

Testing the principles for responsible development on the S. New St. project, part 1

The Bethlehem Gadfly 319-327 S. New, Development, Southside February 27, 2021

 *Latest in a series of posts on 319-327 S. New St.* 

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ref: **Establishing Community-Centered Principles for Responsible Southside Development**

Gadfly:

New York-based Chef Rafael Palomino and developer Jeffrey Quinn have proposed a 12-story mixed-use development project for South New Street that includes 82 one- and two-bedroom apartments and a first-floor food court made up of Palomino's restaurants. The current proposal includes a roof-top terrace, basement fitness center, and two community rooms for residents. The project requires the demolition of four structures: 319-323 New Street, which includes a single-story retail property currently occupied by JC Jewelry and Gifts, and a three-story structure with Lara Bly Designs and Car Village Title and Notary on the first floor and apartments on the second and third floors; 325 New Street, which is a three-story structure that was acquired several years ago by the developer's local business partners, Juan Carlos and Cara Paredes, and has been left vacant ever since, but which previously housed a bar on the first floor and apartments on the upper floors; and 327 New Street, which is a single-story building that was home to Pat's Newsstand. The project will also extend to cover Graham Street from the third floor upwards.

Here's the first test for the principles for responsible development that I proposed in a prior post. As the project winds its way through the Historic Conservation Commission and the Planning Commission's approval processes, let's think about what this project means for quality of life on the Southside. Is this a project that aligns with principles for responsible development?

1) Support projects that incorporate locally-owned businesses into their plans, and that lead to a net increase in small businesses

The proposed project would add a food court owned by Chef Rafael Palomino, which he says would feature several options—Mexican, Vegan, Italian, Tapas, and American. Data shows that restaurants tend to keep more money in the local economy than other types of small businesses since labor makes up a significant portion of their expenses, and the food court would likely create some jobs. I imagine that a sort-of fast casual food court would be popular with college students and folks working on the Southside, and the location is easy walking distance from Lehigh's campus. The idea seems sound from a business perspective, and the fact that the developer is also the owner of the food court means that he will build out the space to the appropriate specifications. That is, if the developer sticks to his plan, I don't think we'll be dealing with vacant storefronts.

However, the project will result in the loss of several small businesses—a jewelry shop, designer-owned clothing store, and a notary. All three are women and/or minority-owned businesses, which is a category that receives special consideration by organizations promoting small business development. Will these businesses survive the cost of moving elsewhere? Will they find another place on the Southside? Maybe, maybe not. Are these businesses that we want to keep in our community? I'd like to hear the thoughts of Southsiders on this point.

I appreciate the integration of small businesses into the planning, but I do have concerns about other businesses being displaced without an option to relocate in the new development.

2) Prioritize development of vacant industrial properties over demolition of historic properties

Rather than choosing a vacant site on which to build, the developer has decided to demolish properties in the heart of the downtown, although the properties slated for demolition have less historic value than many other Southside landmarks. From a City perspective, however, I would rather see a development like this proposed for an empty lot in the redevelopment areas.

3) Encourage new development that does not exceed the size of surrounding properties and blends with historic architecture in order to create a cohesive sense of place and encourage walkability

While the developers have made an effort with the design, and their willingness to integrate the one historically-relevant façade into their project deserves recognition, I'm afraid that the massive scale of the project cancels out most of the efforts made on design. Twelve stories in an area characterized by 2, 3, and 4 story historic properties just doesn't seem appropriate. The impact of a huge, out-of-place building on the street-level feel and sense of place on New Street will be significant. Rather than a quirky, small-town neighborhood feel, the narrow street will be darkened by the shadow of this monolith and converted into a channel that funnels walkers from Lehigh to the Fahy Bridge.

4) Support projects that incorporate diverse residential and commercial offerings that are accessible and affordable to South Bethlehem's population

This project proposes 72 two-bedroom and 10 one-bedroom apartments with approximately 10% slated to be affordable housing (9 apartments). Once the height is reduced (as it would have to be to conform to the HCC's requests), the number of affordable apartments will inevitably decrease as the 10% rate is maintained. The first floor will contain a food court that will serve the broader community, although judging from the portfolio of restaurants owned by Rafael Palomino, pricing will likely be on the higher side in comparison with the average of 50+ other Southside dining establishments.

So how does this project fare when analyzed from an accessibility and affordability perspective? According to the most recent Census data available, 32% of South Bethlehem residents live below the poverty line (an annual income of \$26,500 for a family of four). 72% of homes on the Southside are occupied by renters, and 45% of them are classified as "cost-burdened"—in other words, they pay more than 35% of their income in rent. That is, their housing is, by definition, unaffordable. Median rent hovers around \$1,000. The data makes it clear: there is a huge need for more affordable housing in South Bethlehem. When the

developer says that they will add affordable units, this sounds like a no-brainer. We need affordable housing, and here is someone willing to build it! But there's a lot more to consider here. Let's talk a little more about affordable housing in south Bethlehem.

The City of Bethlehem offers zoning-based density incentives to developers who are willing to include a minimum of 10% affordable apartments in their developments. By federal (and City) definition, "affordable" means that the rents will not exceed 30% of the income of families making 80% of Area Median Income, and the rent will not exceed Fair Market Rent. For a one and two-bedroom building, this translates to a maximum rent of \$891 for a one-bedroom (which is affordable for a family making over \$35,640 a year) and \$1,139 for a 2-bedroom apartment (which is affordable for a family making over \$45,560 a year). Applicants for these apartments would be restricted to 80% of Area Medium Income based on family size: that is, a maximum income of \$43,800 for one person, \$50,050 for two people, \$56,300 for three people, and \$62,550 for four people. Now, I don't want to diminish the value of building housing that conforms to these definitions of "affordability," since these numbers do represent lower rents than many luxury apartments throughout the City. However, we have to take these numbers into the context of this proposed development, which is not occurring in a vacuum.

The proposed tower would displace two buildings that contain multiple apartments. While I cannot find public information on the total number of apartments at 321 and 325 New Street, a conservative estimate of two per floor multiplied by four floors would suggest a minimum of eight apartments. When the developer's business partner acquired 325 New Street, he gave all of the tenants 30 days to leave. One of the tenants solicited my assistance since he had nowhere to go and was concerned about finding another place that he could afford as a single person making \$10 an hour. At the time, he was paying somewhere between \$300-400 per month. While I don't have concrete data on all the existing apartments, I think it is fair to assume that the existing apartments could be rented out at more affordable prices than the proposed new development, given the costs of demolition and construction of a new building.

Affordable housing is extremely difficult to build. Having spoken to affordable housing developers and collaborated on a team that was seeking to build workforce housing in south Bethlehem, I know just how challenging it is to make the numbers work—even with generous subsidies and zoning incentives. Construction is expensive, and contingency funds are often eaten up by unexpected costs that are par for the course when you're building in small spaces, demolishing old structures, and potentially dealing with environmental contamination issues. It's understandable that this new project would limit its affordable apartments to the minimum necessary and maximum rent possible to obtain zoning benefits and improve the optics of the project.

But we are considering this project from a community perspective. If affordable housing is so tough to build, we should make sure that we preserve as much existing affordable housing as we can, and create incentives to prevent apartments that could easily be rented out affordably from sitting vacant. If we consider this project from an affordable housing perspective, our community will be demolishing affordable apartments to build unaffordable ones. Once older, affordable apartments are gone, there's no bringing them back.

Affordable housing is complicated. We desperately need more, but we need to carefully analyze every proposal that comes before us to ensure that the end result is truly beneficial to our community. What would I like to see? Prioritize new construction of apartment buildings for vacant land, and incorporate 10% affordable apartments where it will be a net addition to the community. Don't knock down existing affordable housing to put up less affordable housing.

to be continued . . .