

HARRISBURG vs. PITTSBURGH

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year. High-end housing is starting to come back. People are buying and building more houses."

A Tale of Two Cities: One Two-Rate, One Former Two-Rate

by Edward Dodson, Cherry Hill, NJ

Well, Dickens was right in more ways than he could have imagined. These are the best of times and the worst of times: the best of times for Harrisburg, Pennsylvania and the worst of times for its larger neighbor out west, Pittsburgh, which has reportedly fallen into serious financial distress. Pittsburgh has three times the population as Harrisburg, so I thought it might be interesting to look at the number of permits issued in each city for new residential units since 2000. Here's what the U.S. Census Bureau data indicates:

CITY	NUMBER OF UNITS			
	2000	2001	2002	2003
Pittsburgh	249	159	641	209
Harrisburg	45	15	29	36

What does this say about the effects of

Harrisburg's two-rate approach to the property tax versus Pittsburgh's return to a single rate structure (as well as the assessment mess that caused the city's leaders to abandon the approach we favor? Well, not that much really. Harrisburg is just beginning to focus its attention and resources to attract more residents. The city's first priority was to bring in businesses to the central city and to improve city services. The city is within easy commuting distance in all directions, and there is a good supply of decent, affordable housing for both ownership or rent. Pittsburgh has had a number of aggressive redevelopment projects underway with a strong residential component. Late in 2000, for example, development began on Frick Park (with over 100 new residential units completed in 2001 on the former Nine Mile run slag site. The project required very deep public subsidies to clean and stabilize the site. Some 700 housing units are planned to be completed over a ten-year period. There are few people moving into the Pittsburgh region; however, the building industry expects 2004 to be a robust year because of continued low mortgage interest rates. The Pittsburgh Business Times (1/2/04) reported as follows;

"New housing starts in the Pittsburgh area grew nearly 20 percent during the third quarter of 2003. ...The value of new homes started during the first three quarters of 2003 was \$616.9 million, up more than 8 percent from a year earlier.

"All areas are doing well, North, South, East and West. In the past, you would hear about the housing market in the North and East, but all areas are doing well, especially the city."

One of the reasons the city is appearing to do well is because of pent-up demand. Summerset at Frick Park in Squirrel Hill is in its second phase. Also, loft projects like those taking place in the Strip District and on the South Side, have proven popular.

"In July, August and September, housing starts were up 17 percent over the previous (continued on page 14)

So, while the City of Pittsburgh is experiencing financial problems and is looking to impose new taxes and cut programs and services, the housing market is rolling along seemingly oblivious to these dynamics. However, there will be precious little revenue available to subsidize the construction of new housing units for low and moderate-income households.

Harrisburg, on the other hand, seems to be positioned for great things. Mayor Reed's 2002 annual report noted that the city's tax base had reached \$1.6 billion, "the highest level ever recorded in city history." The city reported modest additions to the housing stock -- 39 new or rehabilitated single-family homes completed, with another 12 under development; 86 more new or rehabilitated single-family homes on the market and 35 sold. The city also acquired 74 properties for renovation. The city is making major infrastructure improvements, expanding parks and recreation opportunities. If the civic leaders in Pittsburgh do not soon wake up to the problems the single rate property tax is causing, they might wake up in the not too distant future to learn that Harrisburg has eclipsed Pittsburgh in population and economic output. ---

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