's Act 47 distressed municipality recovery program. But recent data convinced researchers to brighten their forecast. Losses for most municipalities are now expected in the 4-to-6-percent range. Still, at least 12 are expected to be driven into insolvency.

Regardless of their financial health, the pandemic is forcing municipalities to depart from doing business as usual.

MAKING ENDS MEET

Penn Hills encountered the pandemic "at a slight disadvantage," Andrejchak said. Several years of deficit spending had consumed more than half of its reserve. "We didn't have the luxury of doing nothing and just weathering the storm because we already had a declining fund balance. There wasn't a lot of road to kick the can down."

The municipality expects general fund revenue losses of just under $1 million this year—not the collapse officials feared, but still a hole to fill. "We had to lay people off. That's where we had to take our expense reductions," he said. "No one was happy about that."

More than 50 employees were laid off, most of them part-time workers. The library and senior center were hit hard by the layoffs. When the senior center reopens, patrons will find its hours reduced. And the municipality is exploring the idea of hiring a local nonprofit to manage it. The pandemic, Andrejchak said, has "accelerated the tendency to look at places where there might be savings that we hadn't aggressively pursued up to this point."

In Monroeville, local tax revenues are expected to fall about $3 million short of what they were last year. The municipality used about $4 million of its $12 million reserve to fill the gap and pay some capital expenses, including a new roof on the municipal building and two of the four new police vehicles it had hoped to buy.

Monroeville is one of the financially healthiest municipalities in Allegheny County, according to financial stress tests done by Pitt researchers. The municipality's large commercial district provides it with a bounty of revenue from taxes on gross business receipts.

But business tax revenues are expected to take a beating when taxes are filed in April. Those taxes will be based on 2020 gross receipts. And municipal officials will learn the extent of damage done to businesses during the pandemic. Their budgeted projections are grim. On average, business taxes have earned Monroeville nearly $8.4 million a year since 2017. This year, officials expect to take in only $4.6 million.

The budget doesn't require laying off any municipal workers this year. The belt was tightened elsewhere. Money for road maintenance and improvement was cut in half. "It's a balancing act," said Timothy Little, Monroeville's municipal manager. "You can cut back a little. But you still have to run a community and do the upkeep."

And he expects the pain to linger. "This will easily carry into 2022. How much, we don't know. But I don't think you can go through a pandemic like this with the businesses being decimated as much as they have and not have it affect you for more than year."

FORGING AHEAD

McKeesport had been trimming payroll for years, eliminating more than a quarter of city jobs, mostly through attrition. Some departments lost half of their staff. Some had been eliminated altogether to prevent the city from falling to a level of distress that would

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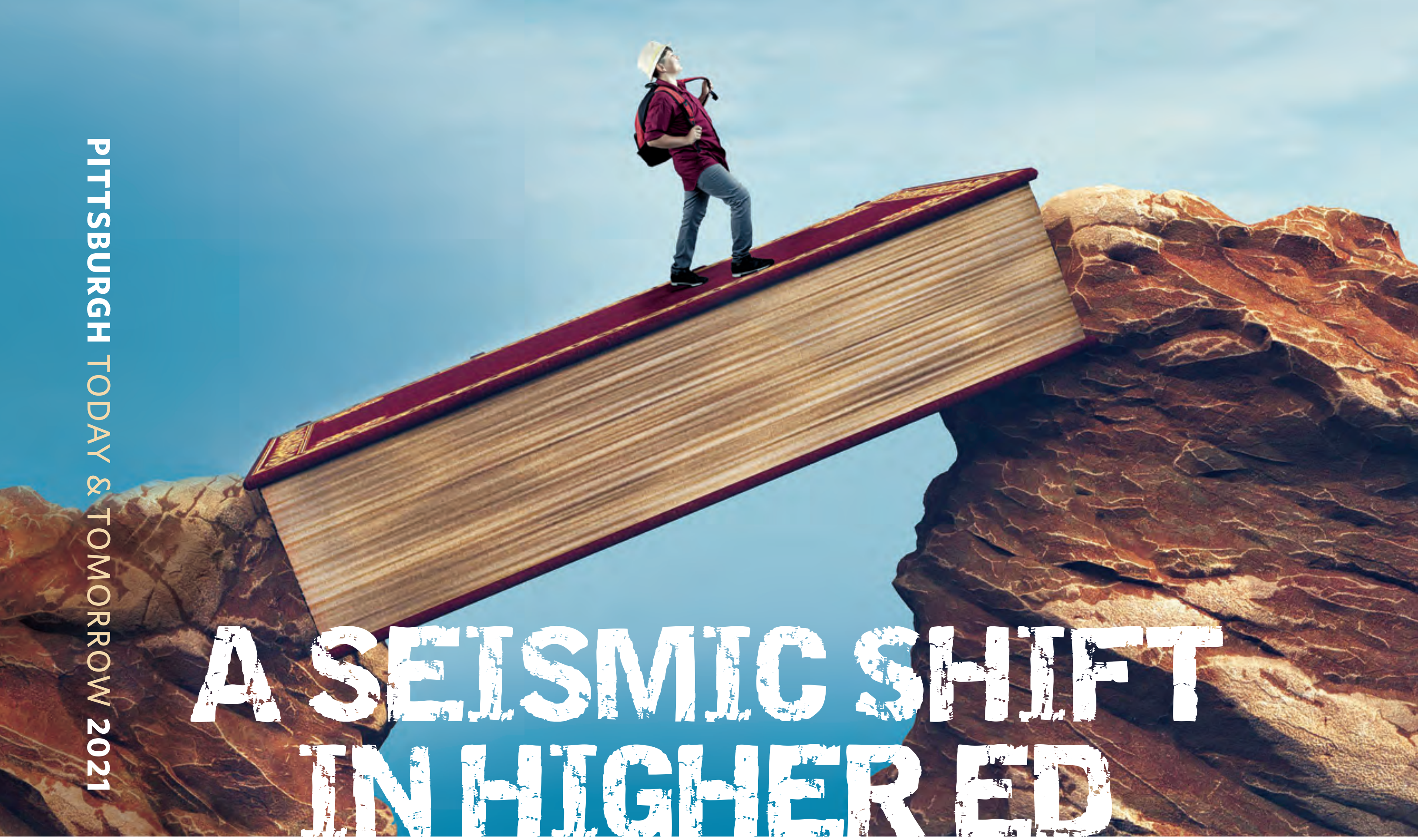

A SEISMIC SHIFT IN HIGHER ED

COLLEGES AND UNIVERSITIES WERE ALREADY STRESSED

written by **BILL O'TOOLE**

BETWEEN DECLINING ENROLLMENT, RISING costs and at least one more pandemic-disrupted semester, Pittsburgh's colleges and universities are facing 2021 budget shortfalls that may impact this mainstay sector of the regional economy for generations to come.

Though often hailed as a bright spot in western Pennsylvania's relatively moribund economy, the higher education sector—locally and nationally—was already confronting significant financial and demographic challenges that COVID-19 exacerbated.

"The number of traditional age college students in Pennsylvania has been declining for several years now," said Drew Wilson, director of media relations at Carlow University. "There is a dramatic reduction in the number of high school students coming in 2025. So much so that it is referred to as 'the cliff' in higher education circles. The cliff was going to affect higher education whether or not the pandemic occurred."

More recently, the Trump administration's immigration policies led to a steep drop-off in the number of international students completing their education in the United States. Foreign pupils are ineligible for much of the financial aid available to their local classmates, and typically pay the full cost of their tuition. For many schools, international students are a critical source of revenue. As Mike Hansen, director and chair of the Brown Center on Education Policy at the Brookings Institution, said, "Essentially they are subsidizing the other students."

Public universities faced further strain due to dwindling investments from state legislatures. "[Pennsylvania ranks] near the bottom of the United States when it comes to public investment in public higher education," said David Pidgeon, director of public relations for the Pennsylvania State System of Higher Education.

As competition increased and revenues shrunk, students at both private and public schools were increasingly asked to shoulder the extra costs. A study from US News and World Report found that tuition rates at private universities had increased by 144 percent from 2000 to 2020. For public universities, out-of-state tuition rose 165 percent while in-state tuition rose 212 percent.

Ten years ago, students in Pennsylvania's state university system paid an average of $6,800 less in yearly tuition than students in state-related institutions, such as Pitt and Penn State, and $8,800 less than their counterparts in private colleges, according to the Pennsylvania System of Higher Ed. As of 2017, however, those differences dropped to $2,200 and $2,800, respectively.

As Pidgeon said, "Over the last 10 years, unfortunately, the affordability edge that we once enjoyed in this competitive market has shrunk."

PUNISHING PANDEMIC POLICIES

Some of the region's leading universities reported steep financial losses over the last year, as their campuses cleared out and course offering lurched online.

"For the 2019–20 fiscal year, the university lost an estimated

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Municipal time bomb

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qualify it for Act 47 intervention.

More layoffs was an option the city refused, deciding instead to tap its reserve fund to balance the 2021 budget.

The reserve fund it leaned on was made possible by the sale of the city's sewage treatment plant to a private company a few years earlier to help stabilize city finances. What money officials didn't put in reserve was used to seed the McKeesport Rising revitalization initiative to improve city amenities, infrastructure and stimulate badly needed development.

"We've learned to do more with less," said Mayor Michael Cherepko. "But we're about at the point where if we reduce it much more, we'll truly affect the level of services we provide. And the minute you start doing that, it's extremely difficult to attract new residents and businesses."

For municipalities hoping to climb out of financial distress, "it's really all about expanding and strengthening their tax base," said Dougherty, who is the state-appointed Act 47 coordinator for recovery efforts in the former Mon Valley mill towns of Duquesne and Braddock.

McKeesport was starting to turn that corner before the pandemic arrived, the mayor said. Empty downtown buildings had begun to attract developers willing to rehab them, including the former offices of the Daily News, the city's defunct newspaper. A few new businesses chose to make the city their home.

"For the first time in years, we had people knocking on our doors," Cherepko said. "Then, the pandemic hit. We still have development, but it put the brakes on a few projects and slowed some down."

In the meantime, officials will draw from the reserve fund to continue the city's revitalization initiative throughout the pandemic. "It would be irresponsible for us to just maintain the status quo and watch our population drop and not put money into our city," the mayor said. "If we don't keep things moving in the right direction, we'll be staring Act 47 in the eye, again." PQ

A seismic shift in higher ed

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$28 million in revenues largely due to refunds on housing and dining as well as revenue loss in other auxiliary services," said Julianne Mattera, a Carnegie Mellon University spokesperson. CMU's revised 2020–21 budget now expects a 10 percent overall revenue decline ($116 million) and a 7 percent cut in operating expenses ($91 million). Even with the loss of many international students, however, CMU experienced a slight increase in undergraduate enrollment in the fall.

The University of Pittsburgh lost $50 million in revenues between March and June 2020 alone. "While there are still uncertainties in fiscal year 2021, the university has budgeted approximately $90–$130 million as a result of COVID-19 costs and lost revenues," said Pitt Communication Manager Kevin Zwick. Fall term enrollment dropped by less than 2 percent, he said, but overall undergraduate enrollment has remained steady, despite a decline in international students.

At Chatham University, because of support from the federal CARES act, a hiring freeze and a pause on major capital projects, "we ended our fiscal year this summer with a net cash flow budget that was above break even," said Vice President of Marketing and Communications Bill Campbell. "We did experience a slight decline in enrollment for fall 2020. But we were anticipating this due to a record size undergraduate class the previous year as we received a large number of students from a transfer agreement with Green Mountain College in Vermont that was closing."

While Point Park University also confirmed a drop in overall enrollment, the Community College of Allegheny County saw increases in both distance education (up 25 percent) and visiting students (up 6.5 percent).

The 14-school Pennsylvania University system estimated that during the 2019–20 academic year, COVID-19 cost the system $103 million. For 2020–21, the system expects pandemic-related costs to reach $100 million. Across the system, enrollment is down 2.7 percent.

Within the state system, COVID accelerated large-scale reforms that were already under way. In February 2020, Chancellor Dan Greenstein issued a directive for every school in the system to draft a plan for how they could become financially sustainable within five years. In April, with the pandemic in full swing, Greenstein shortened the timeline to three years.

"A lot of the challenges that we were confronting, in terms of enrollment and financial security, predate the pandemic," Pidgeon said. "It certainly further agitated the challenge we had."

In July, Greenstein's office announced a sweeping reorganization plan that could effectively merge six of the state's 14 universities, including combining Clarion, Edinboro and California University of Pennsylvania into one entity. Indiana University of Pennsylvania also has announced significant restructuring after its enrollment has fallen 33 percent in the last decade.

As Hansen from Brookings said, "Very few colleges are getting out of this unscathed." PQ

My vegetable garden, in springtime

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stress levels and improving mood and self-esteem than going to the gym." Penelope Lively, a British novelist, agrees that gardening is good for us, that we "set spinning our circadian rhythms, jack up our immune systems, and possibly live a few years longer," but in the end, health benefits are irrelevant. "It is simply a matter of intense engagement with cutting back, taking out, putting in, with this rose, that weed, these seeds, bulbs, tubers," she writes in "Life in the Garden." "As an occupation it seems to me unparalleled; productive, beneficial, enjoyable. What more could you want?"

And so, as Voltaire instructed in his novel, Candide, "we must cultivate our garden," I will be out in the dirt doing it all again this spring. I will rejoice in the hoeing, weeding, raking, thinning! I will train pea vines, stake tomatoes, hill potatoes, blanch celery, and mulch between rows with The New York Times and straw. My seedlings will be transplanted as delicately as I can muster, with all the hope in the world, and I will see what my gardening realm brings in 2021, dearest delusions of my creative mind. PQ

Daryln Brewer Hoffstot is a freelance writer.

ROWS OF GREEN
Garlic bulbs, planted the previous fall, emerge.