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Starwood's boutique hotel brand slated to open downtown in 2014

Premium content from Tampa Bay Business Journal by Alexis Muellner, Editor

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TAMPA – Aloft, the “style at a steal” boutique hotel brand from Starwood Hotels & Resorts Worldwide Inc., usually picks trendy locales such as London, Beijing, and Abu Dhabi for expansion.

Now, it's coming to Tampa.

That's thanks to the diligence of [Punit Shah](#), president & chief operating officer of Clearwater-based Liberty Group, who will soon embark with a partner to transform the former [Mercantile Bank](#) building at the corner of Kennedy Boulevard and Ashley Drive in the heart of downtown.

Shah's partner, [Santosh Govindaraju](#) of Convergent Capital Partners in Carrollwood, bought the property in May for \$2.2 million. Shah approached his friend with an offer to buy it and adapt it as a hotel. They decided to team up.

Their plan is the most recent in a mini-wave of local boutique hotels in Tampa. The Epicurean Hotel next to [Bern's Steak House](#) broke ground in October. The Floridan Palace hotel opened just ahead of the Republican National Convention in August and developers are working to transform the former federal courthouse downtown.

Months of courtship

Over five months, Shah said he first identified Aloft as the best flag fit, and began courting Starwood to make it happen, essentially working to sell the global hotel company on Tampa.

It took some time, effort and serious data.

Part of what sealed the deal is that Liberty Group will be the management company, and Shah and his family assured the company it would not only develop the project but also operate it for many years.

He declined to get specific about the duration of the agreement.

"You and I will have lots of gray hair by that time," he said. "Starwood wants to know that I am investing in something long term and not to flip and sell." Due diligence allowed him to come up with the total cost and the value of the project and Liberty had to prove it has the financial wherewithal and ability to perform.

Collectively, the partnering firms have invested more than \$550 million in performing/sub-performing commercial mortgages and real estate including hotels, golf courses, multifamily, and office in just the past four years. Liberty Group has acquired more than 20 hotels throughout the United States since 2010.

Starwood also wanted to see what the finished product would look like to meet all the standards of the brand, which are numerous and detailed when it comes to common spaces, entryways, terraces, restaurants and lounges.

"They wanted to make sure guest experience is never compromised, and that it will exceed the brand standards," Shah said. That meant driving home the value of one of the most central locations downtown, including studies and analysis to answer a key question: Will a typical Aloft customer stay at this hotel? Those users are a hipper, younger, and more affluent crowd, he said.

Starwood decided so, and was "really pleased" to learn about the impact of the [Tampa Convention Center](#) and the [David A. Straz Jr. Center for the Performing Arts](#) as economic drivers, Shah said.

Extensive renovation

The hotel will be comprised of 130 loft-like rooms, "forward-thinking technology" and a "vibrant, social atmosphere," with "high design," Starwood said. It will be the fifth Aloft in Florida, following the opening of Aloft Miami-Brickwell in 2013.

"These are going to be rock star units," said [Rob Ledford](#), principal at Orlando-based Baker Barrios, the lead architect.

Shah believes the design, which includes high ceilings, a lot of flex space, the Aloft brand's signature w xyz bar located adjacent to a waterfront pool, a 24-hour fitness center, and plans for a rooftop bar with indoor/outdoor space, will be a big hit.

"The view from top floor of that hotel is phenomenal," he said. "At eight stories, you don't feel disconnected and there's open water views of Tampa Bay and [Tampa General Hospital](#), the [University of Tampa](#) and downtown."

To get an idea of the scope and to facilitate design, early on, Ledford walked the space with Shah and observed ceiling heights, exteriors and the rooftop. They examined view corridors, arrival and departure experiences, ADA requirements, and played scenarios about what a guest would face if raining, and at night.

Another key issue is services since there is no real "back of the house" with the south wall flush with the neighboring hotel and the back of the building on the river.

"We're being creative with some of the existing structure that's there," he said. Plans are to gut the place back to its original structure and create trash and laundry shafts. That's meant a lot of brainstorming with the city's solid waste department.

"You can't pull a Dumpster out of the back," he said.

Elevators need replacing, the roof needs resealing and the lowest parking deck is at the river's waterline. The last unnamed storm flooded that area, Ledford said, so there is work ahead to improve the sea wall.

Boost in dollars and sensibilities

As of now, Shah predicts a \$15 million economic impact to the city from the development, covering the cost of infrastructure improvements to get the doors open, and \$100 million worth of taxable revenue to the city from bed taxes over the duration of the long deal.

The project will need financing, and Shah said he's determining development budgets for a construction loan. While the lending climate hasn't been too forthcoming in recent years, he said he has strong interest from lenders on this deal, in part because of Liberty's track record of success.

"That's what we do," he said. "The recession has weeded out the people who are not real and the strong survived," he said.

Working with city planners has been very collaborative and positive, Ledford said.

Shah will seek bids in the next month or two. Tampa's Wichman Construction is working on pre-construction tasks and hopes it will win the rest of the work. Liberty does a good job of keeping as much work as it can in the hands of local service

providers, vendors and suppliers, owner [Mike Wichman](#) said.

"They like to stimulate the local economy," he said. "The economy in general is starting to come back and this project is one of the stronger positive signs," he said.

Hipsters, higher rates

"Boutique hotels" have been evolving over the last decade or more, as a lower capacity stylish option on the hospitality domain. They cater to niches, and often involve "adaptive reuse" efforts like Tampa's Aloft.

In 2011, PKF Hospitality Research analyzed revenues, expenses, and profits from a group of boutique hotels for the firm's annual survey. The sample comprised data for each year from 2000 to 2006, which was the most current available. The boutique sample averaged 166 rooms with occupancy of 77.3 percent and an average daily rate of \$223.23. For comparison, PKF's total trends group averaged 244 rooms, 71.8 percent occupancy, and an ADR of \$140.84.

— PKF Hospitality Research

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Alexis Muellner is Editor of the Tampa Bay Business Journal.

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