

PRACTICAL APPLICATION OF AMENITY AS AN ENHANCEMENT OF VALUE



DOWNTOWN DEVELOPMENT & CHANGE

By Barry Cassidy

The revitalization of Phoenixville has led to the increase in value of the commercial properties, as well as some of the surrounding residential properties. When the streetscape amenities were installed, people looked differently at the town and the price of real estate. Between the years of 2003 and 2010, assessed property value in Phoenixville increased by approximately \$150,000,000 and grew at a rate of 25 percent. Now Phoenixville is about to take another giant leap in value.

Increasing home value is always a goal of a homeowner, as repairs, additions and updates to the home will eventually get them a better price when they sell the house. I guess there are people that over-invest and cannot possibly get back what they put into house, but in most cases, homeowners will garner value.

Recently, I was asked to develop a plan to create train service, and one of the options of funding the train was value capture. I came in contact with SEPTA contracted studies on what it means to have transit service to your downtown. I read the study, completed in 2013, and it said that within half a mile of a station with at least 100 parking spaces and reasonable level of service, houses are on an average worth \$7,900 more. An updated report in 2018 pushed that number to a little over \$19,000 per residential unit.

In the area of Phoenixville, the TRID distance is $\frac{3}{4}$ of a mile. There are 2,946 properties in that area, and not all of them are residential. The commercial properties'

fair market values are measured differently, but I would venture a guess that those values will appreciate higher than the average house. For purposes of this column let's suspend reality a little bit and be conservative and include them in the housing group.

If each house in the target area gained \$7,900 in value there would be a net gain of \$20,903,400. If it was \$19,000 the increase in value is \$55,974,000... within the $\frac{3}{4}$ mile area from the station location. That is a lot of cash. The report goes on to say that the effect of transit service has added value for a three-mile area. (See Map)

I think that this amount is pretty impressive, and it would mean that providing train service would completely change the value composition of the area around it. But who really gets that value and what can you do with it? For example, say I own a house in Phoenixville on Starr Street. My house just became worth more money. What does that mean to me?

(Continued on page 56)

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(Continued from page 55)

It probably does not mean much unless you sell the house and you get your money when you cash out. For some with a 30-year mortgage and no intention of moving, that is a long-term commitment, but you know you have an accelerator on your value (sort of like having the wind at your back). For those with significant equity in their house, it means a reappraisal and a higher credit limit on your credit line. But that increase is really only about 80 percent of the property value increase.

Some will be troubled with the thought of an increase in taxes. Actually, it could have a limiting factor in the increase in taxes, because the sale process will be higher and would have a ripple effect. Transfer tax would increase for the school district, the higher affordability in order to purchase the house would boost the EIN for the borough and the school district. In addition, if you do nothing, your taxes will remain the same. This is more of a "cash out" strategy than a pay more strategy. So, to a certain extent, everyone gets well, sorta, kinda, maybe.

It would also increase the cost to live in the area, which means there could be an impact on the low-income people of the

county. This kind of increase will not aid them, although with more disposable income in the area, there should be an increase in commerce and the ability of some of these folks to find additional or better work. It could also open up access to bigger job markets like the City of Philadelphia, where any job is possible. I am sensitive to the equity and equality issues created and will do my best to help mitigate those factors.

Looking at the three-mile radius districts from Phoenixville / Schuylkill Township / King of Prussia (PXV/KOP) rail corridor, there is a lot of expensive real estate that this project will enhance. It will relate as a hypothecated wealth transfer for the residents. Homeowners would have to initiate one of the options listed above to access the transfer.

What it does do without question is enrich every property owner in the radius of the service area. How much will depend upon the physical structure and the distance from the station. Of course, timing is everything. The longer you can wait the more you will garner at sale of the property.

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