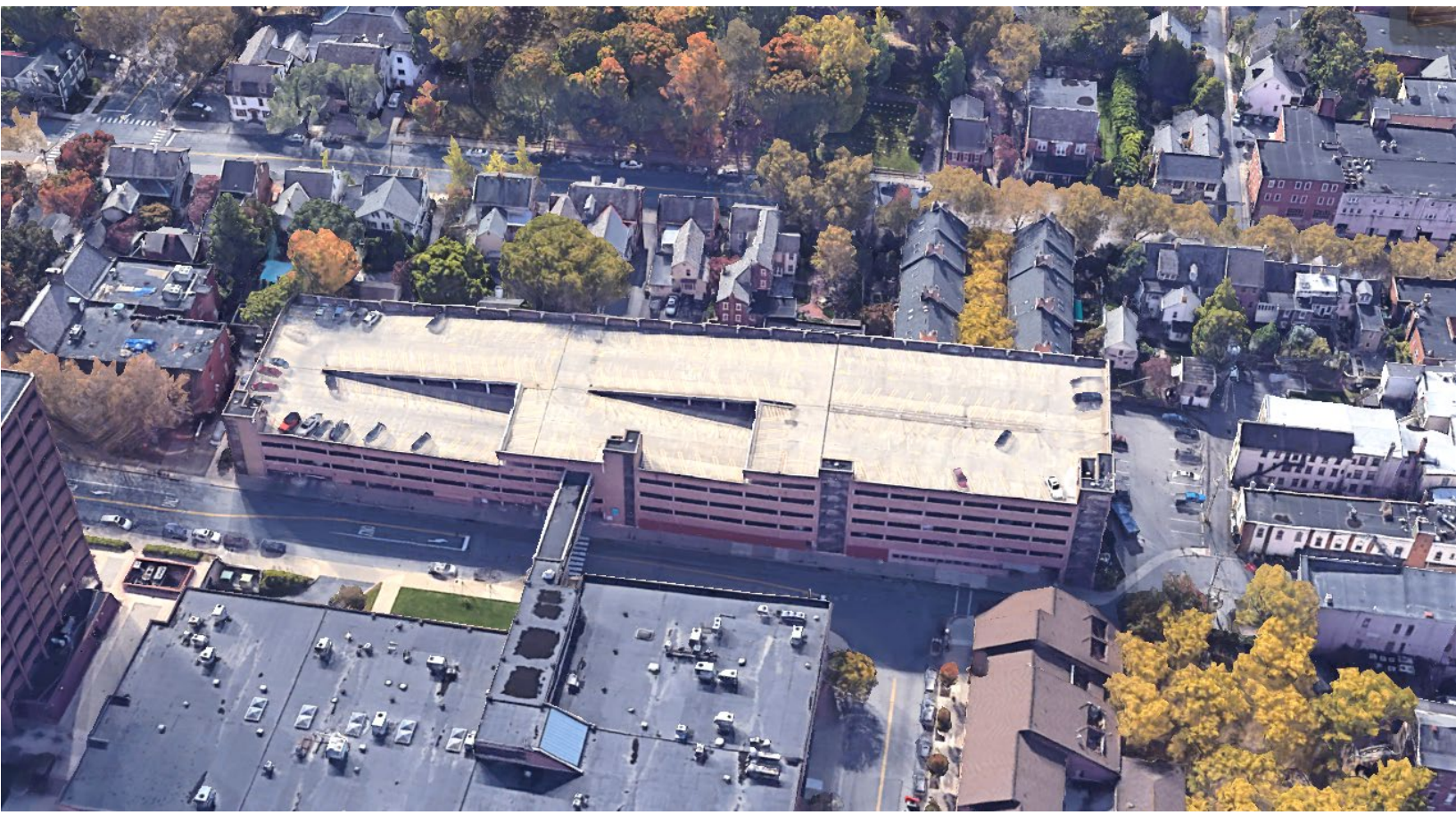




REQUEST FOR PROPOSALS

The Development of Property
33 West Walnut Street, Bethlehem, PA

Submission Dates Updated
January 13, 2023



REQUEST FOR PROPOSALS

PROPOSAL FOR THE DEVELOPMENT OF PROPERTY LOCATED AT 33 W WALNUT ST

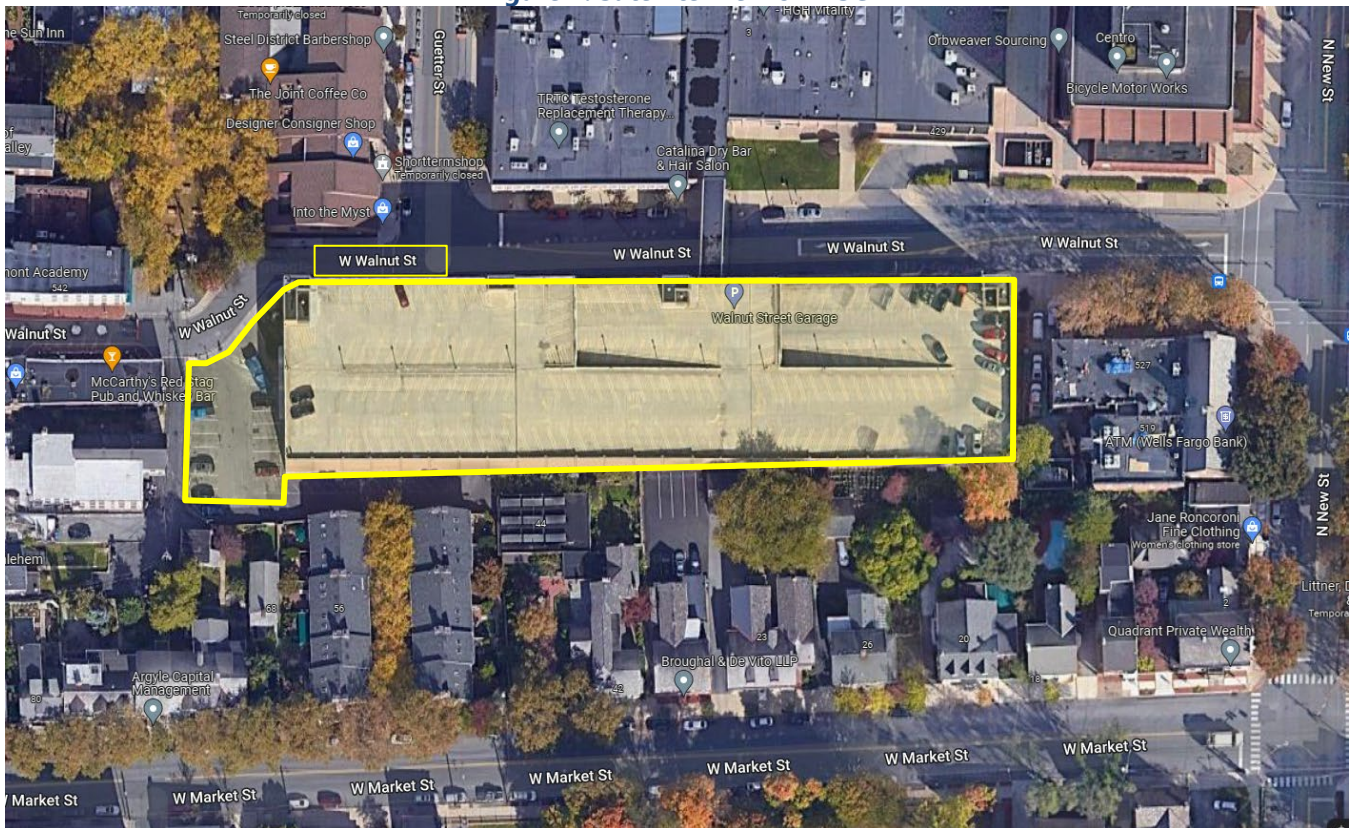
EXECUTIVE SUMMARY

The Bethlehem Parking Authority (BPA) and City of Bethlehem (City) are seeking to identify a qualified developer or development team ("Preferred Developer") to undertake a portion of the development of the Walnut Street Garage (WSG) site at 33 W. Walnut Street ("Project Site").

The City and BPA envision the development of the current parking deck site as a mixed-use development project (the Project) adjacent to a newly constructed above-ground parking facility to be developed and operated by the BPA. This new parking garage is intended to serve both the parking demand of the proposed project and public parking. The BPA will subdivide the current parking deck parcel into two (or more) lots for the independent development of the BPA parking deck and the mixed-use project. The City and BPA seek to select a qualified development team with meaningful experience for the successful design, approval, financing, construction, and operation of mixed-use real estate in urban settings through a collaborative process.

The selected Project should enhance the livability and economic development of downtown Bethlehem as a residential and business location and provide economic benefits to the BPA.

Figure 1: Satellite View of WSG



Source: Google Maps



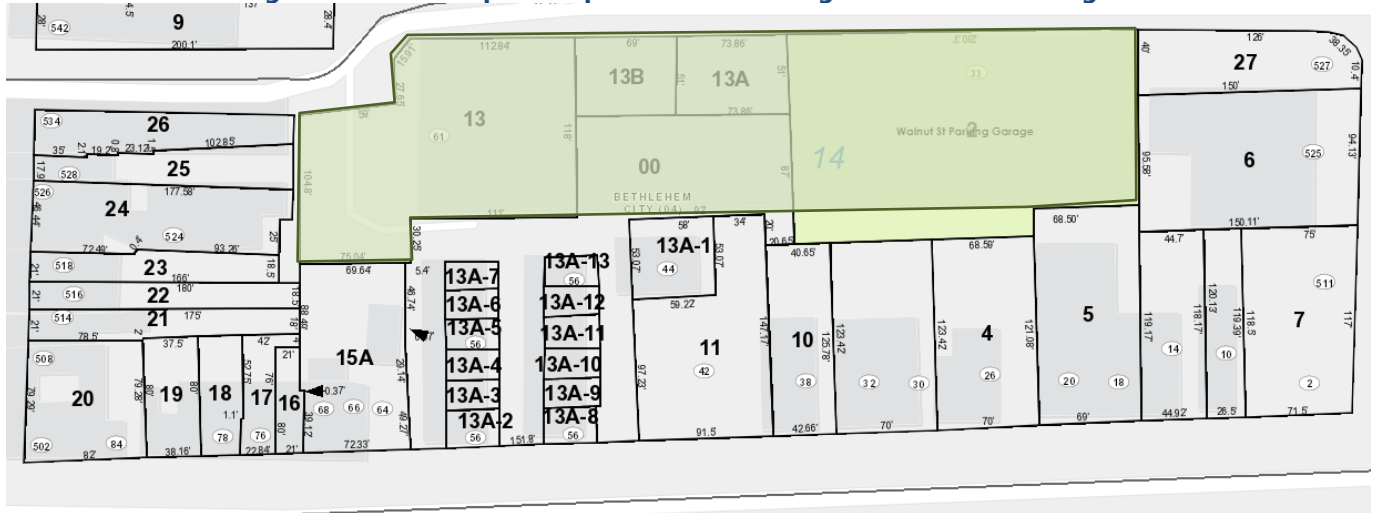
OPPORTUNITY

SITE

General Area

The Project Site is located in downtown Bethlehem, a lively urban downtown with a mix of retail, office, and residential uses. Downtown business is supported by several organizations who sponsor events in the downtown and promote the area to visitors. There are more than several hundred businesses in the area surrounding the Project Site that bring many customers to the downtown annually.

Figure 2: Parcel Map of Properties Surrounding Walnut Street Garage



Source: Northampton County Tax Parcel Viewer

Walnut Street Garage Site

The WSG is located at 33 West Walnut Street between Main Street and New Street. The site has direct access to Broad Street. The WSG is located on approximately 1.5 acres and is developed with a six-story parking structure. Adjacent uses include multiple restaurants and cafes, retail stores and multi-story offices.

CITY

Bethlehem is a historic city located in the growing Lehigh Valley area. It is located within 120 minutes of New York City and 60 minutes of Philadelphia, which can be easily accessed via I-78, the Pennsylvania Turnpike, US 22, and other highways. It is the home of Lehigh University and Moravian College, as well as the Wind Creek Casino. The downtown district has seen substantial investment to enhance its attractiveness as a business and residential location, including streetscape and façade improvements that accentuate the appeal of the historic neighborhood as a livable, and walkable community.



The city is the home of four institutions of higher learning:

- Lehigh University: A nationally recognized leader in the area of engineering, management and business which offers over 70 degrees and has an enrollment of over 6,000 students.



- Moravian College: The sixth oldest college in America, is a highly respected liberal arts college offering 29 different degree programs with an enrolment of 1,800 students.
- Northampton Community College – Fowler Family Southside Center: The college offers Associates Degrees in more than 100 fields and has an enrollment of 34,000 students
- East Stroudsburg University- Lehigh Valley Center: A center for extended studies that offers courses year-round to accommodate non-traditional students.



Bethlehem is also the home of Wind Creek Casino, which includes 139,000 square feet of gaming space, 302 hotel rooms, a 14,000 square foot event center and the Outlets at Wind Creek shopping mall. The casino plans to open an expanded hotel in 2023.

DEMOGRAPHICS

The City of Bethlehem is the sixth largest city in Pennsylvania and the second largest in the Allentown-Bethlehem-Easton SMSA. The 2020 Census population for Bethlehem was 75,781, which is an all-time high for the city. The regional population grew by 6.2% over the past decade. The 18–34 year-old demographic grew by more than 10%, which was the fastest rate of growth for this demographic for any region in Pennsylvania. (lehighvalley.org)

Table 1: Significant Employers in Bethlehem

Employer	Product/Service
Lehigh University	Education
Wind Creek Hospitality	Casino
Lehigh Valley Hospital	Healthcare
Bethlehem Area School District	Education
Lehigh Valley Hospital Muhlenberg	Healthcare
Moravian College	Education
Coworx Resources	Job Placement
City of Bethlehem	Municipal Government
Walmart Associates	Retail

Source: City of Bethlehem

The largest employment sectors for Bethlehem residents are Healthcare and Social Assistance (6,625 persons), Educational Services (3,815) and Manufacturing (3,783) per the 2019 ACS 5-Year Estimates.

RETAIL AND RESIDENTIAL MARKET ANALYSIS

A 2022 retail market analysis (See Appendix) of the Project Site found that it can presently support up to 32,000 additional square feet (sf) of retail and restaurant development, generating as much as \$13 million in new sales. This new commercial activity generation could include 12 to 20 new retail stores totaling 21,000 sf and of retail shops and 18,000 sf of restaurant space. The Walnut Street’s 32,000 sf of retail demand is included as part of the Historic District’s 151,000 sf of potential retail and restaurant space.

A 2022 Residential Market Analysis (See Appendix) of the Project Site found that it can presently affords an opportunity to provide a variety of rental multiple family residential dwellings in Bethlehem’s Historic District ranging from small lofts to large upscale apartments.



HISTORIC DISTRICT AND ZONING STANDARDS

The WSG site is in a commercial zoning district that permit a wide range of commercial uses including offices, most retail and personal service uses, non-drive-through restaurants, including associated micro-breweries/distilleries and tasting rooms. Additionally, the zoning allows multifamily residential use and Live Work units.

The project site is located in the Bethlehem Historic District. [Design Guidelines](#) are used to evaluate projects by the Historic and Architectural Review Board, which is a recommending body to Bethlehem City Council. More information on the Historic District Ordinance can be found [here](#). The project will require a Certificate of Appropriateness, in addition to Planning, Zoning and Code Review. Additional zoning information can be found in the [Zoning Ordinance](#).

Development Proposals are subject to review by the City of Bethlehem and the Bethlehem Parking Authority.

NEARBY DEVELOPMENT AND INFRASTRUCTURE

Additional development proposed in the downtown neighborhood includes:

Boyd Street Theater: A mixed use residential project. The project has land use approvals and site demolition is underway.

548 N. New St. Apartments: A 33-unit mixed-use development that has land use approval.

Hotel Bethlehem Expansion: An expansion of the existing Hotel Bethlehem has been proposed. The expansion will include 73 new hotel rooms and an expanded event area.

Table 2: Anticipated Development Projects

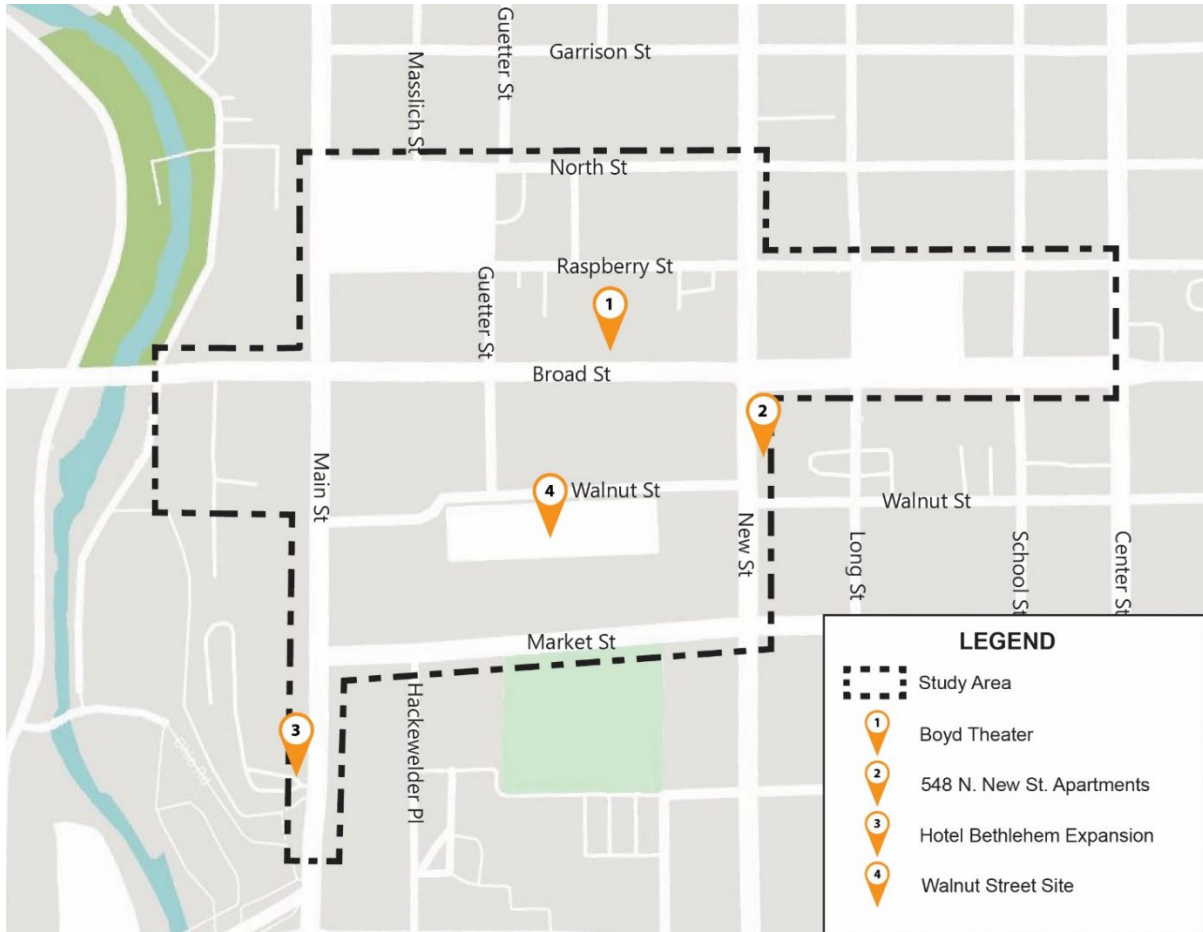
Project Name	Units/Hotel Rooms	Retail SF	Restaurant SF	Event SF
Boyd Theater	204	0	6,300	0
548 N. New St. Apartments	33	0	1,500	0
Hotel Bethlehem Expansion	73	0	0	4,000
Total	319	0	7,800	4,000

Source: City of Bethlehem

In addition to the construction of a 550-600 space parking deck, the BPA intends to construct approximately 6,000 square feet of retail/restaurant space. This space will be located on the first floor of the parking deck immediately east of the development site. The ultimate use of this space will be subject to negotiations with the preferred developer.



Figure 3: Future Development Project Location Map



Source: City of Bethlehem, THA Consulting, Inc, 2022

FINANCING INCENTIVES

Enterprise Zone: A tax credit of 25% of project funds invested, up to a \$500,000 maximum, available for real estate development for jobs created or retained.

PROJECT GOALS

Upon selection of Preferred Developer, the BPA and City will, within a defined time period, negotiate a development agreement with the developer for the development of the property to include a parking garage and mixed-use development at the Project Site (the “Development Agreement”).

The intent of the Development Agreement will be as follows:

Enhance Economic Development in Bethlehem with Mixed-Use Commercial Development

Redevelopment of the Project Site will provide economic benefits to the City of Bethlehem and the Commonwealth of Pennsylvania, and create permanent jobs, housing, services and other economic benefits at the WSG. Such redevelopment will provide a strong foundation for smart growth by developing a mixed-use project of high design quality that enhances not only the Project Site itself but also enhances the attractive walkable environment of the



downtown. The Project will also foster investment of private capital at the Project Site and in the surrounding area and provide opportunities for smart, sustainable economic growth.

Maximize the Value of the Authority’s Real Estate Asset

The BPA and City seeks to offset the cost of the new garage and generate, to the extent feasible, additional revenue by making its property available for development to effectively realize its highest and best value.

Enhanced Public Parking

Redevelopment at the Project Site will serve to improve the BPA’s provision of public parking and access to the City.

WALNUT STREET GARAGE PROJECT COMPONENTS AND OFF-SITE IMPROVEMENTS

Site Preparation

BPA will fund the demolition of the garage, including removal of existing foundations, and provide the Preferred Developer a cleared site.

BPA Parking Structure

Demolition of existing parking structure and development of an approximately 550-600-space parking deck will be completed by the BPA. The new parking deck will provide parking for the general public and may provide all or some of the parking requirement for the Project.

Mixed-Use Development

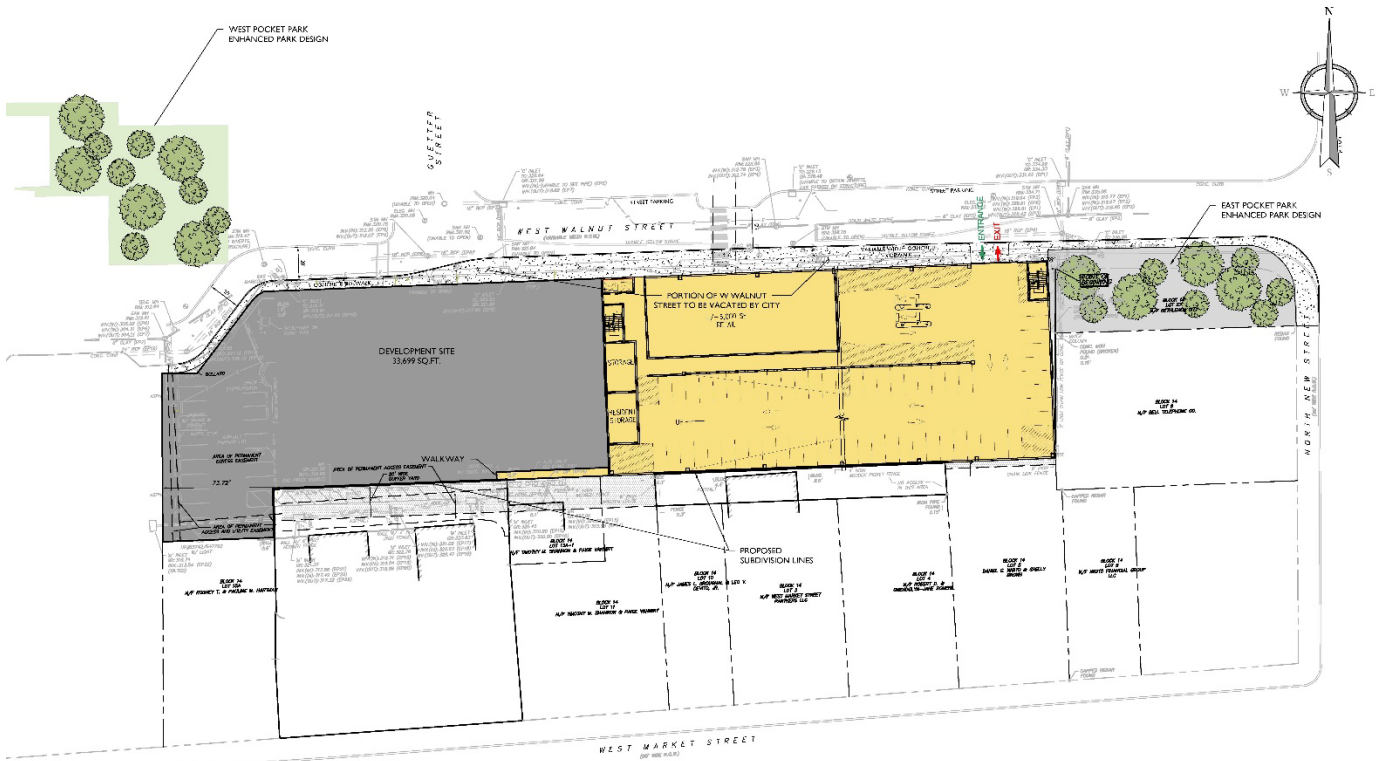
The BPA will subdivide the WSG site to create separate tax parcels for the development of a new WSG and the Project. The BPA and City anticipate the development of a mixed-use real estate building on the Project Site that may include retail, hospitality, office, multifamily residential and/or other components as permitted by the CD zoning district standards. The Project should have appropriate density for a site in the heart of the downtown commercial district and within the North Side Historic District. The Project Site design should evidence planning and architectural character that enhances both the Project Site and the adjacent area.

Enhance Public Spaces

The proposed Project shall provide facilities for all users of the public right-of-way between the Project Site, Main Street, New Street and Broad Street to provide a complete street. The proposed Project should provide sidewalk space that encourages pedestrian activity and, if appropriate, other uses to activate the streetscape, such as outdoor dining. Additionally, the Project should provide secure bicycle facilities for both any residents of the proposed Project and public. In addition to public spaces contemplated within the private development, the Sun Inn Courtyard is a community asset located within 200 feet of the project site and the City of Bethlehem owns the pocket park located at the corner of Walnut and New Streets, immediately adjacent to the garage



Figure 4: Site Concept Plan



Source: Bethlehem Parking Authority

PURPOSE AND ROLES

The mission of the Bethlehem Parking Authority is to support the growth and development of the City of Bethlehem by efficiently managing and administering parking resources that contribute to a safe, accessible, and sustainable community. As part of this mission, the BPA seeks to develop mixed-use development and parking on the current WSG site.

In issuing this RFP, the City and BPA are seeking proposals from developers to acquire, design, finance, construct, manage and market the proposed development of the Project in accordance with the goals and specifications of this RFP. The City and BPA are seeking an experienced, financially strong, technically capable developer(s) or development team(s) that can work with the BPA, the City and other interested parties to propose a financially viable development plan for the Project that meets the public goals and zoning requirements outlined herein. Interactions between the City, BPA and development team during the development process will be outlined in formal agreement(s) among the relevant parties. Upon selection of a proposal, the Preferred Developer will be responsible for obtaining legal title to the Project Site from the BPA, and thereafter, construction, management, and operation of the development components, including interactions with BPA and City.

The BPA will subdivide the existing WSG site and develop, own and manage the parking facility on a portion of the WSG site. The balance of the current WSG site will be conveyed to the Preferred Developer for development of the Project.



The approval process for the proposal will satisfy the requirements of the Bethlehem Historic District requirements and the Bethlehem Zoning Ordinance. The BPA and City will work closely with the Preferred Developer throughout the development process to ensure that all components of development are of high-quality design in every aspect, and comport with the RFP and proposal, while at the same time, sensitive to the character of the business and historic district and surrounding residential communities and in keeping with the City of Bethlehem comprehensive plan. Moreover, the BPA expects the Preferred Developer to propose a development project that will help spur the revitalization of Walnut Street and downtown Bethlehem.

DISPOSITION AND SEQUENCING

Subsequent to the review of proposals submitted by respondents, the City and BPA will select the Preferred Developer and enter into a Memorandum of Understanding with the Preferred Developer to begin a six-month period of exclusive negotiation during which time the details of the conveyance of the Project Site, financial and other contributions to the Project by each party and other terms of the development agreement will be negotiated and finalized, with the expectation of a Development Agreement being finalized by the City, BPA and Preferred Developer. If the Development Agreement is not finalized within the six-month period, the BPA may consent, in its sole discretion, to an extension of time.

At the time of execution of the Memorandum of Understanding, the Preferred Developer is required to fund an escrow account with the BPA with a minimum of \$25,000 to defray the BPA's costs of negotiation.

The BPA will convey the Project Site through a legal process pursuant to applicable Pennsylvania law. During such legal process, the Preferred Developer must show that all funds needed for the fully realized Project(s) are available at the time of closing on the conveyance of the Project Site. In addition to the foregoing, the BPA may impose other requirements to ensure the Project Site will be developed in accordance with the proposal and this RFP, including verification of funds and costs of construction. The Preferred Developer must be willing to enter into a formal Development Agreement, which shall detail and govern the Preferred Developer's plan to design, finance, purchase, and construct the Project.

PROJECT REQUIREMENTS

The requirements are designed to establish a proposed developer's overall capacity to complete the Project and to meet the requirements and obligations associated with the Project Site as set forth in this RFP. The proposed developer's proposal must provide detailed information as follows, and shall not exceed the maximum page limits specified below for each section (the "Proposal"):

Cover Letter and Executive Summary

The Proposal should include an appropriate Cover Letter from the lead contact for the proposed developer and a sufficiently brief but clear Executive Summary of the proposed developer's Proposal. The Cover Letter should state that the Proposal is valid for 120 days subject to extension by mutual consent of the proposed developer and the BPA.

Developer Composition, Structure and Roles

- Description of the proposed developer and ownership entity (i.e. partnership, sole owner, corporation, limited-liability corporation, joint venture, etc.).
- Contemplated development team structure, including design and other professionals, including identification of certified minority, women, and disabled owned businesses that will be part of the development team and their proposed roles.



- Organizational chart.
- Key individuals and their associated firms responsible for major functions to be performed relative to designing, building, managing and operating the Project.

Financial Qualifications of the Team

- The most recent consolidated financial statements (balance sheet profit/loss statement, cash-flow statement), including all contingent liabilities. If responding as a team of developers, please provide statements for the lead developer.
- A description of any entity that will guarantee the promised performance of the proposed developer.
- A list of investors in the participating entities.
- Statements from commercial or institutional credit references regarding the proposed developer's financial creditworthiness and past development experience.
- The proposed developer's financial information will be kept confidential to the extent permitted by law, except as may be required to defend the BPA or the City against any legal action pertaining to this RFP or arising out of or related to the Project.

Team Experience

The proposed developer must provide information that clearly demonstrates that the development team has the experience to design, secure governmental approvals for, build, market, and operate the Project. This information should include background information and resumes of the key members of the development team, including professionals. The proposed developer(s) shall submit illustrative materials of past projects of a similar nature to the Project proposed in this RFP on which the development team worked, and the official role of team members on those projects. Please include references (name, company, title, telephone number, and email address) for each past project.

Design Narrative

- Conceptual framework, including a detailed description of proposed facilities for the Project, including types and sizes of building(s), building materials, design elements and amenities.
- Proposed mix of uses, scale and density for the overall development, including a general description of planned building massing, heights, design, and open spaces. Respondents are encouraged to discuss compliance with the [City's Historic District requirements](#) with the City's Department of Community and Economic Development.

Visual Presentation of the Plan

The proposed developer should supplement the narrative by providing illustrations such as aerial photos, maps, site plans, massing plans, elevations, line drawings, and renderings that clearly explain the location, appearance, and scale of all proposed Project.

Acquisition and Development Budget and Sources and Uses of Funds

- The total acquisition and development budget should include all hard and soft costs, including, but not limited to, acquisition costs, construction costs, demolition and infrastructure costs, design, engineering, consultant and legal fees, financing transaction fees, interest reserves and commissions. The Proposal must describe how each Project component will be financed, including assumptions about the amount of equity committed and debt required, sources of Project funds and financing, and source and strength of payment and performance guarantees.
- The Proposal must stipulate the proposed acquisition price for the Development Site, whether for lease or sale.



- The Proposal must include any other proposed financial considerations that will impact the BPA, e.g., participation in rents, financial contribution, if any, to the cost of developing the new parking facility, the cost to secure long-term lease of parking from BPA, or other considerations.

Estimated Development Schedule

The proposed developer must provide a Project completion schedule delineating major milestone, including closing date, zoning and land development approvals, demolition, construction phasing, marketing, and occupancy. Such timeline must specifically identify important trigger dates or hurdles that control the Project progression and illustrate phasing of each part of the Project.

Financial Benefits to BPA and City

The proposed developer should include estimates of financial benefits or sources of revenue that the proposed Project may generate to the BPA and City.

SCHEDULE AND PROCESS

Below is an outline of the steps to be followed to select a Proposal to proceed to signing a Development Agreement(s).

Table 3: Timeline to Select a Development Proposal

Release of RFP	12/6/22
Pre-Proposal Meeting and Site Visits (voluntary)	See Below
Deadline for Submission of Questions from proposed developers	12/30/22
Deadline for Posting Answers to Questions	1/13/23
Deadline for Submission of Questions from proposed developers	2/3/23
Deadline for Posting Answers to Questions	2/17/23
Proposal Submission Due	3/10/23

Source: City of Bethlehem

Distribution of the RFP:

The RFP is being distributed widely to local, regional, and national developers. The RFP is available by request; requests are to be emailed to Asher Schiavone, Economic Development Coordinator, Community and Economic Development at Aschiavone@bethlehem-pa.gov. Interested parties must register via email to aschiavone@bethlehem-pa.gov in order to receive updates and additional information via email.

Pre-Proposal Meeting and Site Walkthrough:

The BPA will host interested developers for voluntary visit(s) of the Project Site. Participants will be able to walk the site and pose questions to the City and BPA representatives leading the visit(s). To participate in a walk through, please email Asher Schiavone at aschiavone@bethlehem-pa.gov with your interest.

Questions from Potential Respondents:

Questions from respondents regarding this RFP must be submitted in writing via email to Asher Schiavone by Friday, **December 30, 2022 at 4:00 PM EST**. Answers will be distributed via email to interested parties that have registered via email to aschiavone@bethlehem-pa.gov. Answers will be sent no later than **Friday, January 13, 2023**.

Additional questions should be submitted to Asher Schiavone before **Friday, February 3, 2023**. Answers will be sent no later than **Friday, February 17, 2023**.



Proposal Receipt Deadline:

All proposals are to be submitted electronically to Asher Schiavone, Economic Development Coordinator, Community and Economic Development at aschiavone@bethlehem-pa.gov by 4:00 PM on **Friday, March 10, 2023**. Please note that this deadline has been extended based on feedback received from potential respondents.

Respondents must also submit **three (3) hard copies** of Proposals by **4:00 PM on Friday, March 10, 2023**. The hard copies shall be hand delivered or sent by certified mail to: City of Bethlehem, DCED Office, Attn: Asher Schiavone, 10 E. Church Street, Bethlehem, PA 18018

No Proposals will be accepted after the time and date specified above, subject to any Proposal receipt deadlines extended at the discretion of the BPA.

Evaluation of Proposals:

The City and BPA will evaluate all Proposals for compliance with the requirements and specifications herein. The BPA may, if they so choose, narrow down the list of Proposals to a short list based on such evaluation.

Interviews and Presentation:

Each of the proposed developers on any short list, if any, may be interviewed by the City and BPA and in such case will be expected to make a presentation during such interview.

Selection by the City and BPA:

Following the completion of any interviews and presentations, the City and BPA may choose a Preferred Developer or development team(s) with which to enter negotiations related to the Project in accordance with a Development Agreement. The City and BPA’s decision of whether and to what entity to enter a Development Agreement with shall be final. The City and BPA reserve and hold at their discretion all the following additional rights and options:

1. Not to select a Preferred Developer from those submitting Proposals.
2. To not negotiate or enter a Development Agreement with any proposed developer.
3. To issue or not re-issue subsequent RFPs.

Cancellation of RFP:

The BPA may, at their sole and absolute discretion, reject any and all, or parts of any or all proposals; re-advertise this RFP; postpone or cancel, at any time, this RFP process; or waive any irregularities in this RFP or in the Proposals.

SELECTION CRITERIA

The City and BPA will use the below criteria to evaluate proposals:

- Consistency with the goals of this RFP
- Design quality of the concept plan(s) for the Project
- Financial feasibility of the proposed Project(s)
- Experience and track record of the proposed developer(s) successfully completing projects of similar scope, complexity
- Development references
- Economic benefits to the BPA and City

CONTRACTUAL REQUIREMENTS

The provisions in the Development Agreement will include but are not limited to:



Provision of Insurance

Provision of Insurance including commercial general liability insurance, automobile liability insurance, fire insurance and extended coverage (builder's risk) insurance, workers compensation insurance, contractor's public liability and property damage insurance, professional liability insurance, and all-risk insurance for the improvements on the site.

Indemnification

The proposed developer must agree to defend, indemnify, and hold harmless the BPA and the City, their respective agents, officials, officers or employees from any and all claims brought against them for any reason whatsoever, regardless of the proposed developer's fault, including but not limited to claims of negligence, personal injury or property damage resulting from the proposed developer's execution of the lease, or the proposed developer's performance, or failure to perform, any of the terms or obligations of the lease, or the condition of the Project Site and the improvements thereon.

Non-Discrimination

The BPA and the City will require the Preferred Developer to be an equal opportunity employer.

Property Conveyance Conditions

The Project Site is conveyed is in an AS-IS WHERE-IS condition with no representations and warranties. If sold, the deed to be conveyed will be a **quit claim deed**, and the quit claim deed will contain a right of reversion in the event that Preferred Developer fails to undertake development of the Project Site in accordance with the terms of its Proposal.

LEGAL INFORMATION

The sale of the Project Site in no way guarantees or warrants grading permits, building permits, zoning variances, or financial viability. The BPA reserves the right to terminate the sale of the Project Site of the Preferred Developer is unable to obtain all necessary permits.

Proposed developers acknowledge by submitting information and Proposals in response to this RFP that the BPA does not undertake any obligations and shall have no liability with respect to the Project, this RFP, and responses thereto, nor with respect to any matters related to any submission by a proposed developer.

The BPA reserves the right to accept an offer or Proposal other than the highest offer.

The BPA reserves the right to negotiate with any, all, or none of the proposed developers and to recommend another respondent in the event that the originally selected proposed developer defaults or fails to execute a Development Agreement that meets the requirements provided herein.

The BPA shall be the sole judge as to which, if any, Proposals and proposed developers best meet the selection criteria. Notwithstanding anything in this RFP to the contrary, the BPA reserves the right to reject any or all Proposals received, to waive any submission requirements contained within this RFP, and to waive any irregularities in any submitted Proposal.

This RFP is submitted subject to errors, omissions, and/or withdrawal without notice by the BPA at any time.



The BPA is subject to Pennsylvania's Right to Know Law (65 P.S. §67.101 et seq.). The BPA cannot guarantee the confidentiality of Proposals, financial records, or business records that are submitted by a proposed developer to the BPA. The BPA may be required to make such records publicly available. The Right to Know Law does provide for certain exemptions from disclosure requirements, including an exemption for confidential proprietary information. While this exemption may not always include a proposed developer's financial and business records, we ask that you clearly stamp "Confidential and Proprietary Information" upon each page of each financial and/or business record that you believe to be confidential information. Such a stamp does not guarantee that your documents will be exempt from Right to Know Law disclosure requirements but will assist the URA in responding to any Right to Know requests.



Walnut Street Parking Structure Site Conditions Commercial Analysis

Gibbs Planning Group August 9, 2022



Figure 1: Above left, view of Walnut Street looking south from Broad Street; Above right, view of Walnut Street looking east from Main Street.

Summary

This analysis finds the Walnut Street parking structure area's site characteristics, location and size afford the potential to support up to 30,000 square feet, 12-20 new stores of market rate, new retail and restaurant businesses (pages 4-5 below). The area could create a niche, and complementary shopping destination that contributes to the historic district's visitor experience. The new parking structure could also offer modern commercial space, management and parking desired by retailers seeking to deploy stores in the historic district.

Walnut Street Site Strengths

1. **Location:** The garage site is located adjacent to the downtown shopping district's Main and Broad Street affording easy cross-shopping between the two area's shops and restaurants.
2. **Access:** The site is linked to its surrounding blocks and streets: Broad, Main, Market and New Streets via north-south and east-west streets and lanes, offering direct access to the surrounding neighborhoods.
3. **Visibility:** The parking structure is directly visible from its surrounding blocks and streets: Main, Broad and New Streets.
4. **Niche:** Walnut Street's distinctive location, off Broad and Main Streets, offers an opportunity to create a unique, third shopping place with its own identity, brand and character, that can become a destination with a specialized market position. The area could focus on a specialty grocery, goods and services for its surrounding neighborhoods, an entertainment district, antiques, home furnishings, etc. that complement the adjacent shopping mall and the historic district's existing businesses.
5. **Market Demand:** GPG's recent market research finds the Walnut Street area has a market demand for up to 32,000 square feet of new retail and restaurant businesses generating \$13 million in sales including a specialty market, home furnishings, pubs, full and quick service restaurants, coffee and ice cream shops (pages 4-5 below).
6. **Commercial Size:** The proposed garage's approximate overall 60,000 square feet (sf) ground level area affords the potential to accommodate a modern, large retail format space currently unavailable in the downtown area.



Figure 2: View of Walnut Street looking northeast.

7. **Building Features:** If designed to best practices, these retail spaces could include floor plates, ceiling heights, utilities, service access, and energy efficiency generally not available in the downtown area.
8. **Parking:** The new parking structure, designed and managed with best practices, could offer abundant, convenient parking necessary for market-based retailers and restaurants.



Figure 3: Above left, view of Guetter Street's access to Walnut Street looking east along Broad Street. Above right, view of Walnut Street's access at Main Street looking south with new identification signage.

1. **Site Challenges:** The parking structure site has limited oblique views along Broad and Main Streets requiring larger scale commercial signage or civic art than is currently permitted in the historic district.
2. **Shopping Street Frontage:** The parking structure's retail shops could potentially front noncommercial or solid walls along the back of its adjacent buildings, limiting the quality of its shopping experience.
3. **Parking Structure Design:** The parking structure's design and functional requirements may not accommodate the store sizes, access, ceiling heights, service docks and other elements necessary for competitive retail businesses.



View of

Figure 4: Walnut Street looking west from New Street with new storefronts and signage.

4. **Commercial Size:** The Walnut Street area may lack the critical mass, and size of retail shops to become a viable shopping destination.
5. **Design** The architectural character of the Walnut Street district may be limited to strict historical, period design hampering its potential to meet modern retail best practices and to establish a specialty niche.

Recommendations:

1. Program 10,000 sf minimum for ground level restaurant or retail space.
2. Design commercial space to industry best practices including: 12' minimum ceiling heights, 25' minimum store depths.
3. Locate retail on ground floor, facing Walnut Street with direct views from Main, Broad and New Streets.
4. Implement a retail merchandising strategy to focus on one specialty category that complements downtown existing businesses: Families, local serving businesses (bakery, cafes, florist, etc.), design district, antiques, home furnishings, etc.
5. Reserve first level managed parking for retailers: Restricted parking until 10:00 am, paid, valet, etc.
6. Install placemaking civic art and Walnut Street markers along Broad, Main and New Streets.

Retail Market Analysis

City of Bethlehem Walnut Street & Downtown Update

Gibbs Planning Group August 8, 2022

Executive Summary

This study finds the downtown Bethlehem and Walnut Street area have a combined demand to support up to 150,000 square feet of additional retail space, generating up to \$56 million in new commercial sales. This demand equates to 45-55 new stores and restaurants, or the expansion of existing businesses.

Walnut Street: The Walnut Street site can support approximately 32,000 sf total of new retail space equating to 12 to 20 stores and restaurants generating up to \$13 million in annual sales. The Walnut site has a demand for 21,000 sf of retail shops and 18,000 sf of restaurants. New businesses could include home furnishings, specialty foods, a gourmet grocery, breweries, full-service and quick casual restaurants. Note, the Walnut Street's 32,000 retail demand is included as part of the Historic District's 151,000 potential growth (not in addition to).

Downtown: The Historic District can support up to 151,000 square feet (sf) of new or repurposed retail space, equating to 45 to 55 stores and restaurants generating up to \$56.3 million sales annually. Businesses could include apparel, home furnishings, hardware, a gourmet market, breweries, full-service and quick casual restaurants.

The 2022 downtown demand represents a 25 percent decrease from our 2020 estimate of 207,000 new retail demand. The reduction reflects increased retail internet spending, reduced in office work time and increased preferences for casual wear at home. Additionally, demand for hardware, groceries, restaurant carry-out and home furnishings has increased in the downtown area, as well as nationally.

Walnut Street – 32,000 sf Total New Demand

9,400 sf Home-Office Furnishings & Garden (3-5 Stores)

7,200 sf Specialty Grocery (1 Market)

4,300 sf Specialty Foods- Cheese, Meats, Produce, etc. (2-3 Stores)

21,000 sf Total Retailers (7-10 Stores)

2,100 sf Breweries, Pubs

4,500 sf Full-Service Restaurants (2-3 Restaurants)

2,800 sf Quick Casual Restaurants (1-3 Restaurants)

2,300 sf Bakery, Coffee, Ice Cream, etc. (2-3 Stores)

12,000 sf Total Restaurants (5-10 Restaurants)

Downtown Historic District – 151,000 sf Total New Demand

14,400 sf Apparel, Jewelry, Gifts, Shoes (4-6 Stores)

31,000 sf Home & Office Furnishings , Hardware, Garden (6-10 Stores)

16,700 sf Specialty Grocery Store (1-2 Stores)

6,000 sf Specialty Foods- Cheese, Meats, Produce, etc. (2-3 Stores)

26,000 sf Other Retailers (10-14 Stores)

94,000 sf Total Retailers (25-30 Stores)

5,300 sf Breweries & Pubs (2-3 Pubs)

13,600 sf Full-Service Restaurants (5-6 Restaurants)

20,000 sf Quick Casual Restaurants (7-8 Restaurants)

18,400 sf Bakery, Coffee, Ice Cream, etc. (6-8 Stores)

57,300 sf Total Restaurants (20-25 Restaurants)

Retail Market Analysis
City of Bethlehem Walnut Street & Downtown Update
 Gibbs Planning Group August 8, 2022

<i>Retail Category</i>	<i>Total Demand</i>	<i>Estimated Sales Yr.</i>	<i>Est. Sales sf/ yr.</i>	<i>Est. New Supportable SF</i>	<i>No. of New or Expanded Businesses</i>
Retailers					
Florists	\$8,473,000	\$362,000	\$265	1,400 sf	1 Store
Furniture Stores-Home & Office	\$65,618,700	\$1,810,800	\$560	3,200 sf	1-2 Stores
Specialty Grocery Store	\$287,823,000	\$3,725,700	\$520	7,200 sf	1 Market
Home Furnishings Stores	\$47,121,600	\$1,134,500	\$375	3,000 sf	1-2 Stores
Garden Stores	\$12,725,600	\$474,700	\$265	1,800 sf	1 Store
Cheese, Meats & Produce	\$24,478,000	\$1,261,800	\$295	4,300 sf	2-3 Stores
Retailer Totals	\$446,244,000	\$8,769,500	\$380	21,000 sf	7-10 Stores
Restaurants					
Breweries & Pubs	\$23,808,500	\$777,700	\$370	2,100 sf	1-2 Pubs
Full-Service Restaurants	\$132,028,000	\$1,768,000	\$390	4,500 sf	2-3 Stores
Quick Casual Restaurants	\$142,032,700	\$822,300	\$290	2,800 sf	1-3 Stores
Bakery, Coffee, Ice Cream, etc.	\$37,397,200	\$733,900	\$315	2,300 sf	1-2 Stores
Restaurant Totals	\$335,266,300	\$4,102,000	\$341	11,700 sf	5-10 Stores
Retailer & Restaurant Totals	\$781,510,300	\$12,871,500	\$365	32,600 sf	12-20 Stores

Figure 5: Walnut Street retail demand for new or expanded businesses

Walnut Street Parking Structure Site
Residential Market Analysis



Prepared For
City of Bethlehem, Pennsylvania

Prepared By
Gibbs Planning Group

November 26, 2022



Walnut Street Parking Structure Site
Residential Market Analysis



Figure 1: View of Walnut Street parking structure site looking north.

Summary

This study finds the Walnut Street parking deck site affords an opportunity to provide a variety of rental multiple family residential dwellings in downtown Bethlehem ranging from small lofts to large upscale apartments. This residential will provide up to 125 market rate housing options that are underrepresented in the Leigh region.

Overall, the Walnut Street site can support up to 30 small lofts, 70 market and 25 upscale apartments priced from \$760 to \$3,700 per month. The units can range from 400 square feet (sf) studio lofts to 1,600 (sf) three-bedroom upscale apartments. The new housing will offer a range of market rate, low maintenance modern housing for new households, single parents, mid-career professionals and the college community.

Many of the apartment residents will travel frequently for business or leisure and, or move to other regions seasonally, minimizing the development’s overall parking demand. The larger upscale apartments may be especially appealing to empty nesters seeking to downsize into a smaller, new, minimal maintenance, well-appointed homes designed for their active lifestyles. Below a summary of the Walnut Street estimated apartment market demand:

20-30 Soft Lofts

- 400 sf -700 sf
- Studio – 2 Bedrooms
- \$760-\$1,300 monthly base rent
- 600 sf Unit Average (1)

60-70 Market Apartments

- 700 sf-1,300 sf
- 1 Bedroom – 3 Bedrooms
- \$1,400-\$2,700 monthly base rent
- 900 sf Unit Average (1)

20-25 Upscale Apartments

- 1,000 sf -1,600 sf
- 1 Bedroom – 3 Bedrooms
- \$2,400-\$3,700 monthly base rent
- 1,300 sf Unit Average (1)

(1) Unit average represents the overall residential building size per unit including common areas, NIC parking

Leigh Valley Multi-Family Market Summary

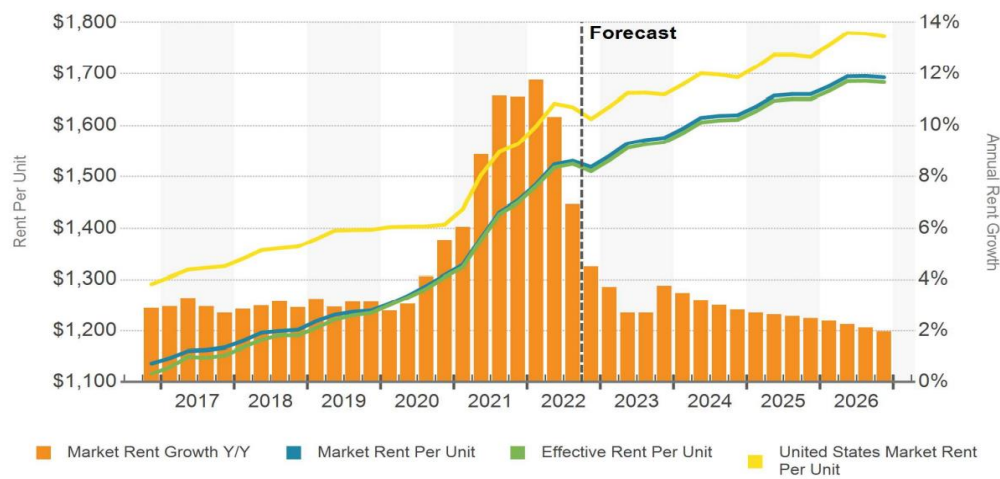
The Leigh Valley apartment market demand and inventory growth is steady for 3 to 5 star new units with an annual absorption of 147 units. The region includes 34,000 total apartment units with an average 3.5% vacancy rate. Unit average monthly asking price is \$1,521- \$1.67/sf/yr.

Leigh apartment rents were rising at a 5.2% annual rate during the fourth quarter of 2022 and have posted an annual average gain of 6.9% over the past three years. In addition to 2,500 units that have delivered over the past three years (a cumulative inventory expansion of 7.7%), there are 280 units currently underway. Vacancies were basically in line with the 10-year average as of the 2022 Q4 but trended upward over the past four quarters.

Employment in the Leigh metro was recently increasing at an annual rate of 4.7%, or a gain of about 17,000 jobs. While a positive result, this does represent the weakest rate of job creation in the past twelve months, which at one point was as high as 5.8% (Source: CoStar).

Figures 2-3: Leigh Valley multi-family market rent growth and vacancy rate forecast. Source: CoStar

MARKET RENT PER UNIT & RENT GROWTH



Vacancy

Lehigh Valley Multi-Family

VACANCY RATE

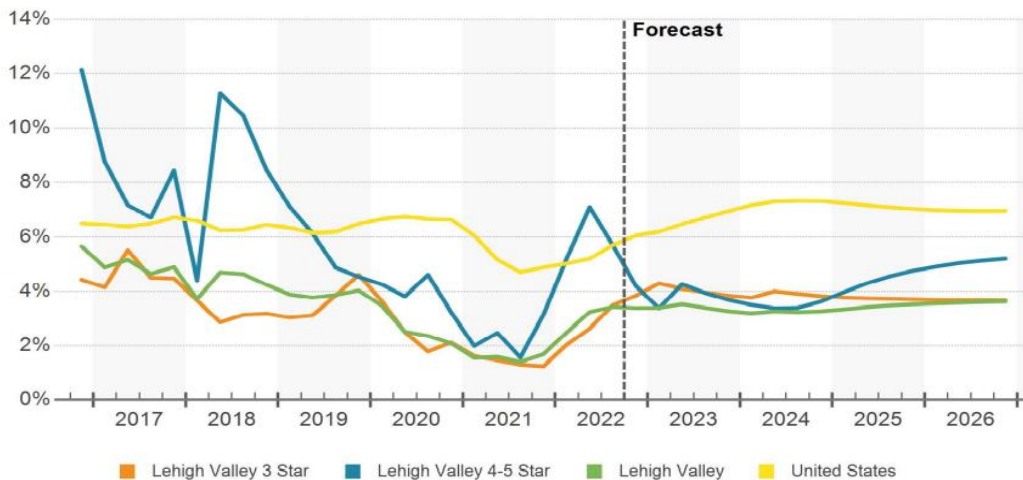




Figure 4: Above left, 2 W Broad Street includes 24 mid-rise apartments, 750 sf average unit size, \$1,500 average published CoStar asking monthly rental price. Above right, FIVE 10 Flats Apartments includes 95 rental units averaging 870 sf with a CoStar published average \$1,670 asking price.

Downtown Bethlehem Area Apartment Market

Multi-Family Inventory Summary

The downtown Bethlehem area’s existing apartment market encompasses approximately 1,150 dwellings, occupying 38 buildings, with a 30 units per building average. Apartments average 675 square feet with an average monthly asking price of \$1,777, \$1.67 sf/yr. with 0.2% rent concessions. The effective rent percent growth is 5.0%, up from 2.7% in 2021, with a vacancy rate of 6.3% (3rd Quarter 2022).

The downtown’s multifamily vacancy rate continues to tighten from 9.8% in the second quarter of 2022. Rent growth remains high, growing at an annual rate of 5.0 percent during the third quarter of 2022, representing regional and national trends for multi-family dwellings.

The moderate \$1.76 sf/yr. average rents represent their relative age and lack of modern amenities. Recently developed downtown area apartments’ published rents and occupancy levels indicate a strong enough market demand to potentially support new apartment construction.

The downtown’s SouthSide Arts District’s newer 2 W Broad Street includes 24 mid-rise apartments, 750 sf average unit size, \$2.02 - \$1,500 average published CoStar asking monthly rental price. FIVE 10 Flats Apartment building includes 95 rental units averaging 870 sf with a CoStar published average \$1.92 sf/mo. - \$1,670 asking price.

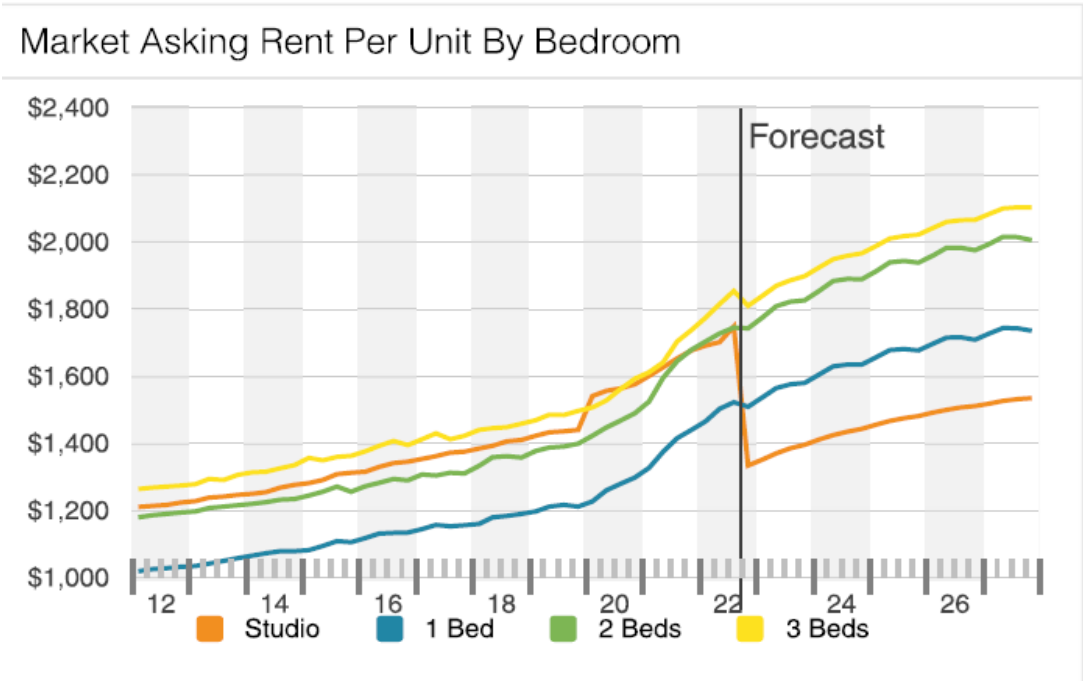
Note, FIVE 10 Flats advertise waiting lists for apartments and are building an additional apartment building SIX 10 adjacent to FIVE 10. (Images source: Property Web Site).

Residential Market Demographics

The Walnut Street primary residential demand will be based on the young to mid-level professionals and empty nesters currently living or working in the downtown, including the area’s colleges.

The site is surrounded with favorable multi-family market demographics located within 3 miles for new, moderate to upscale apartments including: 97,000 persons, 38,000 households, 20,000 1-2 person households, 3,400 businesses, 66,000 workers and 10,000 college students. The 3-mile median annual household incomes are \$64,500 and the median house values -\$248,000.

Figure 7: Downtown Bethlehem Multi-Family asking rental rates per bedroom. Source: CoStar



Residential Market Demographics (Cont.)

There are 192,000 persons, 7,100 businesses, 122,000 workers, 74,000 total households and 43,000 1-2 person households located within 5 miles of Walnut Street. The 5-mile median household incomes are \$64,300 and with \$107,000 average household incomes.

Further, this study estimates the site’s primary residential development’s overall market demand trade area extends 1 to 3 miles and includes 122,000 year-round residents. By 2024, the market area’s population is estimated to grow by 1,900 people, or 0.31 %. The number of households in the site’s market area will increase from 47,300 to 48,000 and will include an average of 2.44 people per household.

Nearly 30 % of the downtown’s market trade area’s residents over the age of 25 have earned a bachelor’s degree or higher, which is higher than that for the secondary trade area (28 %), on par with the MSA and slightly lower than that for Pennsylvania generally (32 %). Residents living in the residential market demand area have a median age of 39.5, which is slightly younger than that of Pennsylvania at 41.5.

Residential Market Lifestyle Demographics

As a part of this analysis, GPG purchased third-party demographic research prepared by ESRI. The data includes tapestry lifestyles, which creates 65 classifications, or lifestyle segments, that help determine purchasing patterns. These segments are broken down to the U.S. Census Block Group level and used by many national retailers to help determine future potential locations.

The most prevalent ESRI lifestyle groups in downtown Bethlehem include Parks and Rec, Front Porches, Fresh Ambitions, Exurbanites and Midlife Constants.

Figure 8: Walnut Street’s Residential Market Demographic Comparisons

<i>Demographic Item</i>	<i>1-Mile</i>	<i>3-Miles</i>	<i>5-Miles</i>	<i>Primary Market Area</i>	<i>Overall Market Area</i>
Population	30,000	97,000	192,000	101,000	265,000
Households	12,000	38,000	74,000	40,000	101,200
Total Housing Units	12,000	40,600	70,000	42,100	106,800
Total Vacant	1,100 – 8.5%	2,300 - 5.7%	4,000 - 5.2%	2,200- 5.3%	6,700 – 6.2%
College Student Housing Units	3,300 units	4,100 units	4,700 units	4,300	4,700
Owner Occupied Housing	4,500 – 40%	21,000	44,000	22,500- 53%	54,200 – 51%
Renter Occupied Housing	7,000 – 60%	17,000	30,000	17,400 – 41%	47,200 – 43%
1-Person Households	4,300 – 30%	12,000	20,000	12,000 – 44%	27,600 - 43%
2-Person Households	3,000 – 53%	8,200 -60%	23,000 -	12,500 – 70%	29.300 – 67%
Median House Value	\$170,300	\$207,300	\$230,000	\$212,000	\$215,800
Average House Value	\$214,000	\$248,000	\$265,000	\$242,000	\$245,600
Total Businesses	1,500	3,400	7,100	3,300	9,500
Total Employees	36,000	66,000	122,000	63,100	148,000
Median Household Income	\$52,100	\$64,500	\$65,000	\$64,300	\$59,300
Average Household Income	\$73,200	\$88,800	\$107,000	\$89,500	\$84,100

Residential Market Lifestyle Demographics (Cont.)

Parks and Rec: The downtown residential market area’s most prominent lifestyle group is “*Parks and Rec*,” which represent 15.2 % of downtown’s market trade area households. They live in lower-density and well-established neighborhoods throughout the country. The average household size is 2.5, and many are two-income married couples approaching retirement age.

They tend to live in mostly older neighborhoods with homes built before 1970 and are primarily homeowners with about 30% renters. The median home value for this group is \$198,500.

Parks and Rec residents place a high importance on practicality and are very budget-conscious consumers. The workforce among this group is diverse, and includes professionals in health care, retail trade and education and skilled workers in manufacturing and construction. Their median household income (\$60,000) is higher than the US median and their net worth is \$125,500, which is also higher than the US median of \$93,300.

Members of this group frequently visit local parks and engage in recreation activities. They tend to pass time at home watching documentaries. For an outing, they choose to dine at family-style restaurants and attend movies. They gamble on lottery tickets and practice poker and blackjack skills online.

They tend to use cell phones for calls and texts only. In terms of purchasing patterns, these consumers are financially shrewd and carefully research big-ticket purchases. Convenience is important in the kitchen; they regularly use frozen or packaged main course meals. *Parks and Rec* residents also tend to stock up on staples at warehouse clubs.

Residential Market Lifestyle Demographics (Cont.)

Front Porches: *Front Porches* are a blend of household types, with more young families with children or single households than average. This group has a \$43,700 median household income and more than half of households are renters. Many homes are duplex, triplex or quad and three-quarters of all homes were built before 1980. When shopping, they are not adventurous, and price is more important than brand names or style and go online for gaming, watching movies, employment searches and posting pics on social media. About 13% of the market trade area households are defined as *Front Porches*.

Fresh Ambitions: This group is composed of young families, many of whom are recent immigrants focusing life and work around their children. *Fresh Ambitions* residents are not highly educated, but many have overcome the language barrier and earned high school diplomas. They are on the edge of poverty but ambitious, working overtime in service and skilled or unskilled occupations, and their income is often supplemented with public assistance and social security.

Nearly 9.8% of residential market trade area households are classified as belonging to this group. They earn a modest \$26,700 median household income and predominantly rent their homes. This group has a median age of 28.6 years old. As shoppers, they are price-conscious and budget around their children and families.



Figure 9: The proposed Walnut Street residential development will offer an upscale, low maintenance lifestyle alternative for the area's empty nester residents, including the downtown's historic district's households. Above, representative downtown historic district homes.

Exurbanites: About 9.3% of the downtown's residential trade area households are classified as *Exurbanites*, a group that is approaching retirement but are active in the community and shows little sign of slowing down. They take advantage of their proximity to large metropolitan areas but prefer more expansive home style in less crowded neighborhoods.

They have an affluent household income of \$103,400 and a majority are empty nesters. In terms of purchasing patterns, these residents are interested in quality over cost. They shop for organic food products and take pride in their homes by spending on gardening and home improvement projects.

Midlife Constants: These residents are seniors, and about 42% of *Midlife Constants* residents are receiving Social Security. Traditional and not trendy, they are more country than urban and have lived in the same house for many years. Their median household income (\$53,200) is below average but their median net worth (\$138,300) is above average. They are attentive to price but not at the expense of quality. *Midlife Constants* residents like to contribute to arts/cultural, educational, health and social service organizations and belong to clubs. Technology has its uses, but bells and whistles are a bother. *Midlife Constants* opt for convenience and comfort, not the cutting-edge.

Employment Base

Daytime employment potentially creates a demand for residential offering a convenient alternative to distant commuting. The downtown market trade area is estimated to have 60,000 employees, and 26,000 of them are office employees. The mix of employees throughout the ten-minute drive time varies from the primary market trade area most noticeably in the services industry sector, with an additional 4,800 employees within the primary market area compared to the 10-minute drivetime.

Services, retail and finance, insurance & real estate (FIRE) employ the most people by industry inside the 10-minute drivetime with 47,000, 7,200 and 2,800 jobs, respectively.

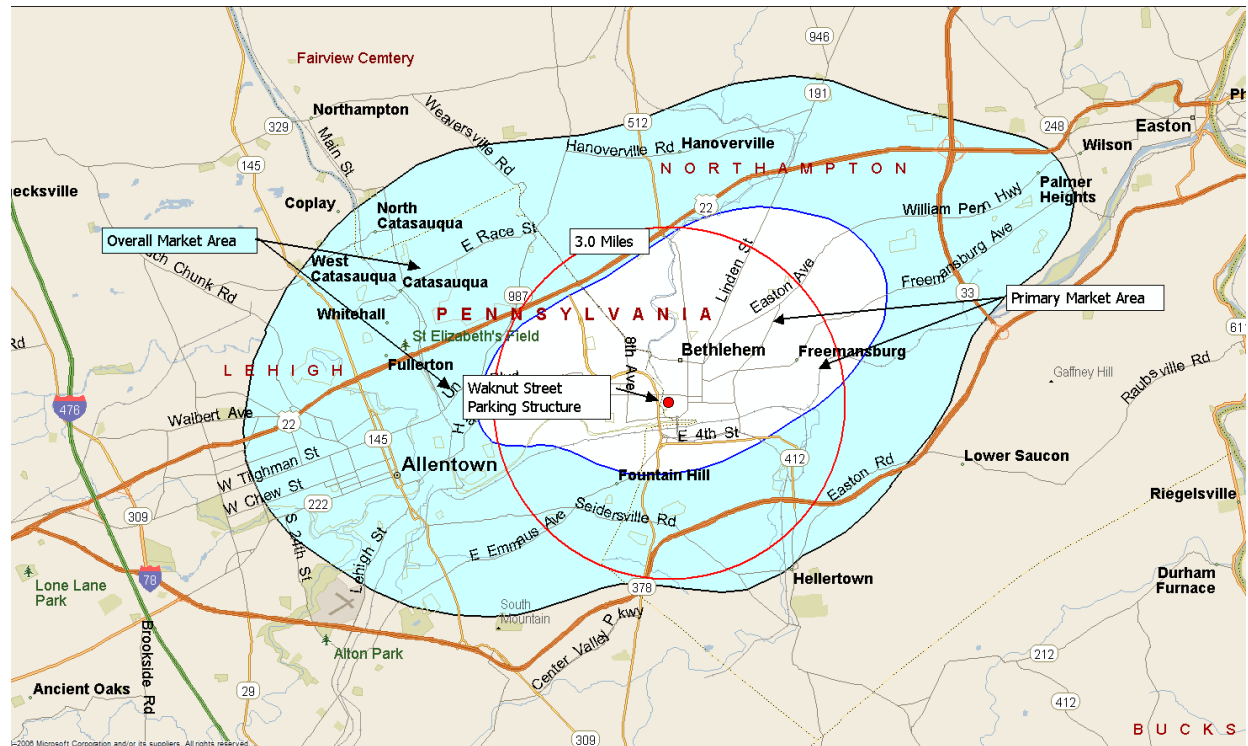


Figure 10: Above, Walnut Street residential estimated overall trade area shown above in blue and the primary market trade area in white

The employment picture found in the downtown's market area reflects a concentrated services and retail trade sector foundation, comprising 74.6 % of total employment. Compared to the overall market trade area, MSA and Pennsylvania as a whole, the percentage of employees in the primary trade area engaged in the services sector is high and manufacturing and government sectors is low.

As shown in Figure 11 below, the services sector employs the single largest percentage (64.1 %) of people in the Walnut Street market trade area. This proportion of workers engaged in the services sector is higher than that for the secondary trade area, the MSA and Pennsylvania. Within the market area's services sector, the largest percentage (24.8 % of total employment in the primary trade area) work in other services, followed by 24 % in health services and 9.4 % in education institutions & libraries.

As the second leading category of employment, retail workers account for 10 % of employment within the primary trade area. Within this category, eating & drinking places is the leading subcategory of employment comprising 4.5% of total employment, followed by miscellaneous retail (2.2 %) and food stores (1.2 %).

Figure 11: Market Area Employment Comparisons

<i>Employment Sector</i>	<i>Market Trade Area</i>	<i>Overall Trade Area</i>	<i>Allentown-Bethlehem-Easton MSA</i>	<i>Commonwealth of Pennsylvania</i>
Agriculture and Mining	0.5%	0.7%	1.0%	1.3%
Construction	2.6%	3.8%	3.7%	3.9%
Manufacturing	6.1%	6.3%	8.8%	9%
Transportation	2.2%	2.6%	2.8%	3%
Communication	0.8%	0.9%	0.8%	0.7%
Utility	0.2%	0.4%	0.4%	0.5%
Wholesale Trade	5.5%	4.6%	4.2%	4.1%
Retail Trade	10.5%	18%	18.6%	19%
Finance, Insurance & Real Estate	4.5%	5.7%	4.5%	6.1%
Services	64.1%	53.1%	50%	46.7%
Government	2.7%	3.7%	4.5%	5.2%
Unclassified	0.2%	0.4%	0.6%	0.5%

Recommended Residential Development Program

Overall, assuming best practices, the Walnut Street site can support up to 30 small lofts, 70 market and 25 upscale apartments priced from \$760 to \$3,700 per month. The units can range from 400 square feet (sf) studio (soft) lofts to 1,600 sf three-bedroom upscale apartments. The new housing will offer affordable and market rate, low maintenance modern housing for new households, single parents, mid-career professionals and the college community.

The proposed residential development will build on the downtown’s historic character, walkability and a desirable urban lifestyle. Many of the apartment residents will travel frequently for business or leisure and, or move to other regions seasonally, minimizing the development’s overall parking demand. The larger upscale apartments may be especially appealing to empty nesters seeking to downsize into a smaller, new, minimal maintenance, well-appointed homes designed for their active lifestyles.

Below a summary of the Walnut Street estimated apartment market demand:

20-30 Soft Lofts

The modest, small apartments should be designed to offer entry level rental dwellings with open floor plans and generous natural daylight. The lofts should range from 400 sf to 700 sf and should be appointed with contemporary designs, open ceilings and minimal room separations. Where possible, the units should include small indoor-outdoor spaces or French-type balconies.

Durability, costs, and design and should be the primary criteria when selecting finishes and materials. Living areas, kitchens and baths should feature ‘industrial or builder grade’ hardware, counters, cabinets, lighting, appliances and finishes.



Figure 12: The Walnut Street loft apartments should feature modern, builder grade kitchens and baths. Attractive outside common areas should be available to all the development's residents and guests.

Soft Lofts (cont.)

The lofts should be located in their building's off-prime areas, with modest views and remote parking access to minimize their cost. Due to their smaller size, residents will expect a convenient walk to shopping and dining as well parks and cultural events.

On average, these new units should be offered at a base rent of \$760 to \$1,300 per month. Modest premiums for custom interior finishes, unit locations and parking could be offered for up to 20 % of the overall loft total units.

Recommended Soft Loft Features:

- Compact, efficient space
 - 400 sf studios - \$760 mo. (\$1.90 sf/mo.)
 - 500 sf 1 bedroom/ 1 bath- \$950 mo. (\$1.90 sf/mo.)
 - 700 sf 2 bedroom/2.0 baths - \$1,300 mo. (\$1.85 sf/mo.)
- Open living spaces, minimal wall separations
- Compact kitchens and bathrooms
- Exposed structural and building materials: Concrete block, electrical, exposed beams, etc.
- Generous windows & natural daylight
- French or small balconies
- Builder or industrial grade hardware, finishes, fixtures, cabinets, flooring & surfaces
- Minimal, remote on-site parking spaces
 - Studio: 0.5 spaces/unit
 - 1 Bedroom: 1.0 spaces/unit
 - 2 Bedroom: 1.5 spaces/unit
- Optional, in unit, half lofts sleeping areas
- Common outdoor, roof-top or garden entertainment space

20-25 Upscale Apartments:

- The upscale apartments are proposed as a rental alternative to home ownership for mid-career professionals and downsizing empty nesters. The downtown historic district location affords a walkable setting for dining, entertaining and cultural events generally unavailable in much of the Leigh area's suburban clusters.
- The apartments should be designed as 'best-in-class' in the greater Leigh region and appointed to provide a smaller, lifestyle upgrade from the occupants' existing older homes.
- The apartments should be available as 1,000 sf 1-bedroom, 1,200 sf 2-bedroom and 1,600 sf 3-bedroom formats, with small dens or work at home areas. Estimated supportable base monthly rents: 1-bedroom-\$2,400, 2-bedroom-\$2,800 and 3-bedroom-\$3,700.



Figure 13: The upscale apartments should offer larger, open living spaces, with custom finishes and features similar to upscale single-family homes and condominiums. The apartments should also include secured, attractive lobbies with part-time attendants.

Well-appointed kitchens and bathrooms specified with modern custom cabinetry, premium appliances, designer fixtures, lighting finishes and laundry rooms should be specified in each apartment. The units should also offer larger, modern designed open living and dining areas with 9' ceilings, custom moldings and built ins.

Optional fireplaces, dens, specialty flooring, wall coverings and custom finishes should be available as an upgraded rate. Each unit should include landscaped patios or decks and secured building storage rooms. The units should also be located for extended natural daylight and prime city or river views.

Recommended Upscale Apartment Features

- Open, combined kitchen, dining & living areas
- Large baths and kitchens with premium designer fixtures
- Moderately sized bedrooms, with walk-in closets and built-in storage
- Off-set dens or home office areas
- Effective sound deadening between floors and adjacent apartments
- Central, quiet, independent HVAC systems
- Generous outside balconies or patios
- Adjacent, reserved, covered parking:
 - 1 Bedroom: 1.5 spaces/unit
 - 2 Bedroom: 2.0 spaces/unit
 - 3 Bedroom: 2.0 spaces/unit

Recommended Upscale Apartment Features

- Well-appointed semi-private unit entry doors and surrounds from interior hallways
- Upscale, custom moldings, cabinets, flooring, doors, windows
- Common outdoor, roof-top or garden entertainment space
- Base monthly rents, NIC utilities & options
 - 1,000 sf 1 Bedroom / 1.5 Bath - \$2,400 mo. (\$2.40 sf/mo.)
 - 1,200 sf 2 Bedroom / 2 Bath - \$2,820 mo. (\$2.35 sf/mo.)
 - 1,600 sf 3 Bedroom / 2.5 Bath - \$3,680 mo. (\$2.30 sf/mo.)
- Convenient, reserved adjacent covered or enclosed parking
- Secured building foyers, with part-time attendants
- Secured on-site storage closets
- Secure elevator bank access
- Enclosed, wide, upscale common hallways
- Optional fireplaces, custom wall finishes, flooring, lighting and fixture's

Figure 14: Recommended Walnut Street Parking Residential Development Summary

<i>Residential Type</i>	<i>Number of Units (5)</i>	<i>Unit Configuration</i>	<i>Parking/Unit (1)</i>	<i>Unit Mix</i>	<i>Base Monthly Rent</i>	<i>Base Unit Size</i>	<i>Base Rent -Sale Price per sf/month (2) (3) (4)</i>
Soft Lofts	20-30 Units	Studio / 1 Bath 1 Br. / 1 Bath 2 Br. / 1.5 Baths	0.5 1.0 1.5	20 % 60 % 20 %	\$760 mo. \$950 mo. \$1,300 mo.	400 sf 500 sf 700 sf	\$1.90 sf \$1.90 sf \$1.85 sf
Market Apartments	60-70 Units	1 Br. / 1 Bath 2 Br. / 2 Bath 3 Br. / 2.5 Bath	1.0 1.2 1.5	40 % 50 % 10 %	\$1,440 mo. \$1,850 mo. \$2,670 mo.	700 sf 900 sf 1,300 sf	\$2.10 sf \$2.05 sf \$2.05 sf
Upscale Apartments	20-25 Units	1 Br. / 1.5 Bath 2 Br. / 2 Bath 3 Br. / 2.5 Bath	1.5 2.0 2.0	40 % 45 % 15 %	\$2,400 mo. \$2,820 mo. \$3,680 mo.	1,000 sf 1,200 sf 1,600 sf	\$2.40 sf \$2.35 sf \$2.30 sf
Total	100-125 Units (5)						
Assumptions							
(1) On-Site parking, NIC on-street parking							
(2) No cost assigned for residential or parking land areas							
(3) Parking development costs comparable to Bethlehem region suburban residential projects							
(4) Base residential unit amenities, features, location, parking, etc.							
(5) Total estimated supportable new residential units assuming developed per industry best practices							

Downtown Historic District Characteristics:

Location

The City of Bethlehem, of which the North Historic District is a part, is 20 square miles. It is in eastern Pennsylvania, 50 miles northwest of Philadelphia and 90 miles west of New York City. Bethlehem has a rich colonial and industrial heritage and historically served as the headquarters of the Bethlehem Steel Corporation, once the country's second-largest steel producer.

Downtown Historic District Characteristics (Cont.)

The downtown is situated on the north bank of the Lehigh River. It encompasses roughly one-third square miles and is bordered by East Walnut and East Broad Streets to the north, 1st Avenue to the west, Linden Street to the east and the Lehigh River to the south.

In total, the downtown includes about 50 shops, 40 restaurants, 5 hotels and numerous historic attractions such as the Moravian Museum, Colonial Industrial Quarter, and the Moravian Book Shop (America’s oldest bookstore).

Most of the district’s shopping is concentrated along Main Street between Church and West Broad Streets. The Historic District is anchored by City Hall and the adjacent Bethlehem Area Public Library (both just north of Center Street), as well as Moravian College. Its walk score is 86, which classifies it as “very walkable.”

Access

Regional linkage is strong in the market area. The Historic District and South Side Arts District are connected by three bridges across the Lehigh River: Hill to Hill Bridge, Fahy Bridge and Mansi Trail Bridge. Significant traffic enters the study area from the north via U.S. 22 and Schoenersville Road, from the south via I-78, PA 378 and Hellertown Road, and from the east and west via PA 378, Union and Stefko Boulevards. Furthermore, there is a dense urban grid and network of streets and sidewalks surrounding the downtown that make them easily accessible.



Figure 15: The Historic District (pictured above) is one of Bethlehem’s two downtowns (the other being the Southside Arts District).

Christmas City Tourism

Bethlehem is known as “The Christmas City” and the holiday is central to the city’s identity. In fact, it was on Christmas Eve in 1741 that the community was christened “Bethlehem.” Every year, from November 22nd to December 22nd, the North Historic District and South Arts District host Christmas markets filled with artisan craft and retail vendors.

The largest and most popular of these are Christkindlmark and Weihnachtsmark. Christkindlmark in the South Arts District is a German-style holiday market that features 125 vendors. After Christkindlmarkt relocated to south Bethlehem, Main Street in the North Historic District added its own Christmas city village called “Weihnachtsmark” that is an open-air German-style market set up in wooden seasonally decorated huts.

Wind Creek Bethlehem

What is now Wind Creek Bethlehem originally opened as Sands Casino Resort Bethlehem in 2019. Today the Wind Creek Bethlehem resort features a casino, hotel, shopping, restaurants, a spa and family entertainment. More specifically, the 180,000 sf casino floor has over 3,000 slot machines and 200 table games. The resort’s hotel is a 282-room AAA Four Diamond Hotel with over 12,000 sf of meeting space and a wide range of eateries that include

Wind Creek Bethlehem (Cont.)



Figure 16: In May 2019 Wind Creek Hospitality purchased Wind Creek Bethlehem for \$1.4 billion.

three signature restaurants from celebrity chef Emeril Lagasse – Emeril’s Chop House, Burgers and More by Emeril and Emeril’s Fish House. Wind Creek Bethlehem also includes the Steel Magnolia Spa & Salon and a family entertainment and childcare facility (Kids Quest and Cyber Quest).

Additionally, an indoor shopping center (The Outlets at Wind Creek Bethlehem) connects the casino and hotel. Opened in 2011, The Outlets at Wind Creek Bethlehem features 130,000 sf of retail space and includes retailers such as Coach, Best Buy Express, DKNY, GUESS Factory Store, Kay Jewelers Outlet, Michael Kors, Tommy Hilfiger and Van Heusen. This shopping center, as well as the larger Wind Creek Bethlehem resort, is owned by Wind Creek Hospitality.

The owners have announced plans to expand the resort in the near future. Indeed, in 2020 Wind Creek Bethlehem will begin construction on two new projects. The first will be a \$90 million hotel with 276 guest rooms and 42,000 sf of meeting space, and the second will be a 300,000 sf adventure and water park.



Figure 17: Lehigh University’s picturesque campus (pictured on the left) spans 2,300 acres. Farrington Square (pictured on the right) is a recent addition to the northern section of campus and includes housing, local shops and fast casual eateries.

Lehigh University

Located in southern Bethlehem, roughly one mile south of the North Historic District, Lehigh University is home to 7,000 undergraduate and graduate students. Its scenic campus is on the wooded slope of South Mountain and spans 2,300 acres. Lehigh University has four colleges (the P.C. Rossin College of Engineering and Applied Science, the College of Arts and Sciences, the College of Business and Economics and the College of Education) and offers over 100 degree programs.

Lehigh University (Cont.)

In its most recent edition of school rankings, *U.S. News & World Report* ranked Lehigh as tied for 50th among national universities, 26th for “Best Value Schools” and 30th for “Best Undergraduate Teaching.” Recently, the university opened Farrington Square, a project to help facilitate downtown revitalization and blur the boundary between campus and City of Bethlehem. Farrington Square is home to the Bethlehem Farmer’s Market, the university bookstore, the university postal office, an ice cream shop and a café.

Desales University

This private Catholic university of 3,500 students is situated 5.5 miles northeast of the downtown historic district. DeSales University was established in 1964 and today offers 40 bachelor’s degrees, seven graduate degrees and two doctoral programs. The 2020 edition of *Best Colleges* from *US News & World Report* ranked DeSales University as 59th in “Regional Universities North,” 36th in “Best Value Schools,” and 33rd in “Best Colleges for Veterans.”

Northampton Community College

Northampton Community College is a public community college with campuses in Bethlehem Township and Tannersville, Pennsylvania. The college was founded in 1967 and serves more than 34,000 students in over 100 fields, offering associate degrees, certificates and diplomas. It is the only community college in Pennsylvania that offers on-campus housing. The NCC is one of the largest regional employers with 1,700 full- and part-time employees, and the Bethlehem campus has a 21:1 student-to-faculty ratio. Northampton Community College’s Bethlehem campus encompasses 200 acres and is located 5 miles northeast of the North Historic District.



Figure 18: Moravian College’s Priscilla Payne Hurd Campus occupies a portion of the North Historic District in downtown Bethlehem, including several historic buildings such as the Brethren’s House (right), built in 1748.

Moravian College

Founded in 1742, this small liberal arts college of 1,700 full-time students is the sixth-oldest college in the country and the first to educate women. Moravian College offers degrees in more than 50 areas of study, and the school has more than 80 different clubs and organizations. The *Princeton Review* has ranked Moravian College among the top 13 % of four-year colleges, and the *Bloomberg Business Week* has ranked the school among the top 25 % of four-year colleges.

Moravian College’s south campus is known as the Priscilla Payne Hurd Campus and is in Bethlehem’s North Historic District. The college’s art and music programs are based on the Priscilla Payne Hurd Campus, and many of its buildings are historic, having been built during the Colonial Period.



Figure 19: Bethlehem is located in southeastern Pennsylvania, 40 miles north of Philadelphia and 80 miles west of New York City.

Market Analysis Assumptions

Gibbs Planning Group, Inc. has assumed the following factors in the completion of this residential market analysis:

- No competitive residential projects will be developed in the Bethlehem downtown areas of this analysis through 2027 or the opening and stabilization of the subject Walnut Street development.
- The Bethlehem region's economy will continue at normal or above normal ranges of employment, inflation, retail demand and growth.
- The subject residential development will be planned, designed, built and managed to the best practices of the American Institute of Architects, American Planning Association, American Society of Landscape Architects, Congress for New Urbanism, International Council of Shopping Centers, The Urban Land Institute and other applicable practices.

Limits of Study

The findings of this study represent GPG's best estimates for the amounts and types of multiple-family residential units that may be reasonably supportable in the Walnut Street proposed parking structure's location. Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible and are believed to be reliable.

This study is based on estimates, assumptions, and other information developed by GPG independent research effort, general knowledge of multi-family residential the industry, and consultations with the client and its representatives. This study is designed as objective third-party research and GPG does not recommend that any or all of the supportable retail be developed in the study area.

No responsibility is assumed for inaccuracies in reporting by the client, its agent and representatives or in any other data source used in preparing or presenting this study. This report is based on information that was current as of August 2022 and GPG has not undertaken any update of its research effort since such date.

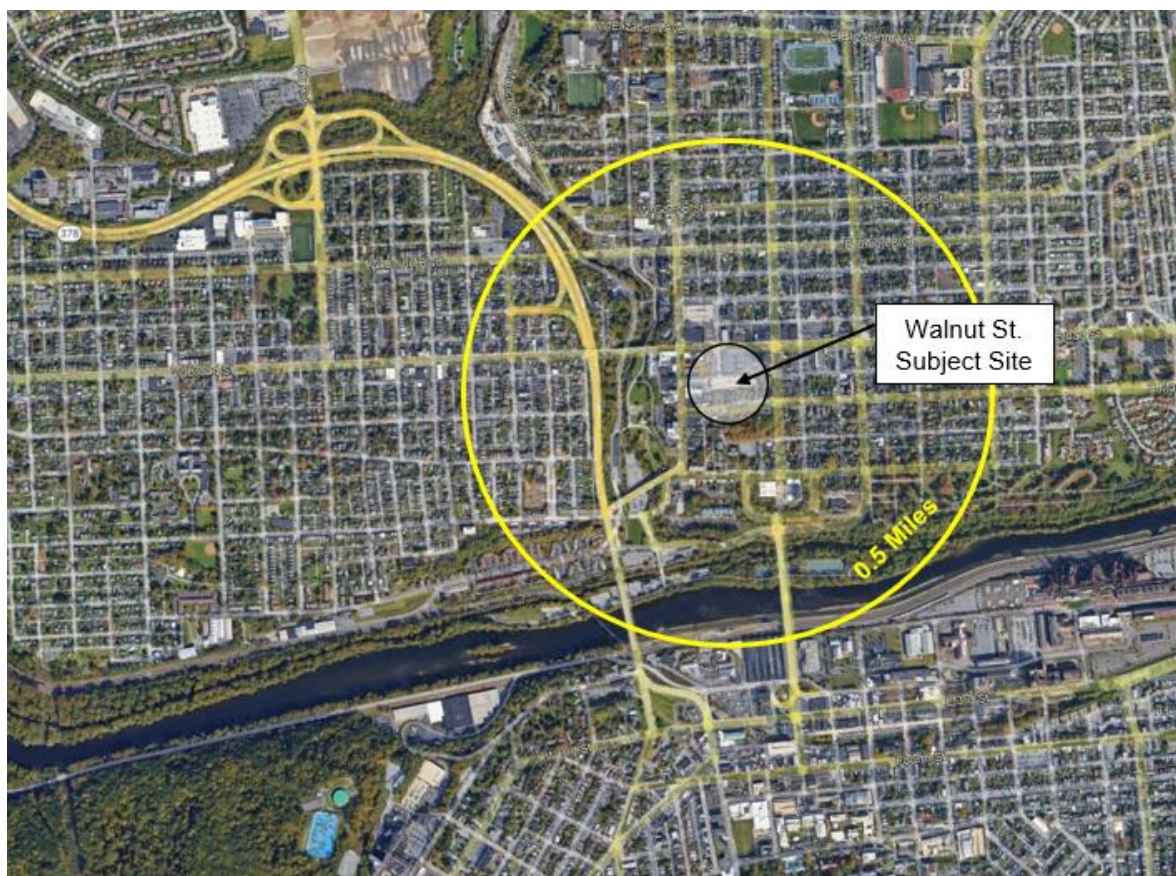


Figure 20: View of Walnut Street parking structure location and the greater downtown Bethlehem area.

This report may contain prospective financial information, estimates, or opinions that represent GPG’s view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted.

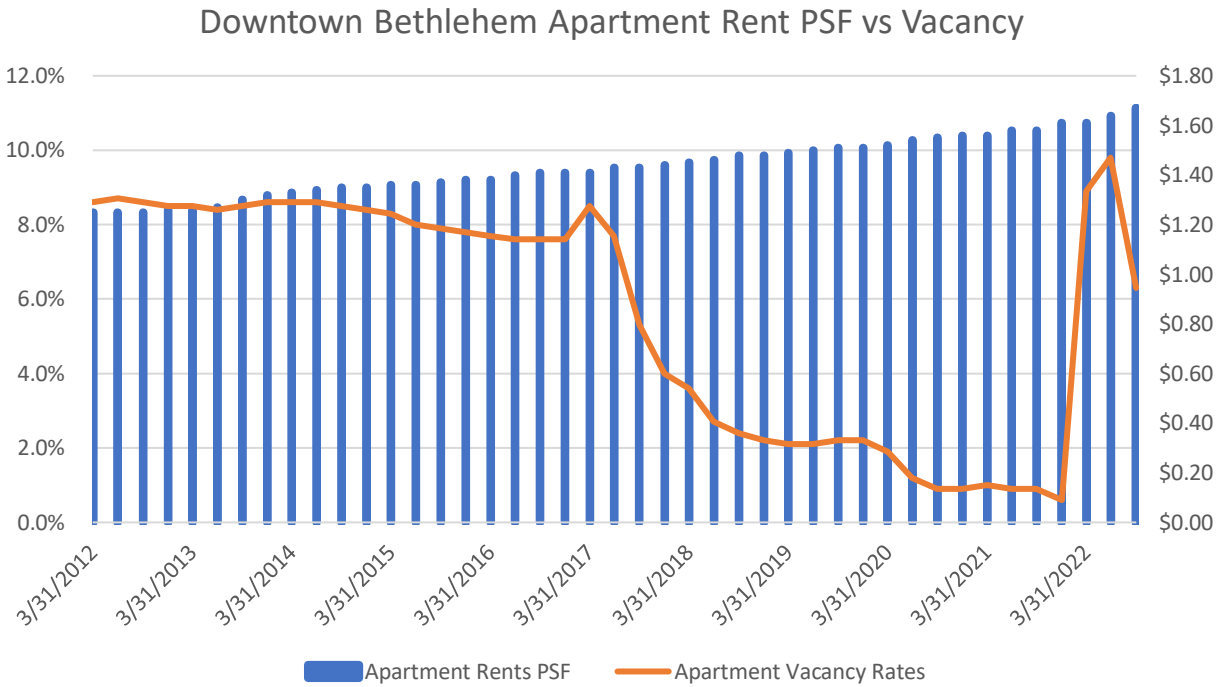
The actual amounts of supportable residential could be significantly higher or lower depending on multiple market and not market factors including the type, design and quality of the new development. It is plausible that with well-designed buildings and public realm, it could attract residential demand from beyond this study’s estimated market area boundaries and considerably outperform the site’s location and limited market potential. This would require an extraordinary design, amenities, management and other factors. On the other hand, a poorly implemented and managed development could underperform the location and the estimates of this study.

Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by GPG that any of the projected values or results contained in this study will be achieved.

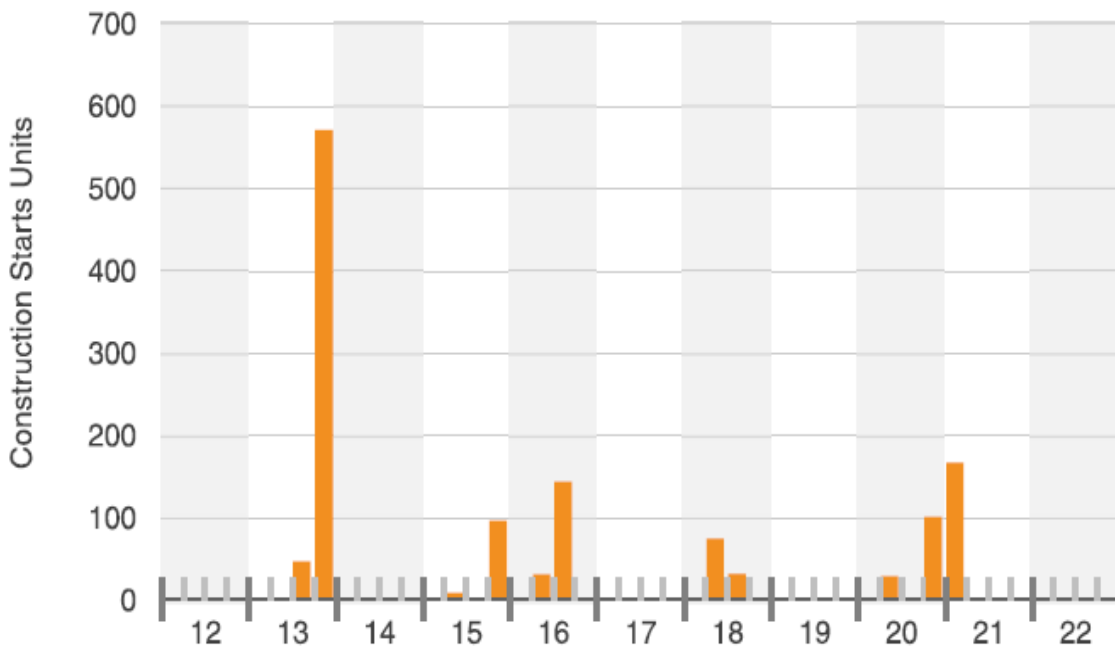
This study should not be the sole basis for programming, planning, designing, financing, or development of any real estate building. This market is intended to offer potential market insights for the preliminary development programming of the proposed Walnut Street parking structure. This study is exclusively for the use of the City of Bethlehem and void for other locations and organizations.

END OF STUDY

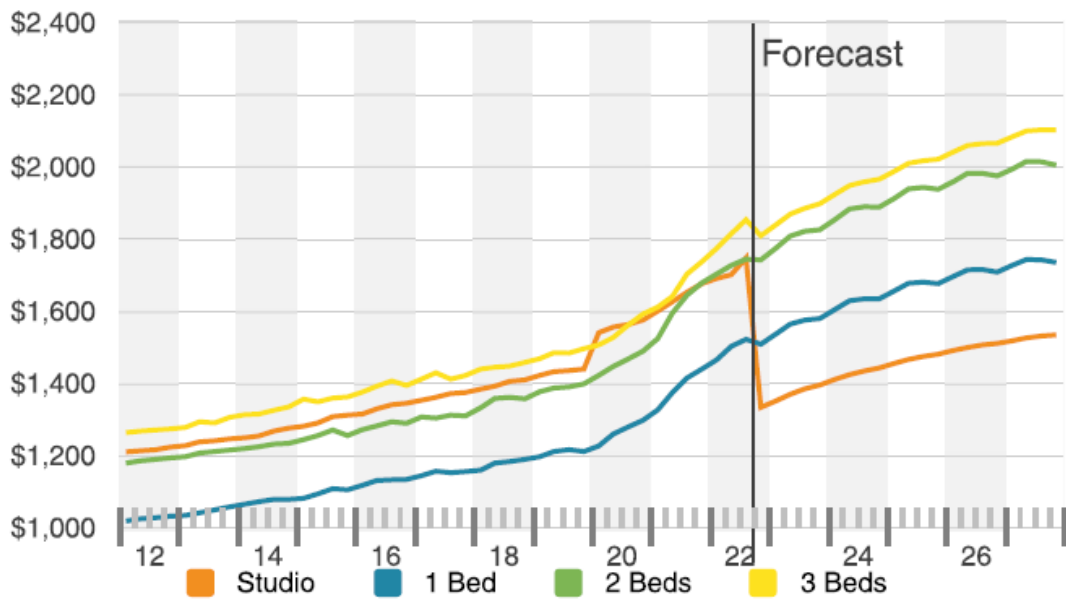
Downtown Bethlehem Area Existing Residential Rental Inventory & Rental Rates *Source: CoStar*



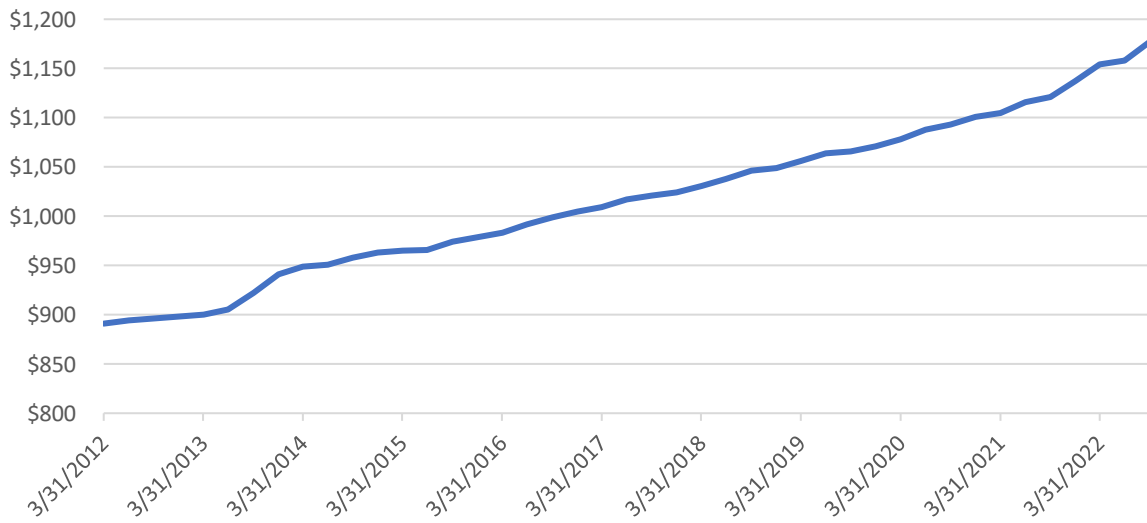
Construction Starts



Market Asking Rent Per Unit By Bedroom



Downtown Bethlehem Market Rent Per Unit



Search Analytics

INVENTORY UNITS 2,072 +2.5% <small>Prior Period 2,022</small>	UNDER CONSTRUCTION UNITS 100 -33.3% <small>Prior Period 150</small>	12 MO ABSORPTION UNITS 52 +76.5% <small>Prior Period 30</small>	VACANCY RATE 1.5% -0.2% <small>Prior Period 1.7%</small>	MARKET RENT/UNIT \$1,973 -3.4% <small>Prior Period \$1,938</small>	MARKET SALE PRICE/UNIT \$284K +6.8% <small>Prior Period \$269K</small>	MARKET CAP RATE 5.4% +0% <small>Prior Period 5.4%</small>
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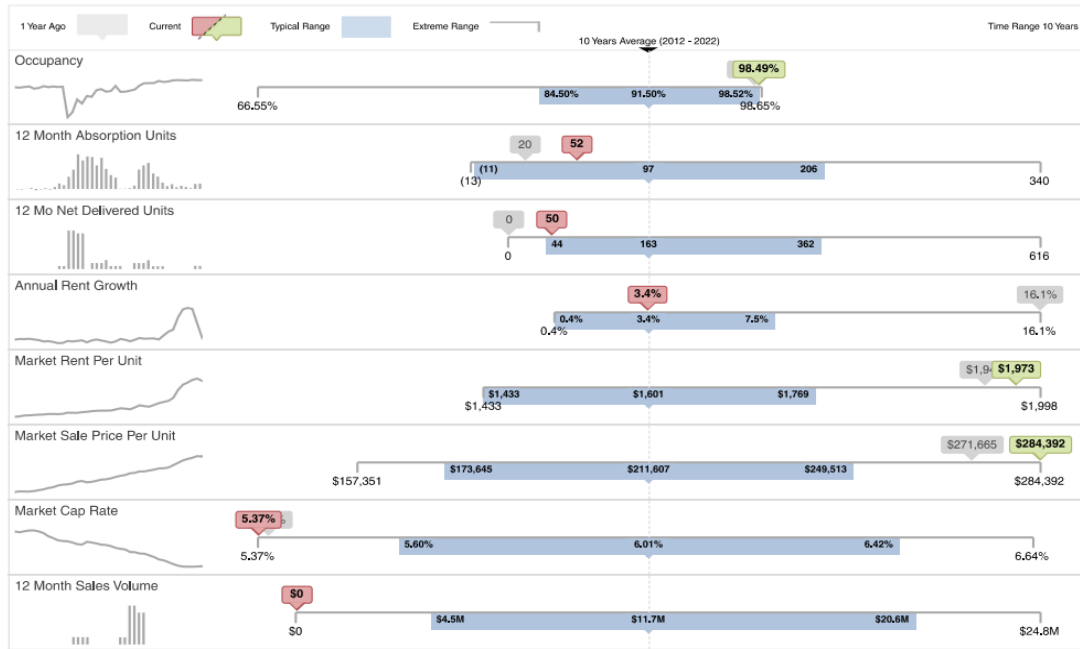
Key Metrics

Availability		Inventory	
Vacant Units	31 ↓	Existing Buildings	16 ↑
Asking Rent/SF	\$1.95 ↑	Average Units Per Bldg	130 ↓
Concession Rate	0.3% ↑	12 Mo Demolished Units	0 ↓
Studio Asking Rent	\$3,133 ↑	12 Mo Occupancy % at Delivery	96.0%
1 Bedroom Asking Rent/Unit	\$1,836 ↑	12 Mo Construction Starts Units	0 ↓
2 Bedroom Asking Rent/Unit	\$2,061 ↑	12 Mo Delivered Units	50 ↑
3 Bedroom Asking Rent/Unit	\$2,313 ↑	12 Mo Avg Delivered Units	50

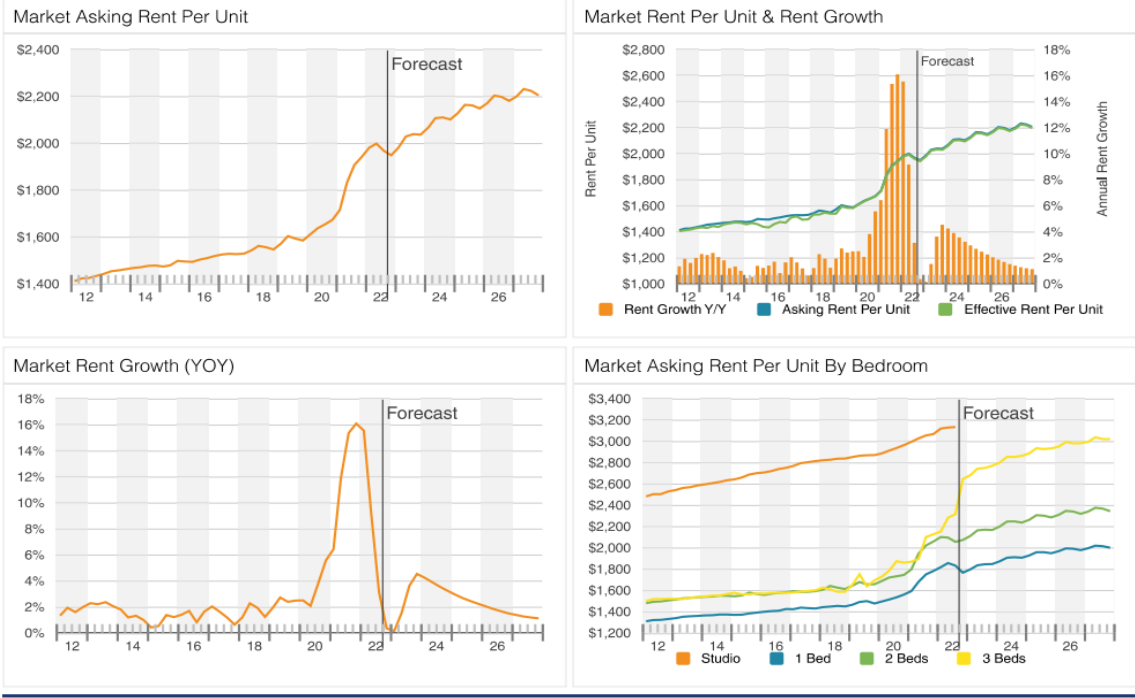
Sales Past Year		Demand	
Asking Price Per Unit	-	12 Mo Absorp % of Inventory	2.5% ↑
Sale to Asking Price Differential	-	Median Household Income	89.9K
Sales Volume	\$0 ↓	Population Growth 5 Yrs 20-29	-4.7%
Properties Sold	0 ↓	Population Growth 5 Yrs 30-39	-3.5%
Months to Sale	-	Population Growth 5 Yrs 40-54	8.6%
For Sale Listings	1	Population Growth 5 Yrs 55+	4.4%
Total For Sale Units	-	Population Growth 5 Yrs	2.0%

Search Analytics

Key Performance Indicators



Search Analytics



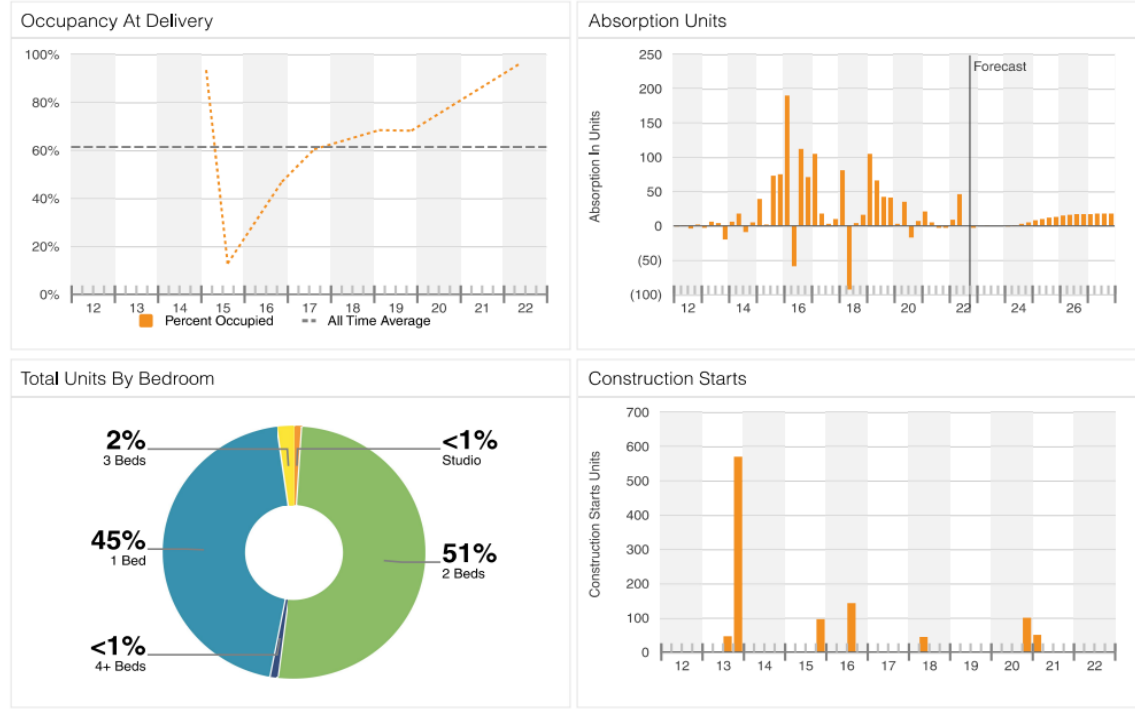
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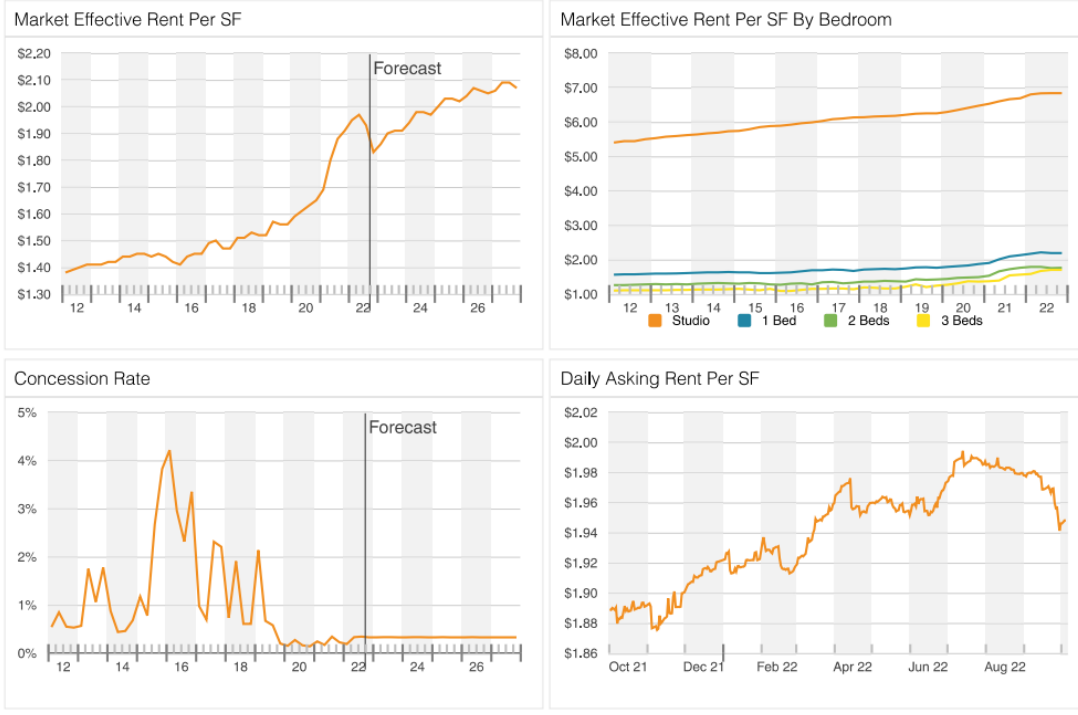
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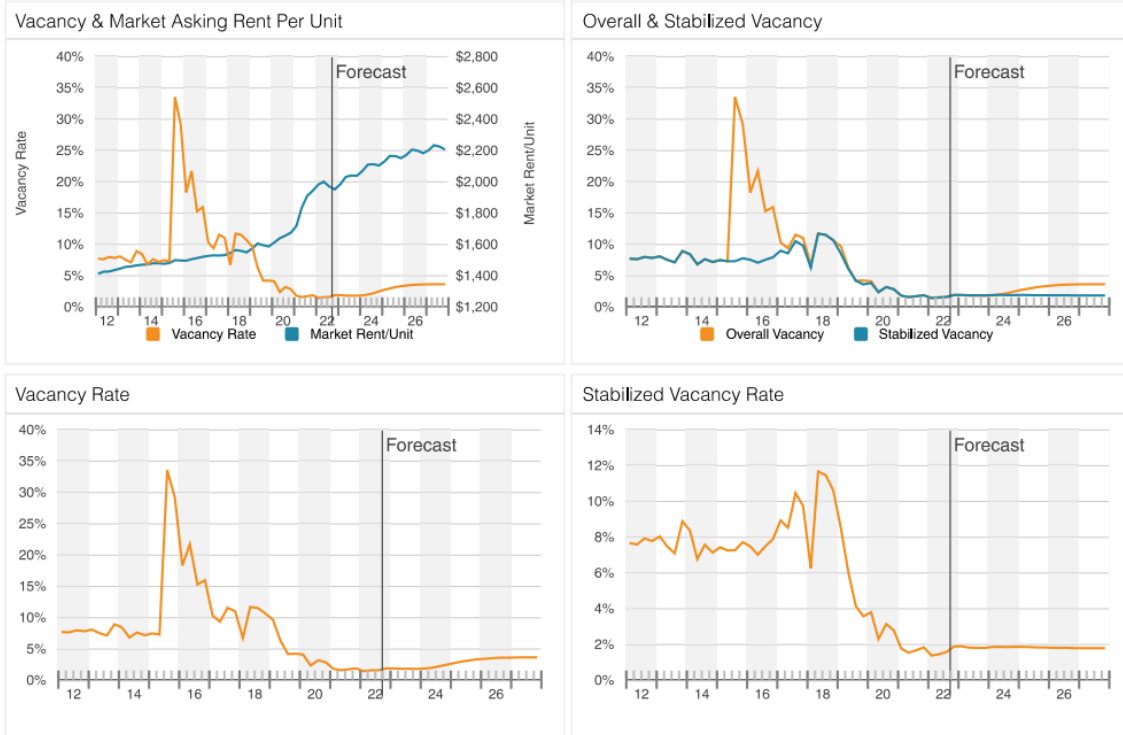
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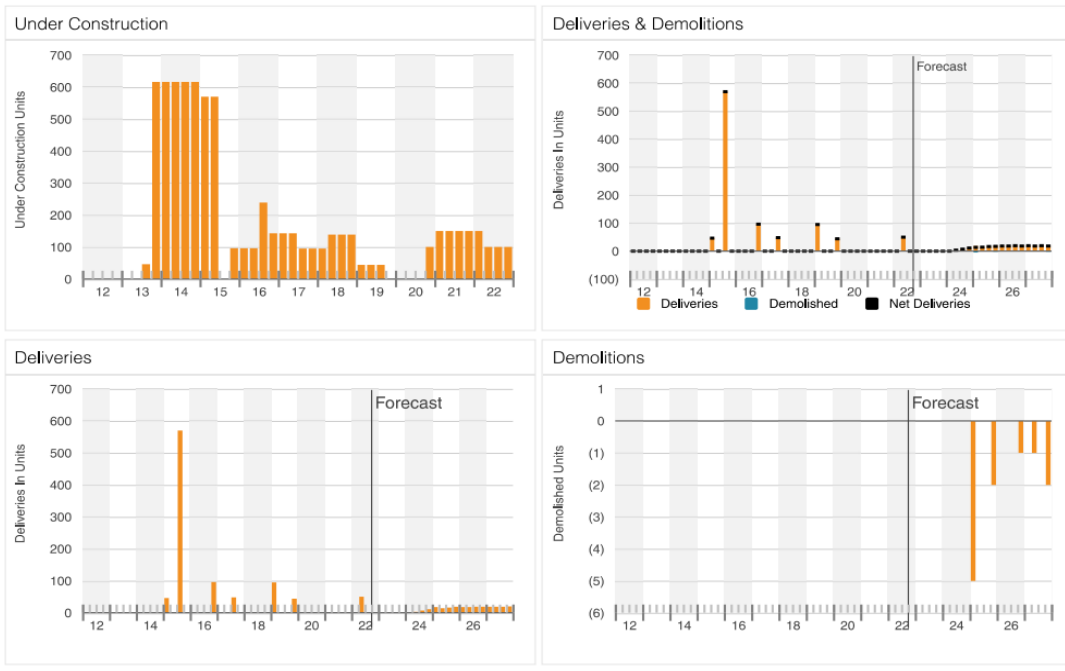
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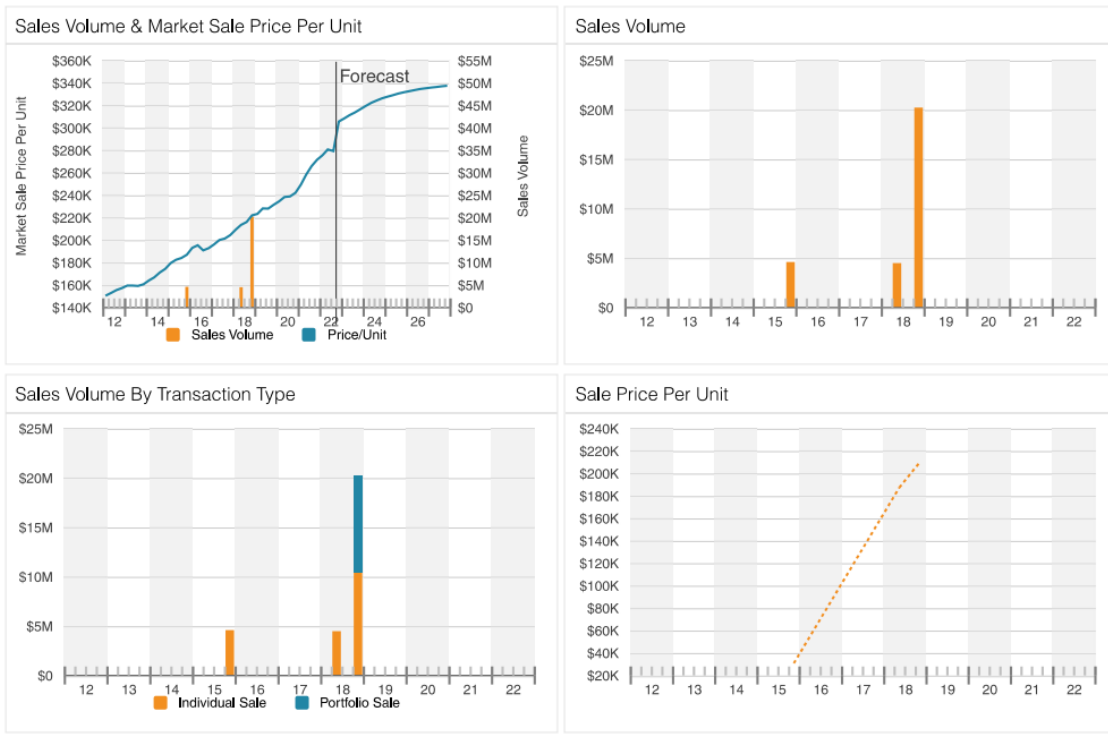
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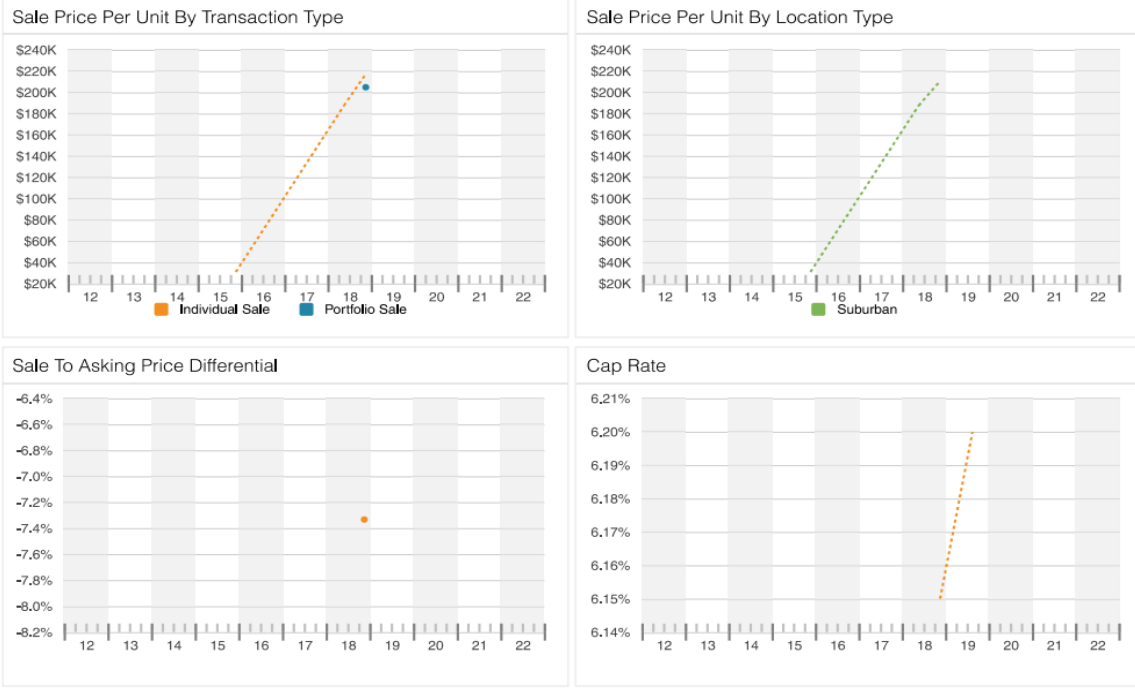
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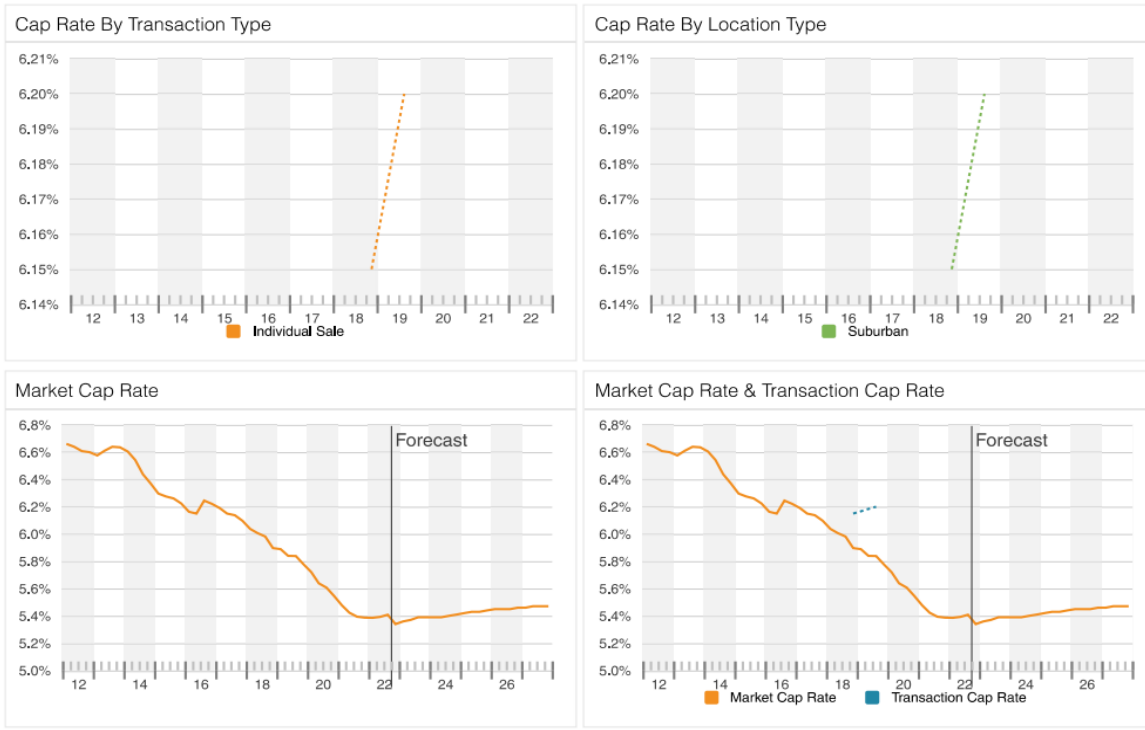
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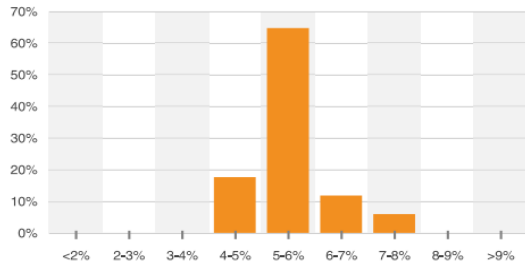


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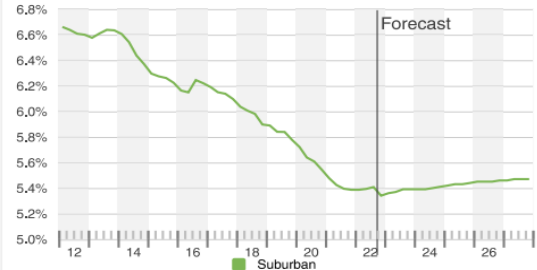


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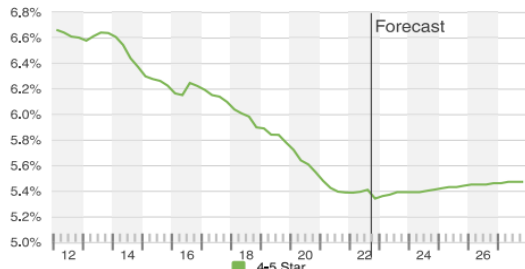
Market Cap Rate Distribution



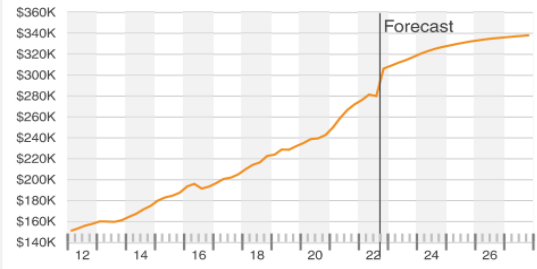
Market Cap Rate By Location Type



Market Cap Rate By Star Rating

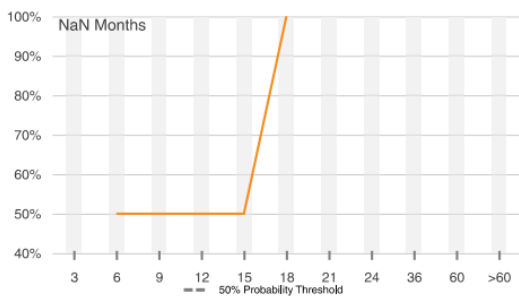


Market Sale Price Per Unit

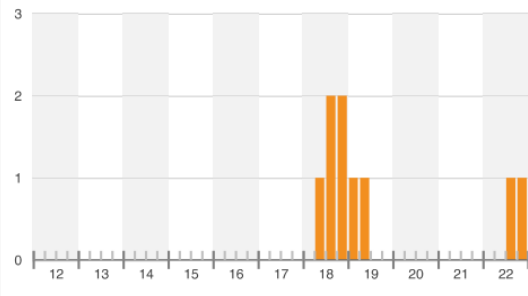


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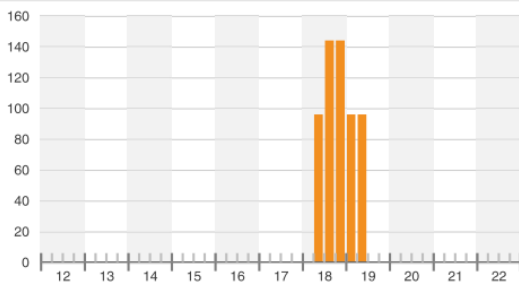
Probability Of Selling In Months



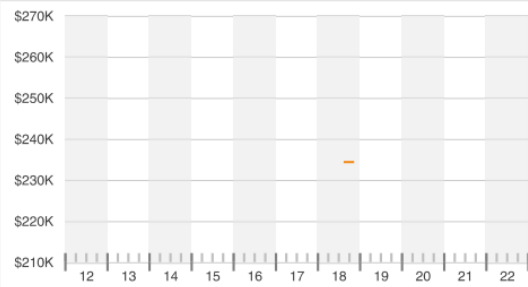
For Sale Total Listings



For Sale Total Units



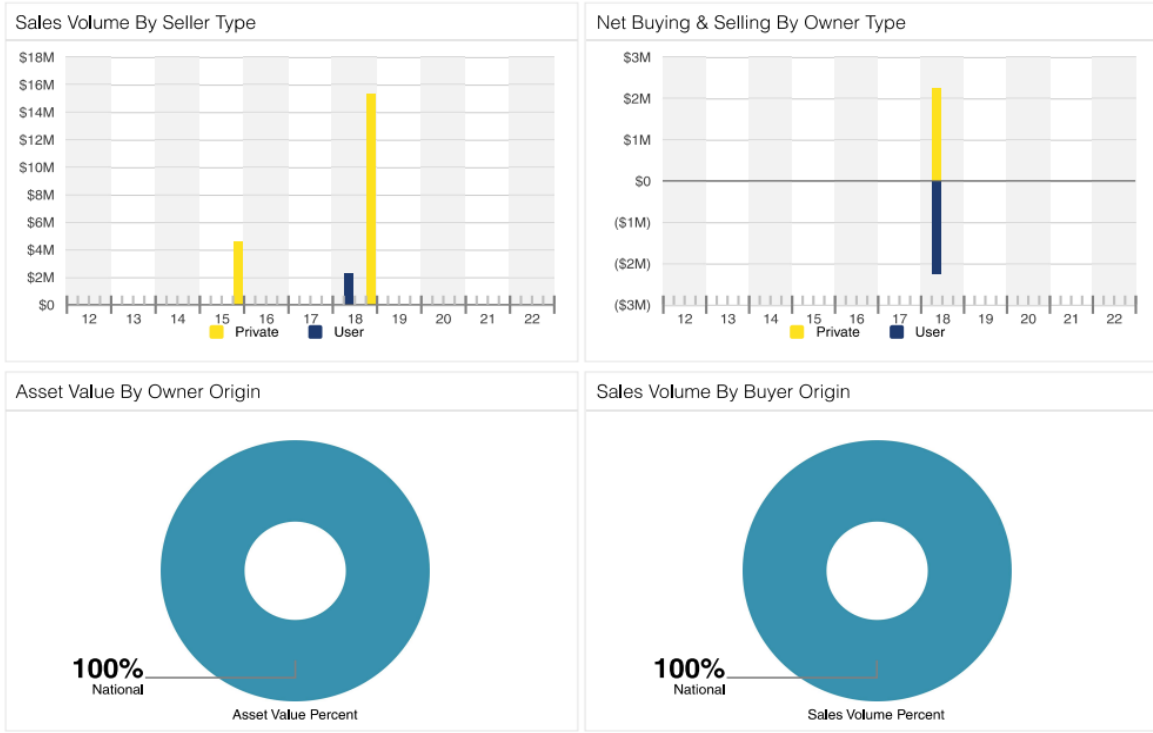
For Sale Asking Price Per Unit



Search Analytics



Search Analytics



Search Analytics

INVENTORY UNITS 2,072 +2.5% Prior Period 2,022	UNDER CONSTRUCTION UNITS 100 -33.3% Prior Period 150	12 MO ABSORPTION UNITS 52 +76.5% Prior Period 30	VACANCY RATE 1.5% -0.2% Prior Period 1.7%	MARKET RENT/UNIT \$1,973 +3.4% Prior Period \$1,908	MARKET SALE PRICE/UNIT \$284K +6.8% Prior Period \$266K	MARKET CAP RATE 5.4% -0% Prior Period 5.4%
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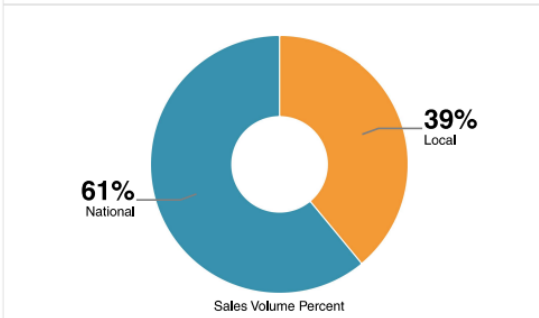
Key Metrics

Availability		Inventory	
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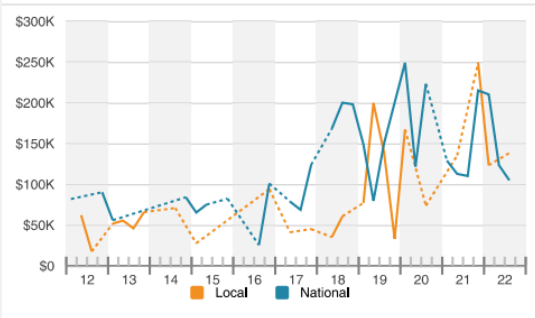
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Search Analytics

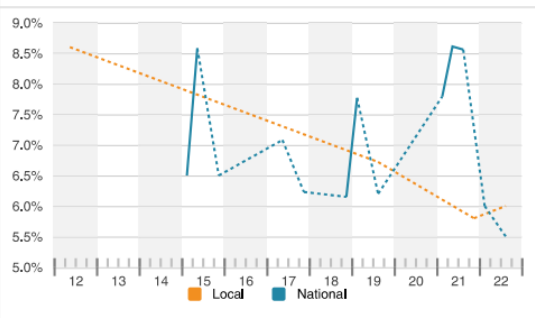
Sales Volume By Seller Origin



Average Price Per Unit By Buyer Origin



Average Cap Rate By Buyer Origin



Employment Sector	5-Minute Drive Time	10-Minute Drive Time	Primary Trade Area
Agriculture & Mining	60	200	400
Construction	400	1,600	2,000
Manufacturing	900	3,400	5,000
Transportation	300	1,000	1,800
Communication	60	600	700
Utility	50	100	200
Wholesale Trade	300	4,000	4,400
Retail Trade	2,200	7,200	8,500
Home Improvement	100	300	400
General Merchandise Stores	30	400	400
Food Stores	200	800	1,000
Auto Dealers, Gas Stations, Auto Aftermarket	70	600	700
Apparel & Accessory Stores	50	300	300
Furniture & Home Furnishings	50	200	300
Eating & Drinking Places	1,200	3,200	3,600
Miscellaneous Retail	500	1,400	1,100
Finance, Insurance & Real Estate	1,200	2,800	3,600
Banks, Savings, & Lending Institutions	200	500	700
Securities Brokers	200	400	500
Insurance Carriers & Agents	300	900	1,000
Real Estate, Holding, Other Investment Offices	600	1,000	1,400
Services	8,700	46,900	51,700
Hotels & Lodging	200	1,700	2,400
Automotive Services	100	600	700
Motion Pictures & Amusements	200	900	1,300
Health Services	1,300	18,200	19,400
Legal Services	300	400	7,500
Education Institutions & Libraries	3,200	6,900	6,300
Other Services	3,200	18,200	20,000
Government	1,000	1,900	1,700
Unclassified Establishments	20	100	500
Total Employment	15,400	69,800	80,500