

Some developers look to take advantage of Atlantic City's Opportunity Zones

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ATLANTIC CITY — The newest in hotel design — shipping containers — may soon come to this resort as a result of the U.S. Department of the Treasury's approval of four Opportunity Zones here back in the spring.

Asbury Park developer Pat Fasano wants to be the first in the city to open a hotel that will be made out of surplus containers. Shipping container hotels are popping up around the world and mix modern design, environmentally friendly sustainability and tiny house living.

Fasano is one of several developers who is giving more consideration to doing projects in the city after Gov. Phil Murphy announced in the spring four Opportunity Zones in the resort that offer preferential tax treatment.

“There are already developers on the ground in Atlantic City taking advantage of it, and other potential developers, particularly out of Asbury Park, who have met with us, are interested in bringing private capital to Atlantic City in large part due to the Opportunity Zone,” said Matt Doherty, the executive director of the Casino Reinvestment Development Authority.

Eight months ago, Gov. Murphy announced the approval through the U.S. Department of the Treasury of the four zones in the resort — Chelsea, Ducktown, Uptown/Downtown and South Inlet.

The Opportunity Zone is a new development tool for economically-distressed communities that offers tax incentives for investing.

Besides the four Opportunity Zones in the resort, Murphy also announced them in Egg Harbor City, Egg Harbor Township, Pleasantville, Somers Point, Wildwood, West Wildwood, Lower Township, Bridgeton, Vineland and Millville.

As a new year is about to begin, the Opportunity Zone is already doing what it was supposed to do — enticing developers to consider doing business in the resort, Doherty said.

Even though CRDA owns property in each of the four city Opportunity Zones, Doherty said he still sees his organization coming into play the way it traditionally does when it comes to the Opportunity Zones.

First, CRDA has the responsibility for land use, so it will approve or reject what will be built in the Opportunity Zone whether or not CRDA owns the land, Doherty said.

“The second way is ... if a developer comes and pitches a project in an Opportunity Zone and it is the type of project we are looking for, and it gets land use approval, then, at that point, maybe they need some gap financing to make the project a reality. That's another place where we can come in with dollars to make something happen,” Doherty said.

Fasano said he would not be doing his project, which includes an outdoor food court, summer stage and multiple mixed-use commercial buildings, without the federal tax deferrals afforded by the Opportunity Zone designation and the state tweaking city zoning ordinances.

CRDA, is scheduled to see Fasano's site plans on Jan. 3.

"My motivation for buying 25 properties (for the land for this project) was the Opportunity Zone," said Fasano, whose development will be on South New York Avenue in the Uptown/Downtown Opportunity Zone.

Advanced Consulting Inc., a New York-based real estate firm, is talking with Florida-based property owner TJM to buy the former Atlantic Club Casino Hotel, which is in the Chelsea Opportunity Zone, and turn it into a non-gambling hotel and resort.

CRDA spoke to Advanced Consulting Inc. about the benefits of the Opportunity Zones in August, said Advanced Consulting company CEO Gem Lake. The company's plans to buy the Atlantic Club became public last month.

"With the added value, especially with the (tax) credits they are giving to the corporations, we felt it was a win-win. Why wouldn't we go ahead and push this even further," Lake said. "This was the time, if anytime, to go ahead and put that huge investment into Atlantic City, and we think those incentives really helped push the tipping point."

Philadelphia-based real estate developer Bart Blatstein owns properties in three of the four Opportunity Zones: Playground Pier in the Ducktown zone; Showboat Atlantic City Hotel and Garden Pier in the Uptown/Downtown zone; and several land parcels in the South Inlet zone.

"It's a great opportunity for outside money to be invested in Atlantic City that, but for Opportunity Zone designation, would not flow to Atlantic City," Blatstein said. "It's in its early stages. All the regulations are not out yet. ... It can only be a positive and value-add to what's already there in Atlantic City."

Blatstein said he is waiting on the final regulations to be issued no later than the first quarter of next year to determine how best to utilize the Opportunity Zone designation.

Florida-based real estate developer Glenn Straub thinks he owns a total of 70 lots in the resort through his company, Polo North Country Club. According to state property records, 43 of those properties are in the South Inlet section of the city. South Inlet is one of the Opportunity Zones.

Straub said he is looking to sell off 20 of his 70 lots because they are three blocks away from the Boardwalk and of no value to him.

Even with the Opportunity Zones, Polo North Country Club is just not ready to dump any major money into the city until the Governor decides that the state will extract the resort from financial trouble, Straub said.

As of June, the city was nearly \$450 million in debt.

"We will get around to it, but it's not a high priority," Straub said.