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Deal nears on luxury hotel downtown

Proximity to athletic club sets the project apart, developers say

By John Rebchook, Rocky Mountain News

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A group is moving forward on a \$47 million, 22-story luxury hotel and condominium development next to the Denver Athletic Club at 13th and Welton streets, officials confirmed Thursday.

"It's not a done deal yet, but it is very close," said Hersh Lackner, a member of the DAC and the managing partner of the five-person private group, Glenarm Limited Partners, which wants to build the hotel on the surface parking lot next to the DAC.

The boutique hotel, called Inn at the DAC, would have 138 rooms and 14 condominiums. The group would sell the unfinished condo units for \$400 to \$500 per square foot, and the buyers would finish them, Lackner said.

Over the years, several groups have tried to build a hotel on the parking lot next to the club without success.

There are about 1,800 hotel rooms either under construction or on the drawing board for downtown, estimated John Desmond of the Downtown Denver Partnership. At an average cost of \$125,000 per room, that equates to more than \$1 billion in hotel rooms.

"Denver does not really need another hotel. What we're really selling is the DAC," said Lackner, a retired investment banker from New York City.

His Denver company is called McKay Holdings Inc. Other members of the ownership group are Jim Allred, principal of TAAG Architects, the designer; George Shaw, principal of Shaw Construction, the builder; Bob Gustin of Albuquerque-based Gustin Property Group, the developer; and Jim Anderson of Municipal Capital Markets, which is putting together the financing.

The DAC also would have an ownership stake in the hotel, Lackner said. Driftwood Hospitality Management of Jupiter, Fla., would manage the property.

John Montgomery, who has done consulting work for Glenarm Limited Partners, agreed with Lackner that the adjacent athletic club sets the project apart from other planned hotels.

"I think what really makes this is the DAC," said Montgomery, president of Horwath Horizon Hospitality Advisors in Denver. "Someone can come in and work out for two hours. That's a huge selling point."

Because of the DAC, the hotel doesn't need any meeting space or athletic facilities, Lackner said. However, his grandson, Joe Kohn, one of the owners of the well-known Izzy's Steak & Chops in San Francisco, would operate a steakhouse in the hotel that would be open to the public.

"We're aiming at the junior executive who would be willing to spend \$170 to \$180 per night here and have access to the DAC, rather than \$130 someplace else," Lackner said. "And because we're right across the street from the Colorado Convention Center, we would expect a lot of activity from people attending



Taag Architects ©

An artist's rendering of a planned boutique hotel and condominium development next to the Denver Athletic Club.

conventions."

Andre van Hall, general manager of the DAC, said that the club's 2,000 members could help fill the hotel rooms, although he emphasized the club's board is still six or seven weeks away from deciding whether to give the project the green light.

"Let's say an attorney is a member and some of his clients are flying in; this would be a wonderful place for them to stay," Van Hall said. "And we have reciprocal members with about 150 clubs worldwide, and they could also help create demand."

That said, Van Hall said the hotel market in downtown "is still out of balance," with too many hotel rooms.

That will worsen when the 1,100-room Hyatt opens late this year across from the convention center, he said.

"I don't want to give the wrong impression," he said. "There are still a lot of hurdles."

But Gustin, who has developed about 25 high-end properties, said the proposed hotel "has a great location, right across from the convention center, and provides great amenities for an upscale, boutique hotel. The DAC is a really big plus."

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