

# The BPA decision: Is it such a no-brainer that you would sacrifice better design for greater profit?

The Bethlehem Gadfly Parking, Serious Issues September 3, 2019

*(115th in a series of posts on parking)*

**AUDIO RECORDING UNAVAILABLE IN THIS ARCHIVE**

Gadfly's multi-post coverage of the August 28 Bethlehem Parking Authority meeting suffered *hiatus interruptus* because of mental static in Gadfly House. Freshen up your memories by going to [Parking](#) on the Gadfly sidebar.

Remember that on August 28 the BPA was to choose between two proposals (Nova and Peron) for a retail/residential component along the 3rd Street side of a new Polk Street parking garage.

Gadfly was glad to see this retail/residential component associated with the garage design, for it is in line with ideas he had been reading in Jeff Speck for “hiding” the garage and thus fostering City goals of walkability and the general quality of “street life.”

The BPA, like all Authorities, is “independent” and, moreover, is funding the project without City backing, but it asked the City for an evaluation of the proposals.

Gadfly was glad to hear about that, for the City, though sharing with the BPA the practical concern for providing sufficient parking in the eastern

corridor of 3rd Street, might be thought to speak from a bigger picture perspective when it came to retail/residential aspects.

But the requested City evaluation ([BPA Proposal Analysis \(FINAL\)\\_1](#)) was not even mentioned by name or considered in any detail in the 2:50 mins. that the Board spent discussing and voting on the two proposals — one full minute of which was taken by the solicitor reading the motion.

That's one minute and fifty seconds of discussion.

The City committee favored Nova; the BPA approved Peron.

Here is Gadfly's rough comparison chart of the two proposals on several points:

	Nova	Peron
residence floors	4	4
retail floors	1	1
retail tenants	2 tenants (national/unidentified)	1 tenant (local/ <u>identified</u> )*
roof	restaurant or amenities	no mention
apartments	market rate	luxury
exterior design	new element	matching element
garage contract spaces	75	32
purchase price	\$565,000	\$750,000
Criz		20%

\* all agree an exciting tenant

Is there nothing here that merited deeper discussion?

Well, first of all, Gadfly — a babe in the woods as far as these matters are concerned — wondered if the BPA had to choose one “as-is” proposal over the other. One of the Board members said there were good points in both proposals. So, was negotiation possible at this point? Peron, we'd like something on the roof. Nova, we want a local retailer. Etcetera, etcetera. Could there be mix and match? Could the reps from both sides

address such desiderata right then and there? And/or be sent back to their drawing boards for resubmission and discussion at a later time? Bottom line(s): was the Board narrowly locked in to what exactly was submitted? did their decision have to be made that day? Gadfly does not know what the “rules” are in such proceedings and might be exceedingly naive here. But if there were good things in both proposals, why not try to get them in the final design? Seems common sense. Gadfly bets you were thinking along these lines too.

Gadfly — again, a novice in these matters, of course, like most of you are — couldn’t understand why two veteran developers experienced in and keenly aware of the Southside market would be approx. \$200,000 apart (when you figure in the CRIZ, which, frankly, is a mystery that Gadfly is working on) in their purchase offers. A differential large enough to literally blind Board member’s eyes and blunt discussion. Peron offered about 35% more than Nova. Isn’t that gap odd? Which actuary lives on another planet?

“Market-rate” v. “luxury” apartments. Probably little or no difference in those terms. But anybody following Gadfly knows we’ve been talking about the need for more housing that “regular” people can afford. Looks like we won’t get that with either proposal. Whatever happened to the idea of “inclusive zoning”?

Nova’s new Bethlehem Steel design (a local history element) over Peron’s design simply matching the current buildings to the right and left of the garage certainly grabs Gadfly more. The City committee called the Nova design “exciting,” “unique,” “unusual.”

Factory Retail as Peron’s tenant does sound exciting. But the City committee raised the question of them using the entire space. Do we have an answer to that? Are they locked in to Peron? Could they be one

of the tenants for Nova? To repeat, Gadfly doesn't know how these things work, whether such shifts are possible.

Gadfly would certainly have liked to have heard discussion of such matters.

So, the purchase price line in the chart dominated attention: Peron offered approx. \$200,000 more.

The BPA would gain approx. \$200,000 by awarding the sale to Peron.

So, the short pre-vote conversation was dominated by such comments as these:

"I can't get past the difference in price."

"It's dollars and cents at the end of the day. It is a lot of ka-ching."

"I'm not walking away from \$200,000."

Basically, Big Money meant End of Discussion.

Let's quote again from the conclusion to the City committee's evaluation:

Nova Development has a stronger track record of project completion in the City of Bethlehem and a more desirable building design. The Nova design would add a variety of building styles to the corridor and is inclusive of more desirable design elements. The overall aesthetics, including the stone arches reflecting the ruins and the steel elements, provide an overall stronger relationship to the place in which the building is located. Additionally, Nova Development's proposed use of the building is more comprehensive, providing commercial opportunities

beyond first floor retail and greater opportunity for use by the general public. The proposed roof use of the Nova design, as either an amenity or restaurant, is a significant strength in the proposal and is a large factor in the difference between the two proposals.

If the BPA Board member can't get past the difference in price, the Gadfly can't easily get past the difference in design — what “we” get or won't get in a design that we will live with for 40-50-60 years.

The Board decision might well be the right one, but Gadfly can't get past the lack of discussion.

**Is it such a no-brainer that you would sacrifice better design for greater profit?**

Gadfly couldn't help but think of the two well known local small business owners on the Board. The analogy isn't perfect — but surely they have been faced with the decision about whether to do something cheaper to get by or more expensive because its beauty will add aesthetic value of the business. Tough decision, to be sure. And — to repeat — the analogy isn't perfect.

**But is it a no-brainer for guys like this to understand that it might “cost” you more (here, in terms of less profit) to get a better product?**

And if money was the determinative factor, that deserves much more scrutiny.

In the long-run is the Peron proposal a better deal?

The City committee report said the financial components of the proposals needed such scrutiny: “While there is a difference in the

offered purchase price, each proposal has complex financial aspects that should be evaluated by the BPA, including significant variances in contract parking spaces and some uncertainty around the potential for CRIZ increment generation.”

That evaluation didn’t happen.

So, though there were things Gadfly would certainly *have liked to have heard* discussion about, if finances were the key determinative factor in the BPA decision, there were things that it was *absolutely necessary* to have discussion about.

Now finances, dollars ‘n cents, are way beyond Gadfly’s ken. He’s venturing into deep water here.

The only aspect in the financial area that Gadfly thought he could grasp was the contract rates.

Nova estimated needing 75 parking spaces in the new garage, Peron 32.

Let’s figure the contract rates at \$70/mo. per space when the garage opens:

That means:

- Nova would pay  $\$70 \times 12 \times 75 = \$63,000/\text{yr.}$
- Peron would pay  $\$70 \times 12 \times 32 = \$26,880/\text{yr.}$
- Nova would pay the BPA \$36,120 more per year

Peron offered \$185,000 more than Nova.

Paying \$36,120/yr. more for contracts, Nova would pay off that \$185,000 difference in 5yrs, and from years 6-10 would bring in \$185,000 more than Peron would. And on and on each year for 40-50-60yrs.

Now that may certainly be voodoo economics from an English prof — Gadfly humbly waits a deserved kick in the butt from the money minds among his followers — *but at least he is trying to figure it out to the best of his ability.*

All we got in the way of financial evaluation about contracts in the one minute and fifty seconds from BPA was the Board chair's *unsubstantiated* "I think parking spaces will be similar when all is said and done."

Unbelievable.

BPA is a different kind of animal. It depends on the income it raises to do whatever it wants/needs to do. When the financial officer gives the monthly tally of income/expenses at Board meetings, one can often hear such comments like "good job" or "that was a good month," kind of forgetting that it is "our" money coming in at the meters and so forth.

Money is the air the BPA breathes.

It is just not the proper body to rule on design issues for a retail/residential site.

We asked a mechanic to do an artist's work.