

A NEW DAY IN BETHLEHEM

Tax incentive designation could lead to \$580 million in construction – and work could begin this year.

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IMAGES COURTESY OF HOWARD KULP ARCHITECTS/ Developer Dennis Benner's proposal for the Third and New streets mixed use project in South Bethlehem aims to transform the landscape with new retail streetscapes, restaurants and residential units. Benner is seeking financing through the City Revitalization and Improvement Zone initiative.

Thousands of construction and permanent jobs and hundreds of millions of dollars in projects could be on the way in Bethlehem – with some of that work expected to start this year.

It's all thanks to the city earning the coveted City Revitalization and Improvement Zone designation – which awards tax incentives to developers of commercial projects in parts of Bethlehem.

For Bethlehem, the benefits include nearly 3,000 construction jobs within five years and almost 4,000 permanent jobs, with overall investments spanning 10 projects that top \$580 million, according to the city's CRIZ application. The permanent jobs at full build-out will bring more than \$185 million annually to the area economy.

And the new retail, professional and industrial uses generated by the CRIZ will result in more than \$1 billion in total construction purchases and wages spent in the city, the Greater Lehigh Valley and the state, according to the application.

"I think it's a great thing for Bethlehem, and they were fortunate to receive it," said Mary Tebeau, president and CEO of Associated Builders & Contractors Inc. Eastern Pennsylvania Chapter, a trade group that has offices in South Whitehall Township and East Norriton.

Bethlehem's CRIZ, awarded last December, is a regional economic phenomenon with legs that will carry the construction industry well into the latter part of this decade.

The CRIZ designation offers cities a tax incentive for commercial projects similar to Allentown's Neighborhood Improvement Zone. Through the CRIZ program, vacant, desolate or abandoned space can be developed for commercial use.

In Bethlehem, the CRIZ covers 130 acres and allows certain state and local taxes generated by businesses in the zone to be used to finance construction and development of a variety of buildings.

"I think it will have a similar effect as the NIZ in Allentown," Tebeau said of the hundreds of millions of dollars in new construction in that city. "With these tax incentives, this could be what some of the owners are waiting for."

The CRIZ allows these projects to be more attractive to developers and could make construction happen faster by reducing red tape from governmental regulations, streamlining permitting processes and possibly offering waivers, according to Tebeau.

"It usually speeds things up a bit; I know it helped in Allentown," she said.

BENNER DEVELOPMENTS

Dennis Benner is one developer who could see a strong benefit from the CRIZ, since several of his proposed projects are within this zone. Before the CRIZ, many of these projects were in a state of limbo. But that's no longer the case.

"Everyone was kind of stuck in the mud wondering whether the CRIZ would get designated," said Benner, who is also a partner in a Bethlehem law firm. "Now we have it and we can plan accordingly."

The Greenway Park revitalization project at Third and New streets most likely would be the first of his projects to go under construction, Benner said. This \$49 million mixed use project calls for creating a bar, restaurant and professional office and retail space, plus housing options for students and professionals in South Side Bethlehem.

According to the CRIZ application, the project could earn final land development approval in mid-2014, with construction to begin in 2015.

The project could benefit greatly from the CRIZ with the construction and retail segments, Benner said. Whether office tenants could benefit remains to be seen.

Ideally, Benner said, he is looking for out-of-state office tenants. To achieve this goal, he is using CBRE Inc., a global commercial real estate firm with an office in Fogelsville.

Northside Plaza, a \$33 million project Benner has proposed in the CRIZ, could offer significant benefits if the project attracts out-of-state tenants. The 100,000-square-foot office building is proposed off Eighth Avenue across from the long-dormant Martin Tower.

The plan calls for retail and hospitality uses on the first floor and medical and professional offices on the upper floors, according to the CRIZ application.

"I think the locations are too strong not to fill them with tenants," Benner said, regarding these projects.

LOOMING LARGE, STANDING EMPTY

Casting an inescapable shadow over Bethlehem and spanning 52 acres, the vacant Martin Tower campus is earmarked by developer Lewis Ronca for a redevelopment project that would transform the 21-story office building into a mixed use site, thanks to the CRIZ.

The office, retail, residential and commercial project would be a \$175 million investment in the city and could secure final development plans by mid-2014, with construction to start in 2016, according to the application.

Once the headquarters of the now defunct Bethlehem Steel Corp., Martin Tower was built in the early 1970s. The building has been vacant and surrounding property unused since February 2007.

The tower covers 7.6 acres on Eighth Avenue, and the surrounding area, which runs along Schoenersville Road and Eaton Avenue on the north, covers 44 acres. Several unused low-rise buildings also are on the site.

Ronca and his partner, Norton Herrick, previously created a proposal for the redevelopment of the property that included a tax increment financing plan, or TIF, that was ultimately rejected by the Bethlehem Area School District.

Now, redevelopment again is a possibility.

"It's time, I think for something to move there, so that's exciting," Tebeau said.

Alicia Karner, director of community and economic development for Bethlehem, said she has had a preliminary meeting with the developers of the Martin Tower project.

"I do think they will be very deliberate about moving forward on Martin Tower," Karner said.

EXCITEMENT IS BUILDING

Members of the Eastern Pennsylvania Chapter of ABC, particularly those who enjoy fishing and hunting, are showing excitement about the potential Bass Pro Shops Outdoor World project and hotel complex at SteelStacks. With Bass Pro Shops in Bethlehem, many members wouldn't necessarily have to travel to Cabela's in Hamburg, Berks County, Tebeau said.

According to the CRIZ application, construction work could begin on this project late this year. With an estimated 433 new full-time employees and 300 construction jobs stemming from the mixed use project, it could be the first project authorized to use CRIZ funding.

Projects such as the Bass Pro Shops complex and the Majestic Realty project (a proposed data and technology center along Route 412) could be among the first projects to be built, according to Don Cunningham, president and CEO of Lehigh Valley Economic Development Corp.

Housed inside the Machine Shop No. 2 building at SteelStacks, the Bass Pro Shops could be among the earliest projects to advance.

"I still think that's a reasonable expectation that that could be the first project," Karner said, referring to the Bass Pro Shops project. "We are optimistic that up to two projects may proceed with financing this year."

MULTIPLE DEVELOPERS

With the projects being tenant-driven, the ones with tenants most likely would begin construction first, Karner said.

However, Cunningham said it was difficult to quantify what projects were being done and when since it is still early.

"The developer really needs to know what the end user will be in the zone," Cunningham said. "The developers further along with end users will be the first to go."

The CRIZ differs from the NIZ in that in Allentown, a lot of development is being done by a single developer in a small, concentrated area, Cunningham said. In contrast, the Bethlehem CRIZ projects already have multiple developers signed on, and the projects are in different parts of the city.

But there's no doubt that in Bethlehem, the CRIZ is sparking renewed interest in redevelopment and new construction.

"We are already getting interest and engagement from the construction and development community because they know there's going to be opportunity for work in the pipeline," Cunningham said. "It creates this optimism that there's going to be construction work for many years to come."

INDUSTRIAL PARK

J.G. Petrucci Co. Inc., which has an office in Bethlehem and Asbury, N.J., is designing and building two projects in the Bethlehem CRIZ. These include the Gateway to South Bethlehem project at West Third

Street and a 175,000-square foot flex space for a manufacturing/industrial building at Lehigh Valley Industrial Park VII off Route 412.

The CRIZ is particularly beneficial for the construction of this LVIP site.

"The obvious benefit for us is it can act as an incentive," said Martin Till, regional president at J.G. Petrucci. "It allows us to talk to new users, which will primarily be out of state. New Jersey has gotten a lot more aggressive in retaining users and attracting them from New York."

With the award of the CRIZ, Bethlehem has made the approval process more streamlined, which leads to a sooner start for construction.

"They [the city] recognize that time is of great value," Till said.

The effort that the city put forth in achieving the CRIZ designation shows the commitment it has to these projects, he added. The hope is that this sort of development brings other development.

"People want to be where the growth is," Till said.

TEN TO GO

Ten projects identified on Bethlehem's City Revitalization and Improvement Zone application:

- (1) Bass Pro Shops/hotel and convention center at First Street.
- (2) Martin Tower redevelopment on Eighth Avenue.
- (3) Gateway to South Bethlehem at West Third Street.
- (4) Bethlehem technology facility at Commerce Center Boulevard.
- (5) Greenway Park revitalization at Third and New streets.
- (6) Northside Plaza at Eighth Avenue.
- (7) Lehigh Valley Industrial Park VII industrial and manufacturing space at Spillman Drive and Emery Street.
- (8) Third Street renovations.
- (9) Walnut Street Garage, Long Street Lot and New Street Garage.
- (10) Redevelopment of the Bethlehem Steel general office building into the Tau building.

Note: Construction could begin Dec. 1 on the Bass Pro Shops and Lehigh Valley Industrial Park projects.