

Northeast Inlet re-development area, showing Phase I (red, Melrose Avenue along top line), Phase II (yellow), and Phase III (green) project areas.



Thanks to casino capital put into affordable housing, a blighted area of Atlantic City, New Jersey, appears headed for a turnaround.

Northeast Inlet Looking Better

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Once Atlantic City's best address, the Northeast Inlet became in the 1970s a well-known symbol of urban decay with stories of its steep decline appearing in *Time* magazine and on "60 Minutes." The down-on-its-luck neighborhood consisted of trash-strewn vacant lots and dilapidated housing. Over 20 percent of its structures were abandoned and more than half the occupied dwelling units were in substandard condition, many of them having been ravaged at ten-year intervals by tidal floods. At the same time, land costs had been quintupled by speculation after casino gaming was approved in a 1976 referendum. Collectively, these conditions severely limited the market for new uses and the area continued to decline.

The turnaround started in 1986 with the city's decision to make the Northeast Inlet a key part of its redevelopment strategy and the first step in its 14-year-old promise to use casino revenues to help provide the city's residents and workers with housing they could afford. A redevelopment plan for the 100-acre Inlet was prepared by Zuchelli, Hunter & Associates of Maryland under the auspices of a number of city and neighborhood agencies:

- The Housing Authority and Urban Redevelopment Agency of the city of Atlantic City, New Jersey, which is the plan's implementing agency;
- The New Jersey Casino Reinvestment Development Authority (CRDA), which administers the casino-provided investment, is responsible for resi-

dent relocation planning with the city's redevelopment agency, and is the condemning authority for land assemblage;

- The city of Atlantic City, which has donated city-owned land to the project, issued bonds for infrastructure improvements, and received U.S. Department of Housing and Urban Development UDAG (urban development action grants), N. J. Housing and Mortgage Finance Agency (HMFA), and N. J. Department of Community Affairs (DCA) grants;
- The Atlantic County Improvement Authority, which provided funding derived from a luxury tax to assist in land acquisition and for-sale housing construction; and
- The Inlet Community Development Corporation, a neighborhood nonprofit development organization. The plan was adopted by the city council in 1987.

The Inlet plan identified a ten-acre (six-block) parcel as the Phase I target redevelopment area and established a basic program for it:

- Housing ranging from low-income to affordable and ultimately to market-rate;
- Rehabilitation of as many of the existing structures as feasible;
- A mix of low-rise development at as high a density as possible, mid-rise units, and a convenience center;

- A wider New Hampshire Avenue to make it the boulevard axis of the newly created community; and
- Off-street parking at a ratio of one space per townhouse unit and 1.5 spaces per mid-rise unit.

Philadelphia-based Scannapieco Development Corporation, which at the time had a 30-story residential tower under construction in Atlantic City under the sponsorship of Caesar's Hotel Casino, was interested. With preliminary design sketches by Philadelphia-based architects Wallace Roberts & Todd (WRT) in hand, Tom Scannapieco persuaded Harrah's Marina Hotel Casino to act as sponsor/owner to Scannapieco as developer. This sponsorship fulfilled an obligation to the state of New Jersey: Atlantic City's casinos are required to invest 1.25 percent of their gross gaming revenues for 25 years in bonds issued by the CRDA at about one-third below market rates; CRDA, in turn, lends the money to municipalities or their designated developers to support housing and economic development projects throughout the state. For the Northeast Inlet project, Harrah's committed \$50 million as a direct investment.

The Project

Three elements of the project were completed by August 1992—Harbour Pointe, 130 townhouses (11 built as duplexes) on four blocks at a density of 19.28 dwelling units per acre; Harbour Pointe Square, a convenience center containing 11,621 square feet of leasable space; and Ocean Terrace, a 109-unit mid-rise apartment building on half of the block adjacent to Absecon Inlet. The other half of this block



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These photographs taken before and after Phase I development of the Northeast Inlet project show the intersection of Melrose Avenue (foreground) and New Hampshire Avenue, which is being widened into a boulevard.



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is reserved for a 156-unit market-rate condominium apartment complex, to be built when market conditions permit.

Harbour Pointe. The 130 townhouse structures contain 141 for-sale and rental units. The 42 townhouse structures reserved for low-income rental are indistinguishable from for-sale units by location, architecture, or quality. Of the 88 for-sale townhouse units, 35—called exchange homes—were reserved for former residents of the site.

The design of the townhouse community was complicated. Besides the need to keep costs low through high densities and design/construction initiatives, designers had to serve low- and moderate-income, buyer and rental markets without physically distinguishing one from another. Community residents were invited to participate in the design phase, and an in-house design competition at WRT generated several alternative facades from which community residents made the final choice. The solution was a 1,400-square-foot-wide and shallow townhouse containing a living room, dining room, kitchen, and powder room on the first floor; three bedrooms, two baths, and a laundry room on the second floor; a garage and a second parking space on the lot; and two-level front porches and a back deck.

The house was designed to be manufactured off site, with only foundations, porches, and dormers built on site. Four units make up a construction section. First, a four-unit block is cleared and filled, and the foundation and utility connections are built. Then, the back half of the first-floor module for the two center units is put in place, followed by the placement of the front half of these units. Next, the back and front second-floor modules of these two

units are placed and bolted with hinged roof panels. The two back halves of the first-floor end units arrive as one module, are cut in half, and placed; the same is done for the front half of the first floor and both halves of the second floor. With all eight modules in place, the hinged roofs are raised. Exterior work includes application of precut dormers, gables, and roofing materials. Off-site manufacturing reduces construction time by up to 40 percent.

Writing in the *Atlantic City Press* (August 10, 1992), Michael Pritchard praised the refurbished community's "neat homes, modern high rises and landscaped streets." The townhouses are designed in what may be called historic Atlantic City seashore style, and they are arranged around private courts formed by loop streets that are accessible from a central through-street that serves only this development. The front doors and porches of perimeter houses face the surrounding public streets, so that the development does not turn its back to its larger community. Steeply pitched roofs with dormers create attics high enough to stand in.

The townhouses are designed to permit space adaptations. The garage can easily be turned into a first-floor bedroom with access for the handicapped, which has been done in two units. Townhouse units were designed to be made easily into duplexes; in fact, the 11 townhouses that have been converted to duplexes have the same external appearance as the townhouses.

Ocean Terrace. The project's mid-rise component, completed in August 1992, lies across the widened New Hampshire Avenue. The affordable rental tower is occupied and a market-rate condominium tower will be built when market conditions permit.



The townhouses in Phase I are arranged to provide the privacy of inner courts as well as an openness to the community from front porches and doors facing the city streets.

WALLACE ROBERTS & TODD



The Harbour Pointe townhouses were designed to be manufactured off site in modules for four-unit sections. On-site construction was minimal and the time was cut by 40 percent; the savings were reflected in the purchase price.

The rapid leasing of Harbour Pointe Square retail space—already 70 percent is leased—underscores the need for services and businesses in Northeast Inlet.

The L-shaped buildings are designed in a style reminiscent of some of Atlantic City's grand beachfront residential buildings that once lined Atlantic City's boardwalk. Rising ten stories at the junction of the L, the buildings step down gradually to a level appropriate to the two-story flats fronting the inlet, of which Ocean Terrace has six, and the townhouses across the avenue. The resulting terraces allow views of the inlet and long shadows are minimized by the gradual reduction in the height of the buildings on the adjacent beach, which is a requirement in the state's coastal zone regulations.

The rental units have two bedrooms and two baths, configured in one of two ways based on Scannapieco's experience in the rental housing market. Units with twin master bedrooms separated by a common living area are popular with single casino employees. Units with one master bedroom and an adjacent second room that can serve as a child's bedroom, guest room, or den are popular with families. All apartments enjoy water views, and have bay windows or a balcony (or both) in the living room. Landscaped plazas provide recreational space, as well as entrances to the top story of the low-rise flats. Apart-

ments on the plazas have private front decks that are fenced off from the public areas. Parking garages on the first two levels of both buildings will provide 384 parking spaces.

Harbour Pointe Square. The neighborhood convenience center, containing 11,621 square feet of leasable space, is located at the intersection of New Hampshire and Melrose avenues, on the most prominent corner of the townhouse superblock. A tower at this corner provides a landmark for the center and the townhouse community. Business enterprises owned by minorities and women have been targeted as tenants. The Harbour Pointe Cafe opened on May 1, 1993. Melrose Bakery and The Parthenon Deli are now being fitted out. A lease has also been signed for a physician's office, bringing the leased area to 8,111 square feet, or 70 percent of the total. At the present time, a lease for a drycleaner's is under negotiation, which would leave only one space available.

Elements of Success

Through its redevelopment agency and CRDA, the city of Atlantic City contributed 58 parcels to the project and assisted the developer in relocating 82 families and three businesses from the site to permanent or temporary quarters. Former resident renters were invited to move back into one-, two-, or three-bedroom units at the same rent they had paid before being relocated.

Residents who owned their homes were given a credit on their former residences toward an "exchange home" (there were 35 of these). If their credit was less than the \$69,000 purchase price, they received indefinite term, no-interest loans for the difference, with a declining value of 20 percent per year; if their credit was more than \$69,000, they received the difference in cash.

Harbour Pointe townhouses were sold for \$69,000 (a heavily subsidized price given their \$239,000 average development cost), and a state program provided below-market mortgage rates. Buyers got up to 95 percent loans for 30 years at a fixed 8.7 percent rate. Deed restrictions limited the profits that owners could realize in the first five years. A pool of prospects for the 53 for-sale units, which had to be owner-occupied, was developed through advertising. Qualified prospects were asked to select a unit and put down 5 percent. The units were then allocated according to a process devised by the community: first priority went to applicants who had resided in Atlantic City from December 31, 1983, to December 19, 1984, and who met the minimum income requirements for qualifying for financing but whose incomes were not greater than the maximum middle income limits as set forth in the 1990 CRDA income limits chart; second priority went to those who resided in Atlantic City and met minimum income requirements, but whose incomes were not greater than



the maximum income limits as set forth in the 1990 CRDA income limits chart; third priority went to applicants who lived or worked in Atlantic City, with no restrictions on income; and all other applicants fell in the last category. The townhouses were sold out quickly.

The selection process for tenants for the rental units in the townhouse development was similar, except that all applicants had to have low incomes. Ocean Terrace apartments are rented to more moderate-income households. The rents range from \$600 to \$900, with a \$25 a month premium for each floor above the fifth. More than 80 of the 109 units currently are occupied.

Northeast Inlet Phase I has created a community that is economically and ethnically mixed. The occupants of units rented or sold according to income limits have household incomes ranging from \$19,000 for single-person households to \$31,000 for six-person households. The owners of townhouses sold without income restrictions have household incomes ranging from \$30,000 to \$90,000, with the average between \$40,000 and \$50,000. The community houses many former residents of the area as well as newcomers attracted by the high quality and affordability of the housing.

The decision not to permit any architectural or locational distinctions between the market-rate housing and the assisted housing was one crucial factor in the development's demonstrated success in attracting residents from a wide income spectrum. The "key for key" exchange program was important as a solution to relocation issues.

The design decision to build townhouses with separate entrances instead of flats with communal hallways was key to the goal of mixing households with and without children and to mixing different age and economic groups. The adaptability of the townhouses opened the market to larger families and families with elderly or handicapped members.

Including attached garages was essential to drawing middle-class buyers to this blighted section of town. The wide and shallow townhouse footprint allowed extra window area and, by permitting each unit to have a front porch and yard, reduced the visual impact of cars on the street and in driveways.

Looking Ahead

Phase I has established the Northeast Inlet as a newly viable community. The Hovnanian Development Company of Red Bank, New Jersey, is developing Phase II on nine blocks to the northwest of Phase I. CRDA has now acquired and cleared the land, which is planned for 198 two- and three-bedroom condominium townhouses with a selling price of \$70,000 to \$75,000, as well as a club house and pool. For Phase III, on three blocks currently under acquisition by CRDA, 43 townhouse and several mid-rise units are planned.

Northeast Inlet Phase I at a Glance

Components	Units	Average Size (Square Feet)	Total Cost
Harbour Pointe Townhouses	141 ¹	1,400	\$31,026,000
Ocean Terrace Apartments	109	962	25,145,000
Harbour Pointe Square (11,621 leasable square feet of retail)	—	—	2,960,000

Cost Breakdown

Land	\$7,244,000
Demolition, Fill, and Surcharge	2,384,000
Relocation	2,050,000
Real Estate Taxes, Insurance	488,000
Permits, Approvals, and Tap Fees	592,000
Professional Fees	2,356,000
Administration and Supervision	1,672,000
Construction Interest	3,762,000
Marketing, Sales, and Overhead	2,346,000
Off-Site Infrastructure	4,000,000
Development Fees	3,540,000
Construction	32,897,000

Sources of Funds

	Type	Amount
Harrah's (CRDA Obligations)	Direct Investment	\$49,848,000
U.S. Department of Housing and Urban Development	UDAG	4,880,000
Atlantic County Improvement Authority	Luxury Tax	3,700,000
City of Atlantic City	Land Donation	2,600,000
N.J. Department of Community Affairs	Balanced Housing Grant	1,017,000
N.J. Casino Reinvestment Development Authority	Pool Bonds	608,000
N.J. Housing and Mortgage Finance Agency	Affordable Housing Grant	498,000

¹Eleven townhouses have been made into duplexes.

All told, 70 percent of the 100 or so net acres in the Northeast Inlet redevelopment area have been developed or cleared for new uses. Including the Jeffries and the Inlet, two 20-year-old public housing towers for the elderly located across Melrose Avenue from Harbour Pointe Townhouses, 1,146 new units have been built and 198 others are in the works. But the area is still far from thriving. Few services or businesses are found here, and some vacant and dilapidated structures still exist. Locally high costs of construction help raise development costs above what the market can pay.

But casino capital makes possible developments like Phase I. And Harbour Pointe and Ocean Terrace have sparked interest in the business community. It appears that Northeast Inlet may indeed "make it," and in the process, brighten the future for Atlantic City. ♦

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