



“NONGAMING, LUXURY HOTEL FOR A.C.”

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Chelsea, a blend of two hotel-chain buildings in the old style of the Shore-resort era of '60s, debuts this summer.

Once upon a time, Atlantic City called itself the Queen of Resorts.

It had no casinos, slot machines or table games.

That is the Atlantic City of the 1950s and '60s that Cape Advisors Inc. and Normandy Real Estate Partners L.L.C. envisioned when they set out to convert two old hotels into the Chelsea - the first luxury, nongaming hotel on the Boardwalk since the early 1960s.

“This is for the casual gamer,” said Curtis Bashaw, a co-chief executive officer at Cape Advisors. “It will be your home in Atlantic City with everything you need and still a stone’s throw away from any casino.”

The partnership between Cape Advisors and Normandy, of Morristown, N.J., bought the Holiday Inn and Howard Johnson Hotel in the fall of 2005 for \$36 million.

The partnership took ownership of the hotels last January and operated them as they existed until Labor Day. It was during this time that they developed the design for the Chelsea that would combine the two properties.

David Welsh, founding managing principal of Normandy, said his firm was “very bullish on Atlantic City’s future, and we are very excited to be part of the city’s renaissance.”

The older of the two hotels, the Howard Johnson, had been at its location since the 1950s and retained the vernacular, with stainless-steel trimming and quirky balcony railings. The Holiday Inn was built in the 1980s, “a plain-vanilla building with very sturdy bones,” Bashaw said.

The Chelsea’s look was influenced by the Howard

Johnson to emanate old Hollywood glamour, he said, and to re-emphasize the old Shore-resort era.

The Chelsea will begin taking reservations next month for its 330 rooms and 12 suites that offer sweeping ocean and bay views, and debuts to the public Memorial Day weekend.

Prices will range from \$95 to \$275 a night during the off-peak season, or \$225 to \$450 a night during the peak summer season. Bashaw’s sister, Colleen, designed the interior of the Chelsea, revealed yesterday for the first time.

There will be a 15,000- square-foot rooftop swimming pool area with private cabanas; a 6,500-square-foot luxury spa; and a fifth-floor social area - the Terrace Lounge - with a bar, game room and living room.

Philadelphia-based restaurateur Stephen Starr will manage all food and beverage at the property, including room service. There are two Starr restaurants - Teplitzky’s, a diner on the ground floor, and Chelsea Prime, an upscale steakhouse on the fifth floor, which has the feel of a supper club of the 1960s.

“There is a niche opportunity for a property like this to attract the type of customer that is looking for the quality and performance of a five-star hotel without the mass-market crowds of a large casino,” Andrew Zarnett, a gambling and hotel industry analyst with Deutsche Bank AG in New York, said of the Chelsea.

Bashaw, a former executive director of the Casino Reinvestment Development Authority - the state agency that uses gambling proceeds for redevelopment projects - said his grandparents always talked about the heyday of Atlantic City as a resort with beautiful hotels. They took him on trips there as a child.

Bashaw said the plan all along was to develop the Chelsea as a hotel, because the old Howard John-

son and Holiday Inn had combined rooms of only 337. Under New Jersey law, a casino has to have at least a 500-room hotel.

Bashaw, 47, is developing a \$1-billion-plus casino on the southern end of the Boardwalk next to the Atlantic City Hilton with a local investor group that includes former casino executive Wally Barr. His group closed on that 11-acre parcel in November 2006.

The Chelsea is next to the Tropicana Casino & Resort, which is seeking a new buyer after its former owner was denied license renewal in December. Bashaw said his casino investor group might bid on the Tropicana.

The Chelsea is adding to a current hotel boom as Atlantic City continues to morph into an overnight destination to attract a younger, more affluent crowd.

But the upstart may be competing with many other hotels targeting tourists across the region.

Three Atlantic City casinos - Harrah’s Marina, the Borgata and Trump Taj Mahal - will be adding 2,547 rooms this year, adding to the current inventory of 14,575 rooms, according to data from the New Jersey Casino Control Commission.

In Philadelphia, there are 10,224 hotel rooms, according to the Greater Philadelphia Hotel Association, which represents 87 hotels throughout the Philadelphia area. More than 2,000 rooms are on the way, spurred by the \$700 million Convention Center expansion.

“The development of the hospitality industry in Atlantic City is important to Philadelphia, because when people decide to come here, they’ll come with Atlantic City in mind,” said Ed Grose, executive director of the Philadelphia group. “With gaming coming in, we’re hoping to keep a lot of that money in the Greater Philadelphia area.”

Voters amended New Jersey's Constitution in 1976 to allow casinos only in Atlantic City. Resorts International, the town's first casino, opened its doors May 26, 1978.

"A lot of the gaming products in Atlantic City are reserved for the casino-rated player," Bashaw said, referring to the level of slots and table-game play among casino customers. "If you're not one at Harrah's or Borgata, it's not easy to get a room."