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St. Luke's and Lehigh University part of landmark redevelopment project in south Bethlehem



By **Nicole Radziewich - Contact Reporter**
Of The Morning Call

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Bethlehem mayor to announce new tenants at landmark redevelopment project

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Lehigh University and St. Luke's University Health Network will be tenants in a \$20 million, six-story building that boosters see as key to bringing hundreds of workers to south Bethlehem's historic downtown and restoring some of the bustle not seen since Bethlehem Steel closed.

On a stretch of South New Street where a fire-damaged restaurant was razed six years ago, attorney-turned-developer Dennis Benner also plans to put five or six restaurants or shops on the ground floor.

Lehigh will use one floor for 140 employees in its advancement office, which organizes fundraising campaigns, while St. Luke's will take another floor, likely for clinical, teaching and administrative space.

Construction will likely begin in the spring on the property at South New and Third streets at the southern end of the Fahy Bridge. It will require the demolition of some buildings. The offices will be ready in about a year.

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"As one who grew up a few blocks from here, I saw the end of Bethlehem Steel and have been part of the discussion how to bring development to south Bethlehem for many years," Mayor Robert Donchez said at a news conference Thursday. "This project will serve as a catalyst for more development on the South Side, but most important, this development will serve as a gateway into the city."

The other three floors, including a top-floor penthouse, will house offices. The penthouse floor will be set back, creating a tapered effect. The 12,800 square feet of space can become one or more suites of offices. With floor-to-ceiling glass, the doors will open to a balcony and include a roof overhang.

The 125,000-square foot building will connect to a 626-spot garage where motorists can cross into the building on four different levels. The top walkway will include a "green roof" with plantings and a small park.

The property is in the 2-year-old City Revitalization and Improvement Zone, which allows developers to divert certain local and state taxes to pay off construction loans. A less powerful version of Allentown's Neighborhood Improvement Zone, the **CRIZ has had a slow start** as developers waded through the nebulous nature of the law.

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Benner, who started work on the project before the city won the CRIZ, said that designation had nothing to do with his announcing the start of his project. He described it as "good, solid development," a prime location with two strong anchor tenants.

In addition to the CRIZ, the property is in a property tax abatement district.

Benner said the project goes back to when his sons, now attorneys, were attending Lehigh. Benner said he asked why they never went into town.

"It's not that there wasn't anything there, it was that there wasn't enough down there for people to want to come down here into south Bethlehem," Benner recalled. "We wanted to create some vibrancy at this location."

The property is just one of several Benner acquired in the western end of the South Side in the quest of building a "real college town."

Lehigh President John Simon said the university's presence off campus underscores the university's commitment to its hometown. He said the advancement office should be downtown so Lehigh can show off the community.

Richard Anderson, president and CEO of St. Luke's University Health Network, said it is fitting that St. Luke's and Lehigh are driving the project as the anchor tenants. With histories dating back 150 years, both have strong ties and were founded by many of the same individuals responsible for Bethlehem Steel.

Anderson said details are still being worked out, but he sees some of St. Luke's office space being used for therapy, fitness or doctors' offices — places where patients and clients would visit. He said he did not know how many of the jobs at the office would be new or a relocation of existing ones.

Don Cunningham, president and CEO of the Lehigh Valley Economic Development Corp., said office users are very hard to land in a corporate climate that favors employee flexibility. With more people working at home, less office space is needed. The fact St. Luke's and Lehigh are moving offices there is a win for the downtown, even if it is initially largely a job shift.

"The real strength of this development, aside from the new building, is that you are putting professional office workers in a downtown environment, which allows for the development of other ancillary services," he said.

In other words: feet on the street. Offices bring well-paid employees who run errands and eat lunch downtown and might stay after work for a drink or meal. That grows the demand and creates opportunity for more business.

Breena Holland, a Lehigh associate professor who is involved in community issues through the South Side Initiative, lauded the goal but questioned whether the building design is the best to achieve it. She is concerned about the walkways from the garage to the office building. It appears to be designed so people never have to leave the building, she said.

She said the building is out of scale for the downtown of mostly two- and three-story buildings. But if there is going to be an out-of-scale building, the corner of New and Third streets is the place to do it because it is the entryway to the downtown, she said.

The proposal could go before the South Bethlehem Historic Conservation Commission this month. The property is in the historic district, requiring a review and ultimately approval by City Council.

In April, Benner submitted plans for a seven-story building that included residences but has since changed the plan, saying residential development was better suited elsewhere and lopping off a floor.

City officials showed some signs that the project might be moving forward this month, when the Bethlehem Parking Authority awarded \$1 million worth of contracts for construction of the \$17 million garage that will be linked to Benner's project.

Benner owns several other properties in the area, including ones on West Fourth Street that came under scrutiny when he proposed a nine-story building there. A judge dismissed a case brought by the Bethlehem Historical Society, which took issue with the height of the building.

Donchez said much of the South Side downtown's redevelopment has happened on the eastern end where SteelStacks and other developments have taken root. He said he hoped Benner's project will help jump-start redevelopment on the western end.

The city has been eyeing the intersection of South New and Third streets for redevelopment since 2009, when a fire broke out at 2 W. Third St., then the Southside Burger Co. It was previously Greekers and Third Street Chicken & Ribs.

The building, deemed unsafe, was razed and became a parking lot that developers viewed as an attractive property.

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