

# ALLENTOWN, PENNSYLVANIA

## DOWNTOWN

### COMMUNITY DATA

**ALLENTOWN POPULATION**  
120,000

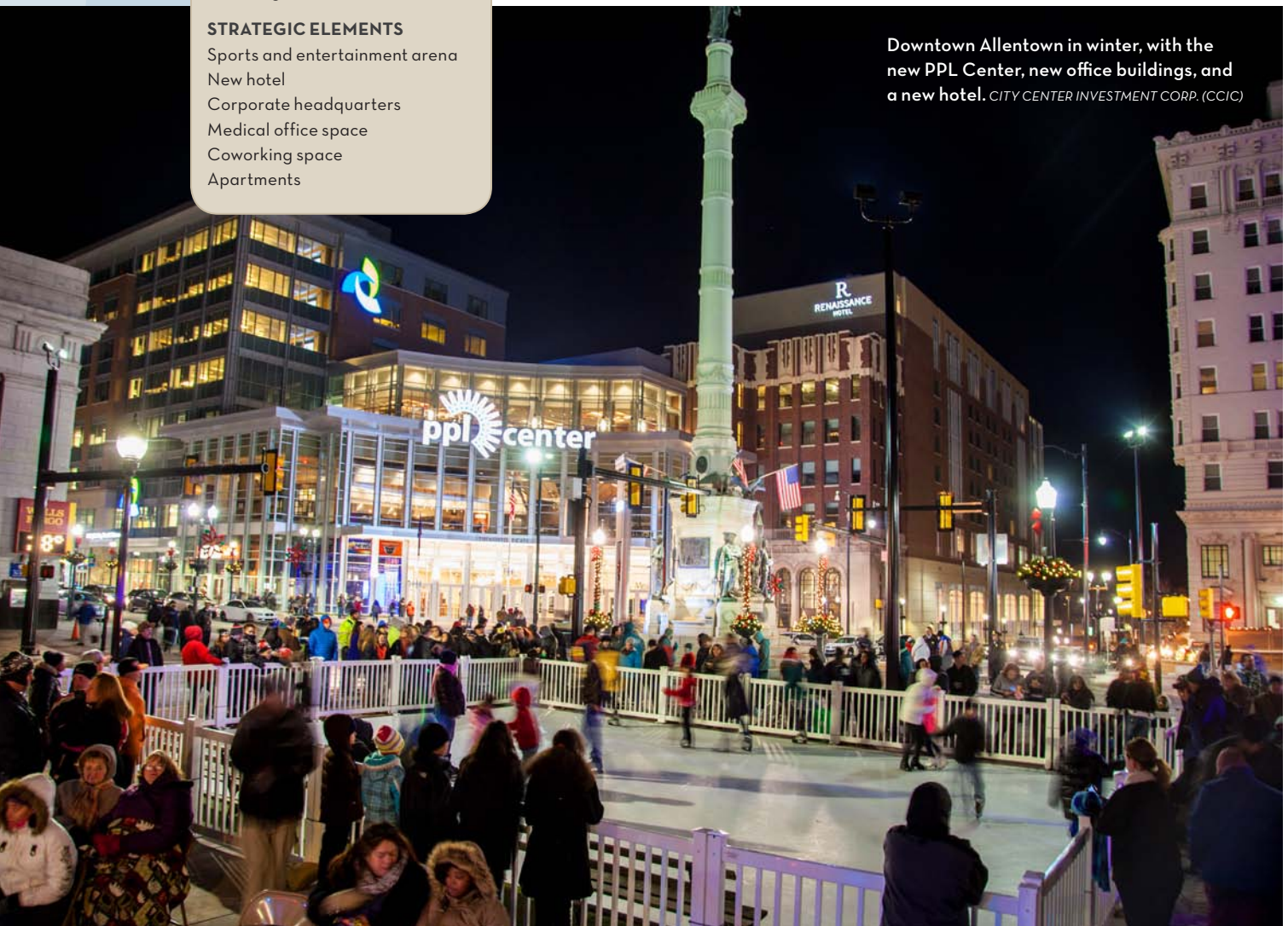
**LEHIGH VALLEY METRO AREA  
POPULATION**  
650,000

**CHALLENGE**  
Declining downtown

**STRATEGIC ELEMENTS**  
Sports and entertainment arena  
New hotel  
Corporate headquarters  
Medical office space  
Coworking space  
Apartments

**A** LLENTOWN WENT FROM A MULTIMILLION-DOLLAR city budget deficit to a multimillion-dollar surplus. It saw 4,000 new jobs come into the urban core and a billion dollars of new development. It is now the fastest-growing city in Pennsylvania.

Downtown Allentown in winter, with the new PPL Center, new office buildings, and a new hotel. CITY CENTER INVESTMENT CORP. (CCIC)



Lessons Learned

- Recruiting bipartisan, committed advocates is essential to advancing state legislation that supports partnership investments greater than the capacity of local government.
- Designing incentives that increase as new buildings fill with employees and successful corporations will increase the vitality of the project area.
- Partnering with a strong local business community and committed developers can create the multiuse/mixed-use developments that draw beyond the project.

The Setting

Allentown is the most prominent city of the Lehigh Valley, which also includes Bethlehem and Easton. Although Pennsylvania’s largest cities, Pittsburgh and Philadelphia, slowly revitalized over the past few decades, Allentown continued to decline. It took years for leaders to design and implement strategies to advance the Lehigh Valley as a whole.<sup>1</sup> The key was an innovative state funding program, a Neighborhood Improvement Zone (NIZ), and the vision of private developers who had faith in their hometown’s economic vitality.

1 John Tierney, “Breathing Life into Allentown: Pennsylvania Comes to the Rescue,” *Atlantic*, September 15, 2014, [www.theatlantic.com/business/archive/2014/09/breathing-life-into-allentown-pennsylvania-comes-to-the-rescue/379742/](http://www.theatlantic.com/business/archive/2014/09/breathing-life-into-allentown-pennsylvania-comes-to-the-rescue/379742/).

Through the combined efforts of state legislators, the local business community, and local developers, plus focused attention, downtown Allentown is now a thriving mixed-use destination.

The Catalyst

The Pennsylvania legislature created NIZs in 2009. Through bipartisan and business support, the NIZ legislation was designed to use state resources to focus development and investment in Allentown. The NIZ designated a total of 128 acres—a significant part of downtown and a portion of the Allentown waterfront—as special taxing districts. By using tax increment financing, the NIZ allows revenues generated from local and state taxes (with the exception of school district and real estate taxes) to repay debt on bonds and loans that were originally used for capital improvements within the qualifying areas. A special entity, the Allentown Neighborhood Improvement Zone Development Authority (ANIZDA), was created as the conduit for the financing.

Tax revenues that typically would be directed to the state are instead redirected to Allentown for development. Figure 1 contains a list of those tax revenue sources.

Progressive Steps

New construction in the NIZ began with a publicly funded 10,000-seat arena, the PPL Center. The state-of-the-art sports and events arena is home

FIGURE 1. TAXES THAT QUALIFY UNDER THE NIZ

State taxes  
(Pennsylvania)

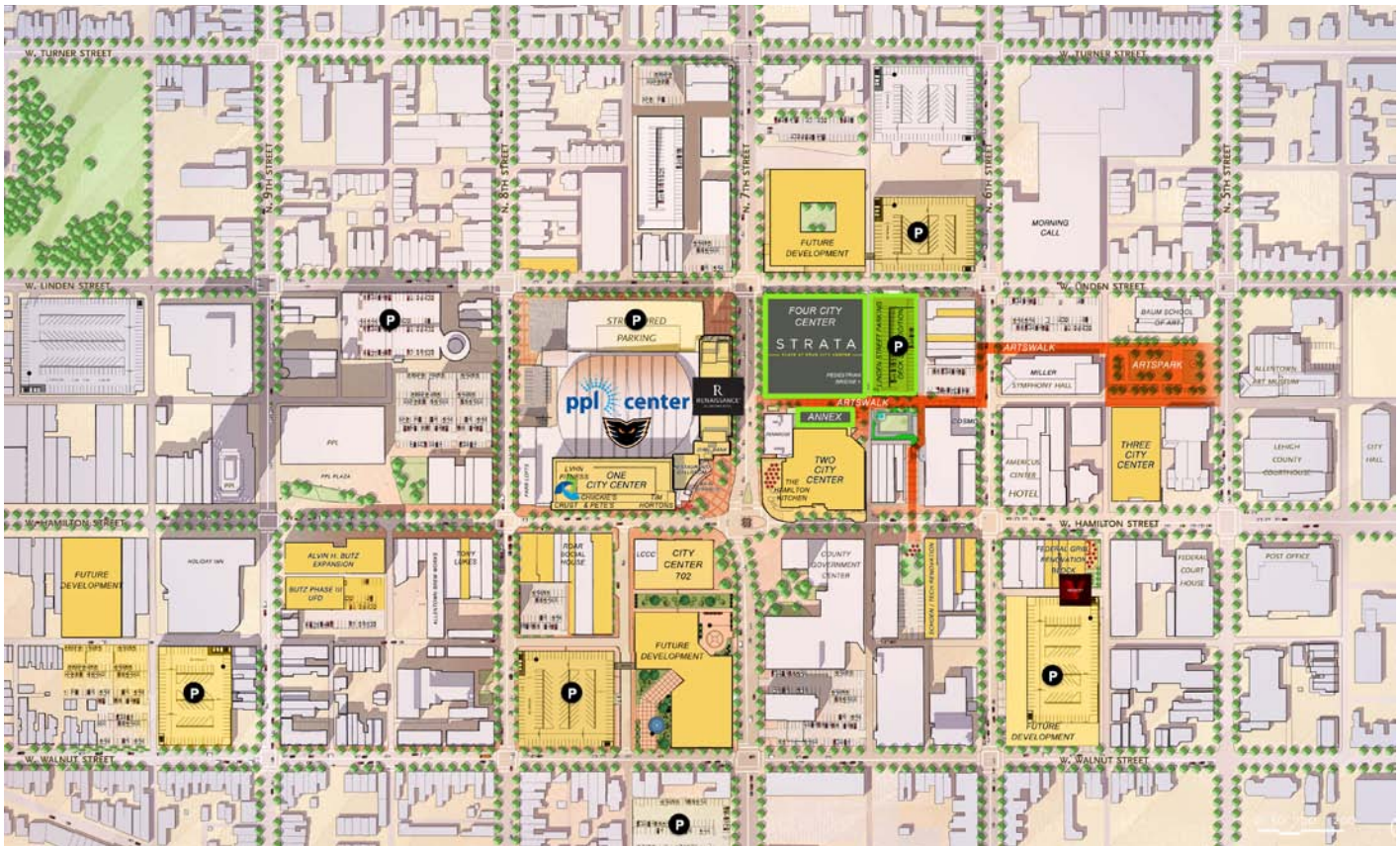
- |   |   |
|---|---|
| ■ Employer withholding tax              | ■ Realty transfer tax                       |
| ■ Sales, use, and hotel occupancy tax   | ■ Title insurance                           |
| ■ Corporate net income tax              | ■ Company shares tax                        |
| ■ Capital stock/foreign franchise tax   | ■ Gross premiums tax                        |
| ■ Malt beverage tax                     | ■ Gross receipts tax                        |
| ■ Liquor tax                            | ● Electric company                          |
| ■ Taxes imposed on S corporation income | ● Telecommunications company                |
| ■ Bank shares tax                       | ● Transportation company                    |
| ■ Cigarette use/excise tax              | ● Private bankers                           |
| ■ Corporate loans tax                   | ● Managed care organization                 |
| ■ Public utility realty tax             | ■ Net income tax—mutual thrift institutions |

Local taxes  
(Allentown)

- Local employer wage/earned income tax
- Local service tax
- Business privilege tax
- Licensing fee

Source: Allentown Neighborhood Improvement Zone Development Authority.





A map of downtown Allentown shows the location of the new PPL Center and the new office buildings.  
CITY CENTER INVESTMENT CORP. (CCIC)

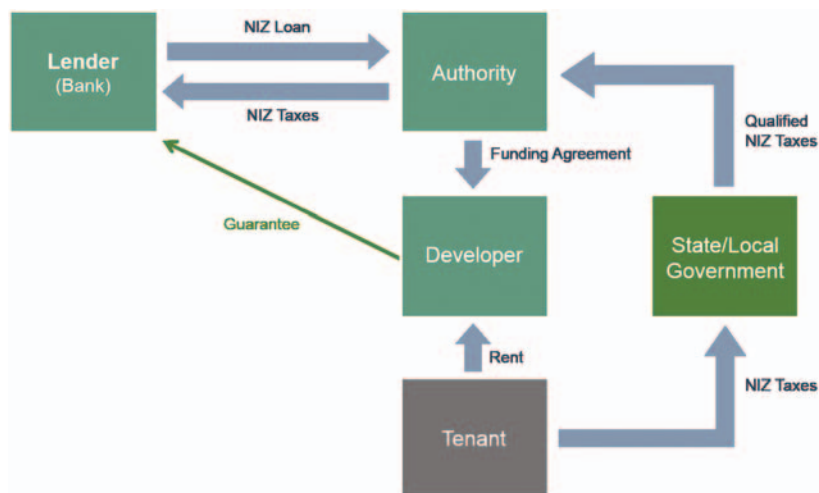
to the professional minor-league hockey team, the Lehigh Phantoms (affiliated with the NHL's Philadelphia Flyers). In addition to hockey games, the arena hosts a broad range of music and entertainment events throughout the year.

Next came a visionary private real estate development company, City Center Investment

Corporation (CCIC), which relied on the NIZ as a financing tool in major projects to revitalize Allentown's downtown. Its NIZ-supported projects included the following:

- One City Center, a 187,000-square-foot Class A office/retail tower. Major tenants include
  - Lehigh Valley Health Network
  - A 170-room, full-service Marriott Renaissance hotel
- Two City Center, a 290,000-square-foot Class A office/retail tower. Major tenants include
  - National Penn Bank headquarters
  - Air Products
  - Dunne Manning Inc.
  - Starbucks
- Three City Center, a 166,000-square-foot Class A office/retail tower. Major tenants include
  - CrossAmerica Partners (previously Lehigh Gas)
  - Norris, McLaughlin & Marcus
  - Morgan Stanley
  - Alpha Graphics

**FIGURE 2. ANIZDA FUNDS FLOW CHART**



Source: ANIZDA.

- STRATA Flats at Four City Center, 170 market-rate apartments
- Velocity, City Center's coworking space located at 532 Hamilton Street, providing office space at below-market rates and networking opportunities to emerging and innovative businesses
- The Shops at City Center, 12 new shops and nine new restaurants
- Historic loft offices, first-floor retail space with creative loft-style office space above it

The initial success of One City Center was quickly followed by the construction of two additional office buildings along the main street with first-floor retail. Each of the buildings leased up quickly because of favorable rents, which were due to the NIZ subsidy.

The Shops at City Center and STRATA Flats are also fully leased, with plans for more residential development, attracting millennials and baby boomers alike. CCIC has also announced plans for its Five City Center Urban Innovation Campus, an entire block in Allentown that will include office, residential, retail, and green

*"We went from a multimillion-dollar deficit to a multimillion-dollar surplus. We're seeing 4,000 new jobs come into the urban core and a billion dollars of new development."*

—Mayor Ed Pawlowski

space—all designed to attract forward-thinking companies and their new generation of workers.

## Leadership

The city's success can be attributed mainly to outstanding public/private collaboration. That partnership's strength was fueled by the leaders' commitment to one common mission: to drastically improve Allentown. "We went from a

New life downtown  
on ArtsWalk. CITY  
CENTER INVESTMENT CORP.  
(CCIC)





Two City Center brings the National Penn Bank headquarters into downtown. CITY CENTER INVESTMENT CORP. (CCIC)



multimillion-dollar deficit to a multimillion-dollar surplus. We're seeing 4,000 new jobs come into the urban core and a billion dollars of new development," Mayor Ed Pawlowski explained. "We're now the fastest-growing city in the Commonwealth of Pennsylvania, and we haven't raised property taxes in nine years."

The founder and president of CCIC, J.B. Reilly, is an Allentown native and witnessed his hometown's decline firsthand. Reilly was inspired to invest further in the city and strategize ambitious plans for its rebirth. CCIC assembled a first-rate team of development, construction, and marketing professionals who worked closely with

committed stakeholders to quickly move forward on initial projects, despite the many skeptics.

The Lehigh Valley region is unique because its leadership comprises members of varying political parties. The mayor, state senator, and private developers all eagerly pushed aside political partisanship barriers to revitalize Allentown. Those pragmatic public and private sector leaders worked together to prioritize economic development by investing in infrastructure, improving the region's quality of life, and helping train a versatile workforce.

## Financing Mechanisms

In return for developing or renting in the NIZ district, several benefits accrue to participants:

- A 20 to 30 percent reduction in base market rental rates<sup>2</sup>
- Increased property values
- Public improvements to cleanliness and safety
- Increased sales traffic as revitalization occurs
- The ability to apply to the ANIZDA for future funding for additional projects

State Senator Patrick Browne explained that the NIZ legislation is not only repaying Allentown's debt on loans and bonds, but also breaking even and will soon be accretive for the state. NIZ tax returns are steadily increasing, allowing the state to be repaid. Under the NIZ structure, base NIZ tax revenues remain within the NIZ during buildout. Surplus tax revenues on each project then revert to the state. The state collected an additional \$2 million in 2012, and

2 City of Allentown, "Neighborhood Improvement Zone (NIZ)" web page, [www.allentownpa.gov/Neighborhood-Improvement-Zone](http://www.allentownpa.gov/Neighborhood-Improvement-Zone).

**FIGURE 3. NIZ TAX REVENUE GENERATED AND USES, 2011-2014**

YEAR	STATE TAX REVENUE REDIRECTED TO ANIZDA	USE
2011	\$7.1 million	Half year, activity limited to land acquisition
2012	\$30.9 million	First full year, construction gets underway
2013	\$48.2 million	Construction ramps up, multiple projects underway
2014	\$58.2 million	Arena and office buildings open

Source: Scott Kraus and Matt Assad, "Allentown Arena Zone Collects \$48.2 Million in State Taxes: A City Construction Boom Brings a 56 Percent Increase over Last Year's Total," *Morning Call*, March 3, 2014, [http://articles.mcall.com/2014-03-03/news/mc-allentown-arena-state-taxes-20140303\\_1\\_allentown-arena-zone-neighborhood-improvement-zone-anizda](http://articles.mcall.com/2014-03-03/news/mc-allentown-arena-state-taxes-20140303_1_allentown-arena-zone-neighborhood-improvement-zone-anizda).



roughly \$16 million in 2013 as new projects came on line, and about \$18 million in 2014.

Figure 3 displays the total tax revenues generated and redistributed within the NIZ between 2011 and 2014.

## Return on Investment

The downtown reached its goal of creating approximately 1,500 new jobs. As new businesses move into downtown, they bring more jobs with them. One of the attractive aspects of the downtown revitalization is that jobs range from entry level in the new Marriott hotel and retail outlets to professional and managerial jobs at Lehigh Valley Health Network, CrossAmerica Partners, and National Penn Bank.

Businesses from outside the region are now approaching Allentown officials and developers with interest in relocating to downtown. The improved ambience and infrastructure, and low cost of living, along with an array of new construction options, are drawing executives from New York and other higher-priced markets.

Although the crime rate in Allentown had already been declining since 2007, local residents are conveying a shift in perception. They credit an increase in pedestrian traffic, crowded restaurants, and stronger police presence in downtown for providing a renewed sense of safety. As a result, the city has been able to launch numerous cultural attractions, ranging from city art walks to concerts and sporting events. In 2014, Allentown was included in *Fortune* magazine's list of "Five Cities with Up-and-Coming Downtowns."

A view of downtown Allentown showing the new arena, office buildings, and hotel.

CITY CENTER INVESTMENT CORP. (CCIC)



New construction downtown spurred the restoration of historic buildings, attracting retail development.

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