Bethlehem Steel's Redevelopment: Winners and Losers in Public-Private Partnerships

When asked if anyone could save Bethlehem Steel, Jack Welch, former CEO of General Electric, famously said, "I don’t think Christ could have."

The industrial giant died slowly over decades, leaving sprawling facilities behind in municipalities around the eastern United States. Not even the company’s hometown plant in Bethlehem, Pennsylvania, was spared, closing for good in 1995. Bethlehem Steel’s demise meant the city was left with over 1,500 acres of vacant railroads, offices, and factories along the Lehigh Canal.

Re-imagining that much industrial land isn’t easy for any city, let alone one whose population (currently 74,982) remains almost unchanged since 1960. But the city found an unlikely redevelopment partner in Las Vegas Sands. The company bought 124 acres of the former Bethlehem Steel site in 2007, opening Sands Casino Resort Bethlehem in 2009. A hotel, conference center, and outlet mall followed soon after.

The move was controversial, to say the least. The city council approved Sands’ land purchase by a razor-thin 4-3 vote. And even today, the casino has critics who argue that their involvement comes at a steep price. Labor groups are not allowed to meet on the site, and protests are not technically allowed to gather.

The casino has certainly been a boon for the rest of the parcel, leading to $900 million in infrastructure investments and 2,400 jobs being created. In its most recent financial quarter, it brought in $113 million in revenue; another $15 million came from Sands’ other facilities on site. Pennsylvania requires casinos to pay a 55 percent tax on all revenue. Four percent of that goes directly to the gambling center’s host community. Being in a zoned Tax Increment Financing (TIF) district, that revenue then subsidizes other infrastructure projects on the Bethlehem Steel site.

"When we were looking for other cities that did a great job integrating a casino into their city we couldn’t really find any," says Bethlehem Mayor John Callahan. "I decided that Bethlehem was going to be the city that did it right."
Currently, Bethlehem Development Authority is setting aside $16 million for shoring up vacant structures that it will one day convert into a mix of residential and retail space. The money will also go toward transforming the Hoover-Mason Trestle (an internal rail line) into an elevated walkway, similar to Manhattan’s High Line.

East of the casino, a warehousing and distribution center is reemerging. Just last week, planners approved Majestic Bethlehem Center’s proposal for a 1.75 million square foot warehouse. That would be the biggest development on the site so far if built. Majestic is already building a new distribution center for Crayola nearby. Eventually, it intends to build as much as eight million square feet of real estate.

But the most popular addition so far is SteelStacks, a cultural center that uses the idle blast furnaces as a backdrop for public green space, a performance pavilion, an arts center and a new studio for the local PBS affiliate. BDA has already spent $27 million on the project, money generated by Sands revenue.

The new arts center, designed by a local firm, was awarded a Pennsylvania AIA silver medal award last year. Next door to it, SteelStacks’ Levitt Pavilion is composed of a green space with steel design elements and pedestrian friendly paths that lead up to the uniquely designed stage. Philadelphia-based WRT, which designed Levitt Pavilion, received six different awards for the project.
SteelStacks was a result of a collaboration between the city and Sands, which sold 2.5 acres of the site to the city for one dollar.

But that deal came at a price. Under the condition of the sale, Sheldon Adelson’s Sands group prohibited labor-related gatherings, along with any other activity that could be considered offensive to the casino operator. This wasn’t completely out of the blue: in 1999, the company pursued legal action against union protesters on the sidewalk next to one of its Nevada properties.

Still, most people assumed the rule was unconstitutional and therefore unenforceable. The policy was tested last November, when over a hundred people gathered to protest the free speech restrictions. Bethlehem police chief Jason Schiffer told the Express-Times during the gathering, ”obviously we’re not taking any action whatsoever.” The protest took place without interruption or arrests.

Sands remains the most powerful partner the city’s had to redevelop the area, and that’s unlikely to change. The city and county are now exploring the idea of building a convention center, with Callahan calling the idea at a press conference, ”a natural progression.” It’s no surprise that Sands, which runs convention facilities at its Las Vegas and Macau locations, believes such a project would be “right in our wheelhouse.”

As Sands and SteelStacks evolve, more cities are taking notice. Officials from Springfield, Massachusetts, a city looking to build its own casino, recently checked out the site for ideas. Exactly which lessons they’ll take to heart remain to be seen.

All images courtesy of WRT architects.

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