

HOUSING AFFORDABILITY AND DOWNTOWN DEVELOPMENT



DOWNTOWN MARKETING & DEVELOPMENT By Barry Cassidy

When developing downtown areas, the uses of the second floor vary from town to town. I remember when I arrived in DuBois, the second floors downtown were historically used as offices. In that case, minimal interior fit-out was replaced by a facilities strategy. Art studios and exercise spaces became popular and replaced the large offices that had previously occupied the space. Much of the space was left vacant if there were a series of rooms.

In Phoenixville, we performed extensive gut rehab on second and third-floor units, upgrading many of the second-floor apartments into upscale residences. Sometimes, this process has led to the loss of naturally occurring affordable housing. There have also been a few cases where commercial space has been converted into residential units.

When investing in a downtown mixed-use building, motivations vary. Some purchase the building to have a space for their retail business, and any upstairs units that generate rent are an added benefit because they help make owning the retail space more affordable.

If the building is upgraded, it will cause a tax reassessment, which could raise operating costs. The new taxes are included in how the rent is set, so the rent for the units will go up.

I attended the Pennsylvania Housing Alliance's *Homes within Our Reach* conference and took part in a session about

how houses are valued. I found it to be a well-meaning and informative session. It occurred to me that, while helpful, there was a major problem. Even after calculating the fair market value, it is still multiplied by the taxes levied by the county, political subdivisions, and the school district.

Typically, taxes are included in the rent, and while taxes from political subdivisions and counties are moderate, school district taxes are high. School taxes can sometimes be 30 mills, compared to the 4 or 5 mills charged by the county and local jurisdictions.

In real estate, "30 mills" refers to a property tax rate. A mil is a unit of taxation equal to one-thousandth of a dollar (\$0.001), or \$1 for every \$1,000 of a property's assessed value.

A rate of 30 mills means you would pay \$30 in property taxes for every \$1,000 of your property's assessed value. A \$200,000 assessment would result in \$6000 in taxes. If you break that down into rent, it would add an extra \$500 in costs per month. Many of the commercial downtown buildings are assessed at around six or seven hundred thousand dollars, and adding an extra three or four hundred dollars to the rent total can push the apartment out of reach for a large share of lower-income wage earners.

Everything I have read about school funding suggests an additional sales tax as an option. Some argue this is regressive because low-income people would have to pay more for what they buy. I would think that it wouldn't be the same as the large amount due every month for rent.

(Continued on page 38)

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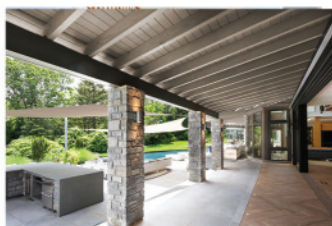




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(Continued from page 37)

At the conference, the presenters discussed how assessments could be kept lower in low-income areas. This would lead to continued clustering of low-income people in one location. It is not just low-income people affected by this affordability issue.

A couple of years ago, I traded political support for my train project to help get minorities involved in revitalizing Coatesville. It's a long story, but after a couple of months, people started complaining about what I was doing, especially after I was drawing large crowds in a church basement.

What I was discussing was that, with SEPTA initiating rail service through the new Train Station, home values would rise, affecting affordability. An Econsult study estimates a 30 percent increase in value with rail service. I used the study that the city did to show that people were already at 46 percent of affordability, and it looked like an attempt to drive my black brothers and sisters out of town. Call it as I see it.

Well, you would have thought I was the reincarnation of Lucifer himself. I was told to stop because it would affect my train project... which is how I ended up there in the first place. Coatesville has one

of the highest tax rates because of the city's millage rate, and with a school tax of a huge 42.864 mills. Do the math: \$42.86 per \$1000 of fair market value. A \$100,000 house generates \$ 4,286 in annual taxes (\$357.16 per month).

So, a \$100,000 house would increase to \$130,000, and the school taxes would be \$5,571.80 (\$464.31 per month). This reduces affordability, especially when you consider 30 percent for rent, and you're already at 46 percent. Hey, what's another \$100 a month? I think it's called groceries.

This is just an example I encountered and is accurate as far as I can tell. But by voicing that concern, I became a fool. The executive director of the Chester County Economic Development Council called me "Crazy Barry." Others called him an "outside agitator."

Things will never change because of a NARRATIVE... not the truth. It is like that throughout politics, both sides of the aisle. As "Crazy Eddie" once said, "Money talks... nobody walks." In this case, though, it is because they are driving in BMWs.

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