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Betting on Easton is paying off for developers

By **BILL LANDAUER**
OF THE MORNING CALL | DEC 17, 2015



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When developer Mark Mulligan pumped \$6 million into rebuilding Easton's old Laubach & Sons department store into apartments and restaurants, others followed his lead. Without the help of tax breaks, those investors have helped Easton rebound.(CHRIS SHIPLEY / THE MORNING CALL)

EASTON — When he talks about eastern Pennsylvania real estate, Mark Mulligan likes to talk about his shirt.

Nine years ago, the New Jersey developer started fixing up the biggest, ugliest eyesore on a block of big, ugly eyesores on Northampton Street in Easton's downtown. Mulligan's buy had been Pomeroy's Department Store, known to many by its earlier moniker — Laubach & Sons.

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One evening as work got rolling, Mulligan was having a drink across the street from Laubach's and watched workmen ferrying tools in and out of his building. Two old-timers walked past and gawked at Mulligan's project. They'd seen other fly-by-nighters try and fail with Laubach's; in those days Easton was still considered sour ground.

"That's like the fourth guy there," the developer heard one say to the other. "He's going to lose his shirt."

Less than a decade later, Mulligan's building has been converted to upscale apartments that are in demand.

"I can afford lots of shirts," he said.

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Starting with Mulligan's \$6 million rebuilding of Laubach's as apartments and restaurants, downtown Easton has done what scores of city officials, developers and proponents once considered impossible — climbed out of its own gutters. In less than a decade.

In the Northampton Street corridor alone, Mayor Sal Panto Jr. can point to dozens of projects. Some, such as the old Pomeroy's store, are finished and drawing diners, shoppers, tourists and young, upwardly mobile residents. Others, such as the planned redevelopment of two mammoth Centre Square buildings as upscale apartments, are still on the drawing board.

Why it's happened isn't so simple. This isn't Allentown's or Bethlehem's brand of redevelopment. There are no Neighborhood Improvement Zones or Community Revitalization and Improvement Zones opening state and city tax coffers to big-time developers. And Easton's renaissance hasn't involved arenas or skyscrapers.

"Here in Easton," Panto said, "we did it the old-fashioned way. Through hard work."

Many developers point to Easton's business-friendly policies, such as holding the line on property taxes, as a reason for their move to the city. But much of the

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"The market wants it," Leinberger said.

Starting in the 1990s, the number of people aged 18 to 34 who drive cars has decreased by about a third, he said. The sought-after millennial market is looking for urban centers where they can walk.

Walkscore.com, which rates the walkability of neighborhoods around the world, gave Easton overall a 63, which is "somewhat walkable." That means you need a car to complete some errands, according to the site.

Downtown, however, rates an 85 — four points lower than downtown Allentown, a city four times Easton's size and with more resources.

Easton, Leinberger said, also is perfectly positioned. Not only is it close to New York City, it's a town center to suburbanites.

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"There's a great grid of streets," he said. "It was laid out before the car, and it has a great memory of what the city once was."

Bounded roughly by the Delaware River to the East, Sixth Street to the west, the

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families living downtown and fewer people is becoming more vibrant as redevelopment takes hold.

Easton's good fortune mostly involves buyers finding new use for buildings that are often 100 years old or older. While some of the developers have deep pockets (Mulligan, for example) and buy swaths of downtown, much of the resurgence has happened piecemeal. Block by block. Building by building.

Panto and other developers say after Mulligan bought Laubach's in 2006, things snowballed. Another developer picked up an old furniture store in 2007, peeled off the facade and retooled the storefront from the 1920s, unveiling what would become the Third and Ferry Fish Market. In 2010, the Northampton County Historical and Genealogical Society and the Greater Easton Development Partnership spent millions on properties such as a defunct dress shop and a health education center, which were transformed into a new museum and a central farmers market.

And now, developers and real estate agents say, Easton's rebirth is reaching a critical mass. A decade ago, if you wanted to buy a historic building there, you could find what you wanted at bargain-basement prices. Now, says Clay Mitman, broker/owner with Berkshire Hathaway HomeServices Paul Ford Realtors in Easton, people looking for fixer-uppers often must search outside the downtown — to the neighborhood between downtown and the West Ward known as The Heights, or to the South Side.

Mulligan's big projects — Laubach's, the Gov. Wolf School building on Church Street, the Simon Silk Mill, the National Building and the Alpha building — grab all the headlines. But an assortment of other developers are snapping up properties. Many of them are barely out of their 20s. Others are New Jerseyites who couldn't pass up a good deal. Others are longtime residents who wanted to get into the game while the getting was good.

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Challenges remain

On April 15, Bethlehem developer Dennis Benner and his sons closed on the \$1.6 million purchase of the Wells Fargo building — a massive five-story office space covered in ugly 1970s-era stone masonry on Centre Square. Benner plans to turn the building into One 6 Flats, 30 or more apartments capped with an ornate rooftop garden.

It was one of the last big office locations in downtown available for sale. Less than a decade ago, that would have sounded like a bit of an impossibility to real estate agent Mitman.

"At the moment, there are very few options in historic Easton," Mitman said.

For the city, the development is creating a windfall. In 2015, waste water/sewer fees increased by \$100,000, as did refuse collection fees. Revenue from business taxes went up by 25 percent. In 2016, Easton's real estate tax revenue will increase by \$50,000. The tax rate will remain the same.

But you don't have to look far for challenges downtown.

As is the case in many urban centers, downtown Easton's residents are poorer on average. The median income for the neighborhood was \$23,517 last year, about \$16,000 lower than the city average and about \$30,000 lower than the state average, according to the Census Bureau. But median income is trending in the right direction, up about 5 percent since 2009.

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And like all Easton neighborhoods, downtown is still contending with "missing teeth," Panto said.

Across South Third Street from the intermodal center — the commercial space/bus station/parking garage/new City Hall that Easton recently completed for about \$32 million — the old Heritage Lanes bowling alley has sat vacant for decades. In his budget address this fall, Panto said developing that is a top priority for his administration.

Two other big "missing teeth" are right in the heart of downtown — 501-503 and 505-507 Northampton St. Those properties, owned by the Rock Church, are vacant and crumbling. The one at the corner of Northampton and Fifth is known to local historians as the Hooper House — one of the oldest buildings in Easton, with a pedigree that extends from the Revolutionary War.

City officials are going after the church to clean up the properties, levying 40 code violation citations in recent weeks. Rock Church is appealing, claiming Easton is guilty of predatory code enforcement that has nearly bankrupted the church and made renovations impossible.

But despite the holdouts, there's no question downtown Easton over the past

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Greg Schuyler, part owner of Schuy-Rhys Development, has owned Pearly Bakers Ale House in Centre Square since 1994. Since then, Schuy-Rhys Development has bought properties around downtown — the former Bishop Building on Northampton Street, a shoe repair place at 116 S. Third St. and an apartment building at 36-38 S. Fifth St., to name a few.

A few years ago, Schuyler's company bought and renovated the A&D Tile building and the former WEST-AM radio building on Northampton Street. In the former radio station, Loose Threads, a clothing boutique from Bethlehem, opened. A&D Tile is home to apartments and the HomeBase Skateshop.

"The stigma has always been that it's a rough town," Schuyler said. "I don't see that changing much."

Still, he says, Easton's location is ideal.

"I don't think we're going to see another town built around the river," he said.

Over the hump

When Rosen moved to Easton nine years ago, the city was changing.

Pomeroy's was still on hold. Many of the big restaurant projects were still rumor. She moved to Easton to take a job as an instructor at Lafayette College. Her husband, already an Easton resident, knew the beauty of the town hiding beneath the dilapidation and decay.

Real estate development was never part of their plan, Rosen said. But as she and her husband watched a new downtown emerging — and some of the old historic homes flying off the market — they decided to jump in.

It seemed like a safe bet. So Nov. 14, 2012, they closed on 34 N. Second St., a three-

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They paid \$220,000. Already, real estate values were going up — the building last sold in 2004 for \$179,000.

The couple inherited a tenant, Intrinsic Bakery. It proved to be a solid investment. Values in Easton climbed.

In July, Rosen and her husband bought 603 Northampton St.

The 2 1/2-story building is just over the "hump" — the imaginary line at Sixth Street formed by a grade on Northampton Street that separates downtown from the West Ward. That's Easton's most populous and most troubled neighborhood.

Mitman calls the area near the dividing line The Heights. You might not see any big developers moving to this part of Easton, but smaller developers such as Rosen are buying the old houses.

Panto said for the first time in recent memory, real estate prices between Fifth and Seventh streets have been increasing.

Aside from Mulligan's multimillion-dollar transformation of the Simon Silk Mill into residential and retail space, the city's West Ward hasn't transformed at the same pace as downtown. However, small-time property owners, buoyed by the downtown's rebirth, are more apt to take a chance there.

Technically Rosen's newest property is in the West Ward. It sits catty-corner from the Two Rivers Brewing Co. — just over the line from downtown.

"It was not well taken care of," she said.

But after about a year and a half, Rosen is close to finishing the interior remodeling. Tenants claimed the apartments within about two weeks of the Rosens' placing ads.

They had some trepidation about buying in the West Ward

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A spate over the summer of 2014 was disconcerting. But Panto and city administrators promised to beef up efforts to ferret out crime, and it's making a difference.

It drew Dan Longo, 36, and his wife, Kristin, 32, into the West Ward real estate game. They moved to Forks Township in 2009 from New Jersey, she a graphic designer and he a pharmaceutical salesman, with no plans to dabble in real estate.

Some friends had invested in downtown properties.

"We just saw the incredible growth, the improvements," Dan Longo said, "and the passion people had for the city."

In 2012, they bought 612 Northampton St., which was once home to the old Easton Dutchtown Bar with two apartments upstairs. Bedbugs swarmed throughout the upper floors; significant water damage from a leaky roof needed to be fixed.

The couple invested tens of thousands of dollars and leased the apartments. The first-floor restaurant has changed hands a couple times, but the investment proved so solid, the Longos bought two more West Ward buildings. They picked up 122 S. Sixth St. on an online auction and 619 Ferry St. They've fully renovated both buildings and found tenants easily.

"There's great interest when you own an apartment in Easton," Longo said.

The new Easton

About 10:35 p.m. Oct. 26, gun shots rang out on a residential block of South 10th Street in the West Ward.

Stephon Hendricks, a 32-year-old from Philadelphia, fired eight shots at Easton resident Quandarius Williams, who was running away after the two had been

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No one was hurt in the incident, but it and others like it in a city of 26,000 jangle nerves and seize headlines.

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Overcoming the stigma is still a challenge for Easton, despite a crime rate that, according to Panto, has been on the decline..

Paul Sherman, owner of Easton Computer & Electronics, said negative stories still scare people away, even though things in Easton aren't so bad.

Even wait-and-see developers are starting to agree with him. Borko Milosev, who graduated from Wilson Area High School and then Moravian College, has been buying properties in the 100 block of Northampton Street — including two at 118-120 that the city rehabbed and hadn't been able to unload for more than a decade.

Milosev also bought the old Huntington Hotel, a historic apartment building on Centre Square, for \$2.1 million. He plans a major upgrade in the coming months and years.

Milosev said he doesn't take risky ventures. A few years ago, he wouldn't have made a bet on Easton. Now, he said, the city has "changed tremendously," with its solid restaurant scene, festivals and up-and-coming nightlife.

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retirement home. But their house in Blain, Pa., was not what was expected, so they decided to try city living for a while.

They moved into a long-term-stay hotel in downtown Easton. It was 2010, and already the downtown's renaissance was starting to take root.

It prompted them to rethink their plan to spend their retirement out in the woods somewhere. More than simply discovering Easton's restaurants, bars and opulence, they'd found a home.

So they decided to buy a piece of it. In 2013, they spent their house money on an old, vacant clothing store on Centre Square. They spent a couple years completely gutting it.

They rented the bottom floor to a local bank branch. The top two floors they converted into a spacious estate, with built-in bookshelves, hardwood floors and windows overlooking the progress on Centre Square.

"I guess it's funny when you think about it," Haviland said shortly after they moved in in February. "But it just feels so natural."

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