



Tax abatements would fight blight in Harrisburg

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Patriot-News Op-Ed

by Ganesh Harinath

It doesn't take a genius to tell you Harrisburg is facing real financial trouble.

During the last two public City Council hearings, some argued the city should file for bankruptcy while others claim it must sell its few profitable assets. Unfortunately, there is no magic bullet.



An empty building sits on the 1400 block of Regina Street in Harrisburg last June. Blight ruins the value of the entire neighborhood. CHRISTINE BAKER, The Patriot-News

Instead, we must look to a variety of measures to use the assets we have to create revenue.

Harrisburg has an excess of supply: underutilized real estate. When property sits blighted and condemned, with buildings falling down, there are clearly more buildings than are needed. Otherwise, why are these buildings not maintained or legally occupied?

There are opportunities to create revenue from this inventory. According to the Harrisburg Young Professionals' 2009 annual survey, as many as one out of every five professionals who do not live in the city "looked but did not find a good place." This means demand for housing in the city is not being met by the current supply of homes and apartments.

Harrisburg needs to attract investment to meet this demand. The city needs tax abatements.

Tax abatements are a deferral of tax increases that are automatically imposed when someone invests in their property through renovations or construction.

Tax abatements defer new taxes and gradually phase them in through time. They are a common-sense solution to curtail population loss and stimulate demand for city life in a city with the highest property tax rate in the region.

This happens by making residency affordable for homeowners, which, in turn, generates revenue for the city through future taxes, revenue that otherwise would not be created.

The city needs to increase its tax base. Harrisburg's population has been cut in half the last 60 years, a strong indicator of the falling value of downtown property.

Tax abatement seeks to improve properties and to build new ones, thereby adding to the future tax base. The goal of the tax abatement program is to collect the tax revenue generated from present or future property owners.

Critics argue tax abatements are just welfare for rich developers. I beg to differ. It is commonly understood that the high property taxes in the city, if unabated, would depress property prices and render any new investment impracticable.

Developers cannot invest without the ability to recoup their costs and make some amount of profit. They assume the risk while we are poised to receive the tax revenue. In the meantime, blighted land is replaced by useful space.

Some question whether tax abatements aid seniors who have lived in their homes for several years. I say they'll benefit. When vacant or underdeveloped properties surrounding a home increase in demand because of the decreased production costs, property values of surrounding homes improve.

With tax abatements, older residents would have the chance to make improvements to their homes with no immediate tax implications, increasing their assets' worth. This is in addition to measures designed to assist older generations.

Others argue that at the end of the tax abatement period, Harrisburg will lose residents. In reality, those people are missing the point. Harrisburg already has lost tens of thousands of residents.



Ganesh Harinath

If a building is vacant and boarded up, if a parcel of land is undeveloped, if fewer than half the homes on a street are occupied, then there is an excess of supply and/or a dearth of demand. This is the case in virtually any part of the areas surrounding my neighborhood of Olde Uptown.

Blame it on the schools; blame it on the high taxes; blame it on the weather; but accept this as reality. No amount of wishing, hoping or lip-synching is going to change the fact that we are surrounded by run-down land and properties that generate no real benefit to Harrisburg's economy.

We all want the city to succeed. The revitalization of Olde Uptown is a paramount example of this type of successful transformation. With tax abatements, a better tomorrow is within reach, but only if we act today.

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