

Abridgment

Economic Impact of I-78 in Allentown, Pennsylvania

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One of the remaining gaps on the Interstate system, I-78 in Allentown, Pennsylvania, has had a controversial history. Despite the existence of an approved final environmental impact statement, the Pennsylvania Department of Transportation agreed to a re-study of an alternative alignment to that recommended in the environmental impact statement. The re-study was a result of local officials' dissatisfaction with the economic analyses performed and their fear that the recommended route would enhance suburban development potential at the expense of Allentown's central city. Their fears were grounded, in part, in a study of the probable economic impacts of I-78. The study, sponsored by the City of Allentown and conducted by Economics Research Associates, found that construction of the roadway would lock in existing investment trends that heavily favored a suburban alignment. An alternative route would improve access to the central city, enhancing its development potential. Following publication of the study, a central city development committee was formed. This group included public officials, center city business representatives, and local bankers. Meanwhile, state and federal officials agreed to reconsider an alternative alignment for I-78.

Interstate 78 in the vicinity of Allentown, Bethlehem, and Easton, Pennsylvania, has had a long and controversial history. Now one of the remaining essential gaps on the Interstate system, construction of a new roadway or reconstruction of existing and heavily traveled TR-22 between Easton and Allentown would connect points west with northern New Jersey and the greater New York metropolitan area. A final environmental impact statement (EIS) was approved in 1980 for construction of a 54.4-km (34-mile) bypass segment south of the three cities. By then, the cities--with the assistance of environmentalists and suburban groups--had successfully argued for a reduction in the number of suburban interchanges from 11 to 3. However, Allentown officials still feared that, in spite of the reduction, the highway's planned alignment would encourage suburban development at the expense of the city's economy and tax base.

The city's tax and employment bases had, in fact, eroded in recent years during a time in which significant residential, industrial, and commercial investments were being made in outlying areas. Exacerbating these concerns were reported development plans for major tracts of land south and west of the city, which contributed to Allentown officials' fears that the prevailing trend toward suburban investments might worsen with the accessibility improvements to be provided in these areas by I-78. Controversy centered on the 20.8-km (13-mile) segment of the approved Southern Bypass route immediately south and west of Allentown.

In September 1979, the City of Allentown contracted with Economics Research Associates to prepare an independent assessment of how I-78 would affect downtown business in particular and the city's economy in general. The study had three major components: a critical literature review to examine how other bypass facilities had affected cities of similar size and characteristics elsewhere, a transportation analysis (conducted by Alan M. Voorhees and Associates), and an analysis of these two components along with the particular characteristics of the Allentown economy.

The analytic framework used was applied to five alternatives for I-78:

1. The South, or suburban bypass route, as approved in the final EIS;
2. The North route, which would be constructed

along an existing highway corridor (TR-22);

3. The no-build, with no major improvements in the existing network;

4. The no-build, with major improvements to existing east-west and north-south collector/distributors; and

5. A modified version of the Southern Bypass that would substitute the planned suburban western portion with reconstruction of an existing highway (Route 309) closer to Allentown.

STUDY METHOD

Local officials were particularly interested in actual cases of bypass effects on central city economies of similar communities, so the first step of the method was a review of the literature (see 1-15). The majority of the studies examined were retrospective in nature. Since the Allentown study required projecting impacts, a simultaneous investigation of the local economy was undertaken. Field inspections, extensive personal interviews, analysis of available statistical data, and critical review of past reports comprised the research. This approach resulted in the development of two alternative local investment scenarios under which each of the I-78 alternatives could be evaluated. The final document contained recommendations to the city regarding the alternative most likely to produce the optimum development climate for Allentown's central city.

ECONOMIC CLIMATE

Under any I-78 alternative, the single most important factor affecting the magnitude and direction of future growth in Allentown's economy was found to be the degree of commitment by private and public leadership to investment in the central city. This finding is consistent with past studies in similar areas, which have generally found that preexisting trends in local economies have been the real determinants of how the construction of a particular highway affects an area. The roadway may intensify certain trends but is unlikely to create new ones.

This result of the literature review provided a framework within which to investigate the economic climate of Allentown's central city. The investigation included the city's development context, local employment characteristics, and retail activity.

Development Context

On the public side, Allentown now provides financial and tax incentives to encourage economic development, as well as services and amenities that research cites as increasingly important variables in business and work force location decisions. The city's labor force, economic base, and infrastructure are adequate to support existing and prospective new development.

On the private side, however, Allentown's financial personnel had not been aggressively pursuing central city investments. Their past behavior had contributed to a conservative attitude regarding such investments that had tended to discourage other venture capitalists. This posture had resulted, in part, from the influence of the preferred alignment

of I-78, which appeared to have encouraged investment in suburban areas.

Employment and Retail Activity

In both of these areas, the City of Allentown has held a fairly strong and stable position relative to the rest of Lehigh Valley (Lehigh and Northampton Counties). The city holds approximately 55 percent of the county job total and more than 60 percent of county manufacturing employment.

The city has shown per-capita retail sales consistently higher than the average for the two-county area and has held a constant share of regional sales since 1974. It appears that, at least with respect to retail sales, suburban growth has not had a deleterious effect on Allentown's economy.

TRANSPORTATION SYSTEM

Travel demand forecasts for each of the I-78 alternatives were reviewed by Alan M. Voorhees and Associates under subcontract to Economics Research Associates. The review concluded that travel forecasts were reasonable, given expected growth in the area, and that use of the alternative alignment (an existing state route) for I-78, as preferred by the City of Allentown, would require reconstruction of the facility from four to six travel lanes.

The service to be provided by I-78 is considered critical to development in the area. The no-build alternative is unacceptable because of predicted service failures on other state routes in the near future. Purely on transportation grounds, the analysis found both the alignment recommended in the final EIS and that favored by city officials to provide adequate travel service.

ECONOMIC IMPACTS OF I-78 ALTERNATIVES

Review of case studies documenting the impacts of bypass highways on central city economies suggests that trends in evidence prior to the highways' construction are likely to be reinforced. Since the positioning of the financial community in Allentown is significant to the establishment of positive or negative trends in the city's economy prior to the implementation of any transportation improvement, two impact scenarios were posited for each of the I-78 alternatives. The first assumed an altered position in central city investments, with core development significantly increased over the next 10 years, while existing city businesses receive capital support for their maintenance and improvement. It would tend to enhance development potential and other beneficial effects associated with accessibility improvements.

The second scenario assumed no change in prior investment trends, which would have tended to depress development potential and exacerbate other negative central city effects associated with accessibility improvements in outlying areas.

STUDY CONCLUSION

The study concludes that the I-78 alignment along the reconstructed state route, coupled with an altered investment scenario, offers the best opportunity to provide needed interregional and local travel improvements without damaging a healthy central city economy.

Since circulation of the study, a development committee was formed to bring together representatives of financial institutions, the central city

business community, and public officials to consider the research recommendations, with very positive results reported since that time. Meanwhile, state and federal transportation officials have agreed to back up the process somewhat, in spite of the existence of an approved final EIS, in order to accommodate city concerns. It appears now that a solution satisfactory to all parties is possible, thus allowing at last the construction of this essential Interstate segment.

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