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Success Story

PENNSYLVANIA'S LEHIGH VALLEY—ANCHORED BY THE CITIES OF ALLENTOWN, BETHLEHEM AND EASTON—HAS TRANSCENDED TOUGH TIMES TO BECOME A MAJOR PLAYER. **BY ELLEN SHENG**

ABOVE, CLOCKWISE FROM LEFT: Allentown's New Year's Eve celebration; Manufacturers Resource Center; Downtown Easton; Factory LLC, a business innovation center in south Bethlehem; Historic Bethlehem Hotel; Norris McLaughlin attorneys; Wind Creek Bethlehem casino hotel; Domaci.

Employers and employees in the United States often are asked to make a choice: a small town or a big city. Pennsylvania's Lehigh Valley likes to say that it offers the best of both worlds—and it's right.

Located 80 miles west of New York City and 60 miles north of Philadelphia, Lehigh Valley—anchored by the cities of Allentown, Bethlehem and Easton—is the third-most populous metro area in Pennsylvania, behind Philadelphia and Pittsburgh.

"We benefit in a lot of ways because we're close to major markets, but we have more of a smaller-community quality of life," says Don Cunningham, president and CEO of the Lehigh Valley Economic Development Corporation. "We have our own downtowns and cultural arts

and sports teams. And then you have quick access to the major cities if you want to go there—but you don't have to."

The region, which encompasses two counties and 62 distinct municipalities (including its three cities), has a long history of industrial growth and reinvention stretching back to the railroad era. Today, Lehigh Valley has an estimated population of 673,000 and a GDP of \$40.1 billion—higher than that of either Wyoming or Vermont.

Making a Comeback

The picture wasn't quite so rosy 25 years ago when Bethlehem Steel, at one point the second-largest steel producer and largest shipbuilder in the United States, ceased operations in 1995. When the company filed for bankruptcy in

LEHIGH VALLEY BY THE NUMBERS

69TH

LARGEST METROPOLITAN
REGION IN THE UNITED
STATES.

26,000

NEW JOBS CREATED IN
THE PAST FIVE YEARS.

10,328

DEGREES AWARDED BY
LEHIGH VALLEY COLLEGES
AND UNIVERSITIES FOR
THE 2016-17 ACADEMIC
YEAR.

\$65,929

MEDIAN HOUSEHOLD
INCOME.

58,736

HEALTH CARE
EMPLOYEES—THE TOP
INDUSTRY IN LEHIGH
VALLEY.

1741

YEAR THAT THE
GEMEINHAUS, HOME
OF THE MORAVIAN
MUSEUM OF BETHLEHEM,
WAS BUILT. IT'S NOW
A NATIONAL HISTORIC
LANDMARK.

SOURCES: LEHIGH VALLEY ECONOMIC
DEVELOPMENT CORPORATION, HISTORIC
BETHLEHEM MUSEUM & SITES



CLOCKWISE FROM TOP LEFT: LEHIGH VALLEY ECONOMIC DEVELOPMENT CORPORATION (ALLENTOWN NEW YEARS); DISCOVERLEHIGHVALLEY/JERRYARDON (EASTON); LYNN GOODWIN (NORRIS MCLAUGHLIN ATTORNEYS)

2001, it marked the end of a long decline for the industry and left the area's residents searching for alternatives.

Much of the region's success today stems from a mix of efforts by government, political and business leaders and educational institutions that are looking forward, not dwelling on Lehigh Valley's past.

"I think the biggest vision, if there was one, was about transition and revitalization," says Cunningham. "It sounds simple, but it was foresight that we needed to do it."

Some of the decisions, in hindsight, turned out to be fortuitous. Instead of abandoning or taking down old industrial buildings, for example, many of them were converted into offices, apartments and retail space. Cities and municipalities in Lehigh Valley made concerted efforts to revitalize downtown areas by bringing in restaurants and nightlife.

One prominent example was Las Vegas Sands Corporation's 2007 acquisition of some of the lands left behind by Bethlehem Steel. Helped by tax breaks, Sands built the Sands Casino Resort Bethlehem and helped create SteelStacks, a 10-acre arts campus offering free concerts and

other cultural events set against the old steel mill blast furnaces. The casino recently was acquired by Wind Creek Bethlehem for \$1.3 billion.

More than a decade later, these decisions have become selling points for a younger generation that favors urban living amenities such as nightlife activities and open offices in repurposed industrial buildings.

The area's large workforce is highly educated. The local labor force numbers around 345,000 with another 1.4 million within a one-hour drive. Lehigh Valley's universities—including Moravian College and DeSales University—also feed into the Valley's diverse industries.

"At the end of the day, a region has to be able to realize its own assets and put a strategy in place to capitalize on those assets," says Cunningham. "It's a lot of little component parts that kind of come together to make a successful reach, which is also partly why I think it's remained very authentic and real."

Focusing on Strengths

One of Lehigh Valley's primary assets is its favorable location. It is not only close to Philadelphia and New York, but within 500 miles of about a third of the United States population.

"That gives us an advantage in terms of distribution. We can cover the Northeast pretty well and beyond," says Thomas R. Stoudt, executive director of the Lehigh-Northampton Airport Authority, which owns and operates three airports in the area.

Lehigh Valley is home to many large logistics operations that have recently expanded to accommodate the growth of ecommerce. Amazon has three facilities in the Valley, employing thousands of workers, while FedEx Ground has one of its largest distribution hubs in the country, located near Lehigh Valley International Airport. FedEx opened its 850,000-square-foot facility in 2018, employing 1,300 people and processing up to 45,000 packages an hour. The transportation and logistics sector is now the fastest-growing sector in Lehigh Valley and has added 10,000 jobs in the past five years.

Of the area's three airports, Lehigh Valley International Airport is the largest. Stoudt notes that passenger growth in the region has increased for the past 24 consecutive months and continues to rise. The number of passengers in 2018 was 792,974, up 14.65 percent from the previous years. Growth on the cargo side has been healthy as well. Between 2015 and 2016, cargo increased by more than 165 percent.

"Things were bursting at the seams," Stoudt says. The fast growth prompted an ambitious expansion project that added two additional



Lehigh Valley Hospital.

cargo aircraft parking spaces for loading freight.

Diversity in Manufacturing

Lehigh Valley has a long history in manufacturing. The area played a key role in the railroad boom of the 1850s, supplying rails for the railroad building spree. That was when Bethlehem Iron, which later became Bethlehem Steel, began. When the railroad business started to slow, silk manufacturing took over and the area became a major silk producer, advertising its good railroads, access to nearby coal fields and relatively inexpensive workforce.

The manufacturing landscape today is completely different, but similar attributes make it attractive to manufacturers. Richard Hobbs, president and CEO of the Manufacturers Resource Center, attributes the sector's continued success in the Valley to a "confluence of things," including infrastructure, road systems, airports, academic institutions and demographics.

"We've got older companies that have been around for a while and set the foundation for the base," Hobbs says. Lehigh Valley factories make well-known products such as Crayola crayons, Peeps candies and Martin guitars. Mack manu-

factures all its trucks for the North American market in a plant outside of Allentown.

The local manufacturing industry isn't restricted to any one sector. There's food manufacturing, industrial manufacturing, medical device makers and more. Today, manufacturing makes up about 18 percent of the Valley's GDP, more than Bethlehem Steel did. Manufacturing is the region's third-largest sector in terms of jobs, with 700 manufacturers employing nearly 34,000 workers. To attract new workers, the center has started a program called What's So Cool About Manufacturing at nearby schools, teaching students about career opportunities in the industry.

One of the oldest and best-known companies in Lehigh Valley is Crayola. The company moved to the area from upstate New York back in 1902. Today, Crayola has three manufacturing facilities in the Valley, producing 13 million crayons, 3 million markers, 500,000 jars of paint and 170,000 pounds of modeling clay every day. Two-thirds of what the company sells worldwide is made in Lehigh Valley. At a time when many manufacturers are expanding into multiple distribution centers, Crayola consolidated all of its

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Allentown
Population: 118,032

WHAT MAKES US SPECIAL:

Allentown is the only municipality in Pennsylvania with a state-approved Neighborhood Improvement Zone, under which revenues from state and local taxes [except real estate] can be used by the property owner to pay project debt. Since 2011, Allentown has seen the construction of more than 2.5 million square feet of commercial and residential space.

WHY BUSINESSES AND

VISITORS COME: In 2010, Allentown was the fastest-growing city in Pennsylvania; we expect similar numbers from the 2020 census. More than 400 new businesses opened in the city in 2018. Allentown is a majority-minority community that embraces its diversity.

WHAT'S NEXT: The Waterfront, a \$425 million NIZ project along the Lehigh River. Initial plans call for six- and eight-story office buildings, a 169-unit apartment building and a 700-space parking deck.



logistics into an 800,000-square-foot distribution center south of Bethlehem in 2012.

Pete Ruggiero, Crayola's interim CEO, says that having so much of the manufacturing and logistics centered in Lehigh Valley enables the company to respond more quickly to changes in the market. "We are able to respond to unfore-casted orders that are prevalent, like during back to school," he says. "We can respond to those demands when most cannot."

A Mix of Industries

While manufacturing is an important industry in the Lehigh Valley, it is by no means the only industry. One of the strengths of the Valley's economy lies in its diversity. For example, together, the finance, insurance and real estate sectors contribute roughly the same amount to the GDP as manufacturing.

Financial services, along with data processing, payroll services, third-party administration of insurance and pension funds and various business services is another pillar of the local economy. Automatic Data Processing Inc., widely known as ADP, moved into the region in 2006 and now employs 1,000 people in the area. It recently moved its regional offices into a new building in downtown Allentown. Companies such as Univest have a long history in the area. The firm, which began in banking, has more than 850 employees and has been around for 143 years, diversifying into insurance, wealth management, mortgage banking and equipment financing.

An economy this diverse and growth-oriented means that the area's professional and legal services need to be well suited to take on clients from almost any type of industry. Regional law firm Norris McLaughlin P.A., which serves clients in New Jersey, New York and Pennsylvania, operates one of its three principal locations in Allentown. It is Lehigh Valley's largest full-service commercial law firm, providing legal solutions across more than 20 legal practice disciplines and more than a dozen different industry sectors (in addition to individual and family clients).

"There is a reason our firm can trace its roots in the Lehigh Valley back more than 100 years," says S. Graham Simmons, a partner and cochair of the firm's business law group and the administrative partner for its Lehigh Valley office.

"The local business community has grown and adapted with us over that historic length of time, to the point that when they have complicated legal issues today, we're the firm most of them turn to for counsel and advice. In fact, one of our firm's largest clients, Lehigh Valley

Health Network, is the area's largest employer and a prominent business presence in Lehigh Valley."

Health care is the area's largest employer, with about 58,736 people. Lehigh Valley is home to numerous health care companies, including B. Braun Medical Inc., which employs some 1,800 employees and develops and manufactures medical and pharmaceutical products. Last year, Braun announced plans for a 192,000-square-foot expansion to be located next to the company's manufacturing plant. In all, health care, together with the education sector, contributes about 12 percent of the local GDP.

Food and beverage also is a fast-growing sector. When Richard Thompson, founder and managing partner of Factory LLC, was looking for a place to locate his food and beverage innovation center, he had a whole list of criteria.

"Every time you build a business, you don't put it where I'm standing—that's the worst mistake. I did an analysis based around the business. I wanted smart people from around the country, airports, a good manufacturing environment, housing," he says. Thompson looked at cities such as Boulder, Austin and Portland, which all are known for food innovation and entrepreneurship. Then he noticed that something was missing. "I started questioning, 'Why is there no innovation for food, beverage and pet products on the East Coast?'" says Thompson.

Thompson honed in on many of the same attributes that other businesses have liked about Lehigh Valley over the decades: its proximity to major cities, plenty of space at affordable prices, access to talent from multiple educational institutions and a sizeable workforce. Today, Factory LLC's office is located in one of Bethlehem Steel's buildings from the 1940s located in SouthSide Bethlehem, three blocks from Lehigh University.

The 40,000-square-foot space houses nearly 50 professionals in digital marketing, consumer insights, product development, packaging design, sales and more—all on the premises. Each brand gets a red shipping container to customize and use as an office so everything can be done in one location.

Playing a smaller but crucial role is tourism and recreation. One of the most prominent players in this sector is Wind Creek Bethlehem, which bought Sands Casino Bethlehem in 2019. As it is for other industries, the Valley's favorable location is a big part of its appeal.

"The central location in Lehigh Valley with great access to key feeder markets in and around Pennsylvania, coupled with landing one of the grandest and most storied casinos in the



Lehigh Valley International Airport.

region, made this a very attractive opportunity for Wind Creek," Ken Rohman, chief marketing officer at Wind Creek, says of the acquisition.

Wind Creek invested \$15 million to modernize and expand the Sands facilities. The company intends to spend \$190 million on expansion so that it will be "more than another casino with a hotel." Rohman says that Wind Creek knew it had to "aim big" with a 300-room hotel and family-friendly attractions such as a water park, climbing walls and ziplines. The company estimates that the expansion will create roughly 1,200 construction jobs and almost 600 jobs to operate the facilities once open.

Building on Its Past

One noticeable attribute of Lehigh Valley is its architecture, which encapsulates 300 years of American history. Bethlehem has Moravian buildings dating back to the 1700s along the Monocacy Creek and Lehigh River. It also is home to buildings from the industrial revolution, when the city was important for silk manufacturing, with Romanesque architectural style buildings and silk mills. Downtown Easton has some 400 historical buildings in different

architectural styles, while Allentown is known for the dominant Pennsylvania Power and Light Building as well as art deco and Gothic-style buildings.

Of course, architecture is ever-changing and the region's economic and population growth is fueling a building boom. New-home construction levels have failed to keep pace with population growth, according to Greater Lehigh Valley Realtors, which cites shifting demographic preferences and the aging housing stock. City Center Allentown, a real estate development company, has invested more than \$600 million in downtown and currently has another \$500 million in development.

The region's businesses and residents are proud that so much of that history has been kept intact and repurposed for today's needs. That approach—making the most of local resources—underscores the driver behind Lehigh Valley's economic growth.

"We view ourselves as this kind of unknown American success story. We're chugging along, and in a lot of ways, yet to be discovered. And I think most of us are OK with that," says Cunningham. ▼

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