

**Jeff Barber**  
Lehigh Financial Group, LLC



**JEFFREY N. BARBER**, with his son John, 8, explores an empty room in the Max Hess Sr. home at 1244 Hamilton St., Allentown, which Barber and his wife, Gina, have purchased, intending to restore it.

Cesar L. Lauro The Morning Call

## Investing in Allentown's history, and future

New owner of the Max Hess Sr. house intends to restore it.

By Scott Kraus  
Of The Morning Call

Over the last year or two, Jeffrey N. Barber has watched a parade of clients come through the offices of his Lehigh Financial Group LLC loan brokerage in South Whitehall Township looking to invest in Allentown real estate.

So when it came time to move his offices, Barber figured his clients might be onto something.

Barber and his wife, Gina, of Catasauqua, bought the boyhood home of Hess Department Store magnate Max Hess Jr. at 1244 Hamilton St. for \$290,000 in July, intending to pour \$100,000 into its restoration.

"It's a good solid building," Barber said Sunday. "What really made me fall in love with it was the architecture."

The old Hess homestead still features much of the ornate stained glass and detailed woodwork.

While there are a few drop ceilings on the second floor, and some ill-advised installations of wood grain paneling

in spots, Barber said he's planning to restore the house to its original lustre.

That's a relief to the building's tenants, Punnuptials, a wedding consulting and officiating business with offices in the rear of the first floor.

"I was so worried someone was going to buy it who was going to tear it up," said Brenda Pun, who runs the business with her husband, Marc.

The building is on the same side of Hamilton Street as the Allentown Public Library, on the other side of a church parking lot.

The 110-year-old building's first owner was George T. Hersh, a partner in the hardware business F. Hersh & Sons in the 800 block of Hamilton Street.

Max Hess Sr. bought the home in 1906, about a decade after opening Hess's department store at Ninth and Hamilton streets. After Hess died in 1922, his wife, Florence, remained in the home, dying there in 1959.

Max Jr. sold the home to the Red Cross, which renamed it the Florence Hess Chapter House, using it as its Lehigh Valley headquarters until 1990, when it sold the property.

Besides moving his four-person business to the property, Barber hopes to entice



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**THE HISTORIC** Max Hess Sr. house at 1244 Hamilton St., Allentown, has been bought by Jeffrey N. Barber, owner of Lehigh Financial Group LLC.

other professional offices to the space.

Based on the interest in downtown properties, Barber said he is convinced the city is on the brink of resurgence, and he wants to be part of it.

"You have no idea the influx of investment dollars coming into this area," Barber said.

Barber said investors from New York and New Jersey are enthusiastic about Allentown, seeing its downtown as full of interesting architecture that can be obtained for a bargain price.

Barber said local real estate

investors' assessments are colored by their memories of the downtown's heyday, when it was the Lehigh Valley's shopping destination.

Today, with projects like the Plaza at PPL Center and the planned Alvin H. Butz office building at Ninth and Hamilton streets, the city is becoming a commercial and business center.

"I think sometimes you don't realize what's in your own backyard," Barber said.

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**PARAMOUNT PICTURES** on Sunday agreed to buy independent film studio DreamWorks SKG Inc. for \$775 million in cash and assume \$825 million in debt and other obligations, the company said. **A10**

**VICTIMS** of a Bethlehem fire found solace in health and keepsakes on Sunday, after being displaced Saturday by the blaze that swept through six homes on High Street. **B1**

**TODAY**  
IN LOCAL



**Road Warrior**  
moves to Mondays

Today's Road Warrior, now appearing on Mondays, explains when motorists can safely turn right although the traffic light is red. **B1**

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they happened four days after an al-Qaida videotape on the Internet called for attacks on facilities carrying oil 'stolen' from Muslims in the Middle East. **Story, A3**

Bruno Vincent  
Getty Images



# Assessment challenges a double-edged sword

Allentown School District benefits from more revenue, but Pawlowski says strategy deters investment in city.

By Scott Kraus  
Of The Morning Call

As the proud new owner of Hess's department store magnate Max Hess Jr.'s boyhood home on Hamilton Street in Allentown, Jeff Barber was painstakingly planning the home's restoration and conversion to an office building.

Three months later, he got a shock. His property tax doubled, blowing his carefully planned budget, and not because tax rates had increased.

The financially strapped Allentown School District, noticing Barber had

paid far more for the building than its \$129,000 assessment, filed an appeal that led to the building being revalued for tax purposes at \$290,000.

Worse yet, the school district had filed the appeal against the building's former owner, but it wasn't disclosed during the sale.

"I feel I have been slapped in the face by the Allentown School District," said Barber, who owns a commercial real estate financing company.

Burdened with growing enrollment and a stagnant tax base, the Allentown School District has been quietly challenging the assessments of properties that sell for significantly more than their tax appraisals for at least six years, said Superintendent Karen Angello.

The strategy helps scratch up additional revenues in a school district

REASSESS PAGE A2



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that spends about \$7,702 a year per student, barely two-thirds of what is spent in development-rich school districts such as Parkland.

That still doesn't make it fair, Borber said.

"They just randomly pick people," he said. "It is not fair to just pick someone out and say, 'Your property is worth more money because you paid more for it.' ... You are discriminating against me."

For the most part, the school district has faced little opposition.

That may be changing. After avoiding legal challenges like those seeking to ban the practice in Carbon and Chester counties, the school district's policy is being criticized by incoming Allentown mayor Ed Pawlowski.

Pawlowski said "slamming" the purchasers of property in the city with unexpected tax hikes deters investment when the city is struggling toward revitalization.

"I think it is incredibly detrimental," he said. "I understand the school district's plight, but at the same time, it deters development and investment in the city. It is almost like a spot assessment. I'm going to meet with the school district, and we are going to try to work some of these issues out."

Attorneys on both sides of the issue agree that school districts have a right to challenge assessments. At issue, opponents say, is whether the challenges are being pursued in an even-handed manner.

Far from a random slap in the face, school district officials say the program is a legitimate way to boost school tax revenues.

In 2003 and 2004, the school district challenged the assessments of 36 properties that recently had sold above their assessed values. The challenges produced \$103,190 in additional revenue for the school district and about \$26,500 each for the county and city.

That figure doesn't include the legal fees paid by the school district to pursue the reassessments.

The school district's financial outlook is not rosy.

A May analysis performed by business manager John Vignone shows the district can count on little additional property tax revenue soon. Between 2005 and 2010, it's projected to increase less than \$1 million.

At the same time, expenses are projected to go up by \$15.9 million in 2006 and \$13.2 million in 2007 as the district embarks on a \$100 million initiative to renovate outdated schools.

School board President Jeff Glazier said the assessment appeal policy is designed to



**JEFFREY BARBER** stands in the foyer of the building he bought at 1244 Hamilton St. He recently found out that his property tax has doubled because of a reassessment.

Cesar L. Lanza  
The Morning Call

make sure property owners are paying tax based on the actual value of their property as much as possible.

School district officials said they challenge a very limited number of high value properties and doubt the reassessments are having a significant effect on development activity in the city.

The Jim Thorpe Area School District in Carbon County, for example, challenged 630 assessments this year.

"This is a relatively small number of properties," Glazier said. "So if anybody thinks this is a disincentive, I would disagree with that."

He said he was surprised Pawlowski would air his displeasure through the newspaper.

"The district has a good enough relationship with the incoming mayor ... that if Ed had some problems with it, he would have spoken to us already," Glazier said.

School officials say they only challenge properties that meet strict criteria that measures a property's total value and the percentage by which it is undervalued.

"The bottom line is, what is the fair market value of the property?" said Kevin Reed, the Allentown attorney handling the appeals for the school district. "That is what should be on the books."

Reed said courts have established that school districts have the same right to appeal assessments to have them increased as property owners have to appeal their assessments to have them lowered.

That the school district only appeals some property assessments is no different than the fact that not all homeowners

whose properties lose value file to reduce their assessments, he said.

"Is it fair certain taxpayers file appeals and their neighbors don't and they pay higher taxes?" Reed said.

He said the school district monitors real estate transactions and typically selects highly valued properties where the recent purchase price is significantly higher than its assessment, promising a significant increase in tax revenues.

Lehigh County and the city do not participate actively in the appeals, but do reap additional tax revenue when they succeed.

The county last performed a countywide reassessment in 1991 and property values have changed dramatically in the interim. In the intervening 15 years, newly constructed homes and businesses have been placed on the tax rolls at higher, more current values.

County Chief Assessor Michael Martucci said a countywide reassessment to equalize the values of all properties is long overdue. But they also are expensive and politically unpopular.

A spokesman for County Executive-elect Don Cunningham said the new administration has no plan to conduct a countywide reassessment, but has not had a chance to review the county's assessment office.

"If the counties did reassessments on a more regular basis, this really wouldn't be an issue for anyone," said Hank Lerner, director of member and legal services for the Pennsylvania Association of Realtors.

Lerner said the school district-initiated assessment challenges have been used only in small pockets of the state, since the Supreme Court said in 1999 they were legal.

Allentown is the only school district in Lehigh and Northampton counties that files the appeals.

But in Carbon County, several school districts routinely challenge the assessments of hundreds of properties that sell for above assessment. One — the Palmerton Area School District — has stopped.

Leonard Sokolove, who represents Raymond and Kathleen Veas in their case against the Palmerton district, said the school districts only hurt themselves in the long run.

"It is so short-sighted," Sokolove said. "Ultimately, the school districts continuing to do this are going to lower the real value, the market value of real estate in their districts."

**ASSESSMENT CHALLENGES**

2003-2004

- Commercial — 25 properties; \$9,847 in new school tax
  - Industrial — five properties; \$4,323 in new school tax
  - Residential — six properties; \$7,020 in new school tax
- Source: Lehigh County Office of Assessment Appeals

They are going to have to tell buyers in advance that this might happen."

The Veas paid \$170,000 in 2002 for land that was assessed at \$45,000. The school district appealed the assessment, and the courts raised it to \$80,950.

Most home buyers factor the monthly cost of escrowing tax payments into the calculation when they decide whether they can buy a home, Sokolove said. If they know their taxes are likely to be increased, they'll want to pay less for the property.

The Veas argued in court that the school district's approach to selecting properties to challenge amounted to unequal treatment under the law, in essence a form of spot reassessment. Commonwealth Court disagreed. The case is under appeal.

In another case, the Downingtown Area School District appealed the Chester County Board of Assessment Appeals valuation of the Shoppes at Lionville Station, a shopping center that had been recently sold for more than its assessment.

That case was argued in October 2004. The court has not handed down a ruling.

School districts are under no obligation to have a framework for filing the appeals, said Sean Fields, associate counsel for the Pennsylvania School Boards Association.

Butler, the commercial finance expert who purchased Max Hess's boyhood home, managed to have that property's reassessment temporarily reversed by the courts. He will get to argue the case, and the proper value of the property, in February.

Some Allentown property owners are not as vexed by the school district's reassessment policy.

Ralph Granger, who purchased a six-unit apartment building in 2004, said he wasn't happy when his taxes rose about \$3,000 a year, but he was able to make up the money by improving the apartments and charging higher rents.

"I kept asking the real estate lady, 'What about the taxes? Are they going to go up?' I kind of bought it based on that," Granger said. "It's a lot more now. Had I not been able to raise the rent, I would be in bad shape."

Granger said, however, that if he were to buy another property in Allentown, he would have to consider paying less to compensate for the possibility that his taxes might increase.

With the new Pawlowski administration concerned about the assessment appeals deterring developers from investing in the city, school district officials may have more work to do defending the program.

Angello said she's willing to talk with Pawlowski and County Executive-elect Cunningham about where they can work together on a variety of fronts.

"That will be just one of the many discussions we will have to have about looking at our community from a big-picture perspective," she said.

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