



**GREATER HARRISBURG ASSOCIATION OF REALTORS®**

**STATEMENT ON ACT 47**

September 25, 2018

**Presented by: Edwin Tichenor, President**

Good morning. Thank you to House Urban Affairs Committee Chair Rep. Keller, House Local Government Committee Chair Harper and House Finance Committee Chair O'Neill, as well as Minority Chairs Rep. O'Brien, Rep. Freeman and Rep. Wheatley for the invitation to speak to you today on this critical issue.

I am Edwin Tichenor, president of the Greater Harrisburg Association of REALTORS®, a 100-year organization that represents 2,000 members in the region. A lifelong resident of the greater Harrisburg area, I currently own and operate a real estate brokerage in the area and have sold and leased commercial and residential property for more than 10 years. I bring a unique perspective today, having previously worked as the assistant deputy treasurer to the City of Harrisburg.

We have all witnessed a renaissance throughout Harrisburg with the advent of the Millworks, the 1500 Project, the resurgence of the Broad Street Market, and countless other attractive sustainable and Brownfield projects. From a professional perspective, I have witnessed a revitalization of home values and an increased attraction to the city. Moreover, there is a substantial amount of proposed development in the upcoming years, which will continue to help the city move in the right direction.

Harrisburg is moving in the right direction. It is crucial that Harrisburg remain on its current economic course for the continued health of the city, its residents, and the entire region. Let us reflect on why.

Since the height of the recession in 2010, the city has seen an increase in median home sales price by 110%. This means that the median value of a home within the city has more than doubled in the last 8 years and the gross dollars generated by this development boom is up by 117%. The number of sales is up by over 64% as sustainable development continues at a very high rate.

Nevertheless, the Harrisburg housing market continues to have some of the most affordable housing inventory in the entire region, which is vital as locally and nationwide we are in an affordability crisis per the National Association of REALTORS®. Urban living has and should remain a centrifuge for those who are looking for and need blue collar, affordable housing.

The city has enjoyed a significant increase in demand since the Great Recession. They have been making huge, progressive strides in the right direction largely in part to all the private sector development and we are on the eve of substantial public sector development with the Federal Courthouse and various other projects. This is a critical moment for the City of Harrisburg.

If the city's taxing authority is unable to continue the use of the Earned Income Tax and Local Services Tax, the city would have to find other means of raising revenues. DCED's plan looks to doubling the city's property taxes. This proposal has already been seen as having an affect as the real estate market is based on consumer confidence much like the stock market. This is based solely on perception. It does not matter that the decision to do so has been delayed for three years, the perception remains.

If property taxes would increase by \$1,500 to \$3,000 per year, it would increase monthly mortgage payments in the city by \$150 to \$250 per month. This increase in taxes, removes \$25,000 to \$50,000 worth of home affordability to a buyer in the city compared to other areas with a lower tax rate (assuming a 4.5 percent interest rate). With this tax increase, buyers would then be able to afford property \$25,000 to \$50,000 less and that could drastically reduce property values in the city.

We have projected that the city may see as much as a 39% drop in property values were the taxes to double. A potential tax increase of what has been proposed would be abysmal to the City of Harrisburg in a market which average sales price is close to \$80,000. This potential increase in taxes would bring the new affordable index close to \$39,000.

The economic outlook is dismal in this scenario. Harrisburg already has one of the highest tax millage rates in central Pennsylvania. Were the exit strategy implemented and taxes more than doubled, the results would be catastrophic for residents, businesses, and renters as affordability would become a major concern. Home values would plummet, foreclosures would increase, industry would be forced to leave, rental rates would rise, and crime would go up. The revitalization of Harrisburg would not only end it would spiral downwards, and the city would be forced back into Act 47.

Please understand that this would not only affect the city it would affect the entire Central Pennsylvania Region. Sixty four percent of properties within the city are non-owner occupied. This means that entities or individuals own these properties as investment properties. A large number of these owners live within close proximity to Harrisburg in the surrounding municipalities and counties. Rising tides raise all ships is the economic theory where if one area prospers so does the surrounding region. If Harrisburg continues on the path of revitalization, continues to improve the urban quality of living, and is able to combat the Blight that is rampant throughout the city, the entire region would prosper. Not just the city but Cumberland, Dauphin, and Perry Counties would thrive. If Harrisburg is allowed to fail, it will enter into Act 47 again and the vicious cycle continues.

Our state's capital city has the potential to be a shining beacon of achievement for the entire region. Harrisburg should be a city that attracts and retains talented young professionals, one that enriches the surrounding communities with arts and culture, and one that educates, provides opportunity, and increases the overall value of the surrounding counties.

This cannot not happen if the state legislature does not help Harrisburg transition seamlessly out of Act 47. The alternative reality would be dark and difficult. Not only for those who own property and live within the city, but it would affect the regional real estate industry as we see more and more homeowners relocate to other areas. In addition, it would affect the region's ability to attract and retain major investors, developers and corporations.

The health and prosperity of Harrisburg transcends into the surrounding counties, boroughs, and townships. With the right mix of community leadership, legislative oversight and municipal stewardship, Harrisburg could be an inspiring place to live.

Thank you for your time and consideration. I hope we can all keep an open mind and find a solution to what could be a very serious consequence.