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WILL BETHLEHEM TURN STEEL INTO GOLD?

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COMMENTARY / URBAN AFFAIRS
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Will Bethlehem Turn Steel into Gold?

By the end of the year, Bethlehem's famous abandoned steel mill could be a casino—but does the city have even better ways to bring in cash?

IF THE SLOW DEATH OF BETHLEHEM STEEL WAS TRAGEDY, then the imminent slots-and-lofts redevelopment of its idled riverside steelworks is farce.

Located in Pennsylvania's Lehigh Valley, the company operated its hometown plant until 1996. The acres of abandoned industry were, for a few short years, the stuff of coffee-table nostalgia and regional despair. Despite the downer vibe and lost-hope dereliction, outside developers (and city boosters) saw potential and began circling covetously.

Today, a consortium of developers led by casino giant Las Vegas Sands plans to turn 120 acres of abandoned foundries and blast furnaces into a theme-park mix of stores, apartments, and a casino hotel. In just a decade, "The Steel" will have gone from functioning industrial plant to a haven for yuppies with lattes, waylaying plans to preserve it as a symbol of post-industrial American decay. By taking advantage of the surrounding area's boom, redevelopment of the steelworks may compress the transformation process many older industrial cities have experienced, skipping the stage in which hipsters and artists make a neighborhood attractive enough that they will no longer be able to afford to live there.

The Steel's Rise and Fall

The Steel emerged in late-19th-century Bethlehem, a city dominated by the Moravian Church, which had settled there in 1741. Its two anchor institutions gave the city a bipolar character: starched and ecclesiastical north of the Lehigh River, grimy and profane to the south. The divide was mirrored in the Bethlehem population, with the old Pennsylvania Dutch settlers to the north, and Eastern and Southern European steel immigrants to the south.

For most of the 20th century, Bethlehem Steel was a Fortune 500 icon, the world's second biggest steel company. Its workers supplied the steel for many of the bridges, tunnels, and skyscrapers that occupy our collective memory—the Golden Gate and George Washington Bridges, the Chrysler and Empire State Buildings, the Lincoln and Holland Tunnels, among others—and armed the nation for both World Wars. The Steel lavishly compensated its executives: in 1956 it paid nine out of the twelve top salaries in American business. Its thousands of laborers were not treated as well, but they won union recognition during World War II, and by the mid-1970s were among the highest paid industrial workers in the world. By then, the company employed 115,000 workers, and its Bethlehem operations stretched for five miles along the Lehigh.

But then the hemorrhaging began. A combination of factors, including overseas competition, reduced demand, upstart American firms, and the company's gilded executive culture, left Bethlehem Steel reeling by the late 1970s. In August of 1977, over 7,000 blue-collar workers were laid off—though it was, tellingly, the September 30 layoff of 2,500 white-collar workers that is remembered as "Black Friday." Billy Joel's 1983 single "Allentown" made the Bethlehem layoffs infamous: "Out in Bethlehem they're killing time / filling out forms / standing in line." (The song was reportedly inspired by Bethlehem, not nearby Allentown, but a song named for Bethlehem would, presumably, have been read as heavy-handed religious allegory.) By 1984, the company's employee ranks had plummeted to 48,500.

The company limped along until 2001, when it finally declared bankruptcy. Its remnants were purchased by the lean, privately owned International Steel Group shortly after bankruptcy allowed the com-



pany to shirk its pension obligations, a move since echoed by other faltering companies. The international steel market had transformed the Bethlehem works into a vast brownfield.

City Slicker

The city's current post-steel revival is the product of another outside market—New York City. New York is just 60 miles down I-78, a drive lined by in-built and pricey New Jersey suburbs. Real estate arbitrage—the large gap between New Jersey's overheated housing market and the Lehigh Valley's still modest costs—has exerted its predictable magnetism over developers, resulting in the same farms-to-McMansion makeover that has transformed the outlying districts of most large American cities in recent years. In the Valley's case, the especially steep New York prices and proximity to Philadelphia have accelerated the acre-devouring sprawl, making it the fastest-growing region in Pennsylvania. The Valley's average home price jumped 60 percent in the last five years, to \$218,000, in the first half of 2006. And the trend shows no sign of cooling.

Many of the Valley's new residents are well-off professionals, who have pushed the region's average household income to over \$71,043, according to the Lehigh Development Corporation. The newly attractive demographics have yielded four separate proposals to build "lifestyle centers," the industry's euphemism for upscale malls that mimic traditional streetscapes. The Lehigh Valley has become, almost overnight, one big exurb.

Most exurbs, though, don't have three gritty, post-industrial cities (Bethlehem, Allentown, and Easton) in their midst. The same kind of arbitrage pressure that produced the Lehigh Valley housing boom began to act on the cities themselves: "used" homes in the city cores started to look like bargains compared to the new developments on their outskirts. Bethlehem capitalized on the region's new edge-city dynamism to start its own renaissance. Initially, Bethlehem survived the lost jobs and decreased tax dollars by shifting attention from the steelworks to its Moravian community in the north. With careful preservation, the stewardship of the Moravian Church, and savvy marketing, the city successfully re-branded itself as "Christmas City," complete with seasonal pageantry, an

arts-and-crafts "Christkindlmarkt," and an 81-foot-high "Star of Bethlehem" atop the city's South Mountain. Today, the Moravian's 18th-century church and namesake college buildings are the core of a picturesque boutique-lined downtown. A postcard in stone and mortar, it is surrounded by a well maintained residential district of 19th-century mansions.

The city's "South Side," home to the steelworks, Lehigh University, and crowded working-class rowhouses is now experiencing its own revival. Artists began moving to the South Side in growing numbers over the last decade, in a now-clichéd pattern played out in the aging, post-industrial districts of other Northeastern cities. The South Side, in the first years of the new millennium, started to look like Williamsburg, Brooklyn, ten years ago: vinyl siding neighbored restored brick, goateed hipsters frequented art galleries, and cheap restaurants were opened in buildings exhibiting signs of recent distress. Vacant industrial buildings were renovated for lofts and street-level bohemia.

Packaging Nostalgia

For all of the city's good news, north and south, the steelworks remains a brownfield. A number of ambitious plans for redevelopment had been proposed after its final, mid-1990s shuttering, but each fell apart.

Even as development stalled, the same years witnessed steady growth in packaged nostalgia for the Steel, its industrial legacy, and the steelworks themselves. Two glossy photo collections have, in the last few years, joined John Strohmeyer's classic account of the company's demise, *Crisis in Bethlehem*. The local newspaper published a thick commemorative, "Forging America," in late 2003 and followed it up a few months later with a slickly produced DVD. A former Steel execu-

tive, meanwhile, launched ambitious plans for a "National Museum of Industrial History" to be housed in the colossal Machine Shop No. 2, which, when it was erected in 1890, was the world's largest industrial space. The NMIH even earned a first-ever Smithsonian "affiliation," though that didn't translate into federal funding.

In 2004, the National Trust for Historic Preservation named the steelworks as one of America's eleven "most endangered historic places" and profiled the site in its May/June 2005 *Preservation* magazine cover story. A grassroots advocacy group called "Save Our Steel," formed out of the steelworker community, has pursued the tightwire goal of a "historically sensitive redevelopment" of the site—lending cautious support to developer proposals that, at one time or another, appeared on the cusp of groundbreaking.

In the fall of 2004, after a decade of scrapped plans and false starts, city officials, NIMH backers, and local preservationists alike applauded the announcement that a prominent, New York-heavy development team calling itself "BethWorks Now" had bought the 120 core acres of the site from Steel corporate successor ISG for a reported \$3 million. The buyers included Barry Gosin and his gargantuan New York-based Newmark Group. Gosin is famous for his trendy makeovers of aging New York industrial neighborhoods, including, almost single-handedly, DUMBO in Brooklyn. And Gosin has been effusive in his public pronouncements. This summer, for example, he told a group of prominent Lehigh Valley business leaders that he was "overcome by emotion" when he first visited the site. "I want to someday be able to bring my granddaughter there and say, 'I did this,'" said Gosin.

The development plan pressed all the

The familiar, stage-by-stage progression of gentrification—first, the edgy pioneers, then the young professionals who love them, and after a long interval, the boutiques and brick sidewalks—has, in Bethlehem's case, collapsed due to the rapid boom of the surrounding area.



The now-empty Number 2 Machine Shop, one of the largest industrial buildings in the world when it was built. This is the building they are proposing to make the centerpiece of the industrial museum for exhibits. Photo © Shaun O'Boyle.

right historical buttons. There was, for example, a pledge to preserve the iconic, seven-teen-story high blast furnaces, the Machine Shop No. 2, and the iron foundry. The plan, to be sure, called for a predictable mix of the upscale and vogueish development that would make it profitable—with over 700 lofts, an entertainment center (with “cool bowling alleys”), one or two hotels, and the requisite “lifestyle center.” Still, the group’s preservationist bona fides and ready capital assuaged the concerns of most steelworks stakeholders. Save Our Steel almost immediately endorsed the developers and their proposal.

An Unexpected Plot Twist

Enter the Las Vegas Sands Corp. Just four months after the original BethWorks plan was announced, the \$16 billion casino giant quietly revealed that it planned to join

the existing investors. This was, to put it mildly, a bombshell. Here was the fastest growing gambling company in the world proposing a \$350 million slots parlor and convention center as the centerpiece of a revamped plan, now worth \$879 million.

Las Vegas Sands is best known for its “Renaissance Venice”-themed Venetian Casino on the Las Vegas Strip, which boasts a full-scale Ducal Palace, working gondolas, and a Guggenheim Museum franchise. While Bethlehem is a long way from Las Vegas, recent Pennsylvania legislation authorizing slot gambling gave the two cities something in common. Legislators voted in 2004 to award fourteen slot licenses across the state. Since twelve of the licenses were effectively spoken for, the new law has set off a statewide scramble for the two remaining stand-alone licenses. In addition to the jobs

and investment, host communities are guaranteed, by law, an annual \$10 million payment from each slots operator.

Thanks to revenue projections and the New Jersey border, the Lehigh Valley has been widely viewed as an odds-on favorite for one of these two licenses. The prospect of all that one-armed Lehigh Valley banditry attracted not just Las Vegas Sands, but three other out-of-state gambling concerns with their own elaborate proposals for developments in Bethlehem and nearby Allentown.

By May of 2005, Las Vegas Sands had unexpectedly acquired a majority stake in the BethWorks Now investment team. The new plan, in addition to the hotel casino, called for at least 400 more lofts—and Disney-esque touches like climbing walls, boat rides, a restored elevated railway, and light shows said to evoke the steelmaking process.

Fewer historic buildings would be preserved under this new Sands-led plan. Machine Shop No. 2 would be saved, but no longer set aside for the industrial museum; instead, the "steel cathedral," as it has been called, would house a mix of lofts and high-end retail. The museum would move to a much smaller nearby structure. "We've talked to the retailers," Gosin told the local newspaper at the time. "They tell us, 'If the Venetian comes, we'll come.' ... If I tell them the Museum of Industrial History is going to be the anchor tenant, they're not going to come."

Resistance Mounts

Preservationists were frustrated by the revamped plans. "We were very disappointed because they were quite a bit different from the earlier sketches, which looked pretty sensitive to the history of the site," Mike Kramer, co-founder of Save Our Steel, told local reporters. "It looked to us to be a basic mall design."

More worrisome to the Sands and its partners was the growing and organized resistance of religious groups. Polls taken over the summer of 2005 showed city residents split on the gambling proposal—with some calling the slots parlor a threat to Bethlehem's carefully cultivated (and seasonally lucrative) "Christmas City" image. In the wake of the Sands deal, two anti-gambling groups formed: "Citizens for a Better Bethlehem" and "Valley Citizens for Casino-Free Development." Neither group is explicitly religious, but personnel and non-profit records reveal that both have clear ties to the Moravian Church and the Valley's evangelical community.

Also during the summer, two Bethlehem City Councilmen—one a Moravian minister, the other an attorney for the Catholic Diocese of Allentown—proposed a zoning change that would ban gambling on the steelworks site, which was backed by the two activist groups. In response, BethWorks and the Sands hired a veteran Harrisburg, Pennsylvania, lobbying firm and launched a charm offensive that included a twelve-page newspaper insert, door-to-door canvassing, and an automated telephone campaign (complete with phone patch-throughs to the City Council switchboard). The investor team gave \$50,000 to the city's popular MusikFest, and donated 3.5 acres of Bethlehem Steel land to

the local arts community for a future arena and performing arts center.

More than 1,400 residents on both sides of the slots issue crowded into two Council forums that summer. At the July forum, the Reverend Gary Straughan, president of the Eastern District of the Moravian Church in North America, spoke on behalf of Citizens for a Better Bethlehem. "We all know that there is something inherently evil about gambling," he said. "Don't exchange the Star of Bethlehem for the neon lights surrounding slot machines and beckoning those instant riches."

The City Council, after a summer of bitter debate, voted 4-3 to reject the anti-gambling zoning proposal in September. Gambling would be permitted in Christmas City, and now both sides awaited the state's decision.

Bethlehem's Star Ascends

The Lehigh Valley rarely surfaces in the national media, so *The New York Times*' late-December 2005 story on the region's resurgent cities stood out. Headlined "Shaking Off the Rust, New Suburbs Are Born," the article claimed that the Valley's cities were attracting "an influx of middle-class New Yorkers" who were "bringing their cosmopolitan tastes with them." In breathless prose, the story cited \$1,200 designer quilts and \$800 end tables made of steel beams on sale, as the *Times* put it, in the "shadow of the hulking industrial carcass" of Bethlehem Steel.

While the steelworks project remains in limbo, Bethlehem's South Side continues to gentrify. The familiar, stage-by-stage progression of gentrification—first, the edgy pioneers, then the young professionals who love them, and after a long interval, the boutiques and brick sidewalks—has, in Bethlehem's case, collapsed due to the rapid boom of the surrounding area. One local developer envisioned his \$30 million South Side loft renovation as a rental property, but as it nears completion, over half of its units have already sold as condos. The developer expects to sell them all before opening—and his is just one of many upscale projects underway in the old steelworkers' sloped neighborhood.

Pennsylvania is expected to award the coveted slots licenses in late 2006. A victory for the BethWorks team would accelerate the

high-end makeover already underway and entomb the once grand and gritty Bethlehem Steel works in market-tested urban chic and glittery casino lights. More people may be taking their Christmas breaks in Bethlehem in coming years—not for the city's carefully cultivated religious imagery, but rather for the irresistible spectacle of a flashy casino 60 miles from New York City. One hopes for Bethlehem's sake that five years from now a new casino developer does not find an even sexier site a few miles closer in, with a bigger climbing wall and longer boat ride. ●

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