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Steinbrenner's Other Game

Before Taking Over the Yankees, Hal Built a Modest Hotel Business; a First Love

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By DANIEL BARBARISI

Hal Steinbrenner, the 42-year-old son of the Boss, is counting off the seven hotels he owns. There are six in Florida: three in Ocala, two in Sarasota and one in Jacksonville. There's a seventh in Columbus, Ohio.

These are mostly chain hotels—Marriotts, Fairfield Inns and Holiday Inns—where rooms cost about \$100. Most of them don't have restaurants; Steinbrenner says he doesn't want to be in the restaurant business. Nobody who stays in one would have any idea who owns it.

But ask him what he's more proud of, his work as managing general partner of the New York Yankees, one of the world's most glamorous sports brands, or these modest hotel properties, and Steinbrenner will respond like a father asked which child he loves more. "Equally. Equally. The two senses are different," he said.



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Baseball isn't Yankees co-chairman Hal Steinbrenner's only business—he also owns seven hotels.

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Steinbrenner, suddenly animated, begins to tell the story of the first hotel he built by himself, the Holiday Inn Lakewood Ranch in Sarasota in 2001. It's a story about taking a risk and beating the odds.

"For that first hotel, I took the entire loan guarantee," he said, sitting in his spacious corner office at George M. Steinbrenner Field in Tampa. "I didn't make my partners get on the guarantee because I wanted to prove to them how much I believed in the project."

Then, he says, three months after it

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opened, 9/11 happened. "That could have been a disastrous outcome, quite frankly. There were a couple years where I wasn't sleeping much."

Today the hotel is successful by all accounts—and, he says, profitable. The memory of making that leap is a joyful one. "Having done the whole process from the ground up—there's a sense of pride there, a sense of accomplishment. It's not just that I wrote a check and bought somebody's hotel."

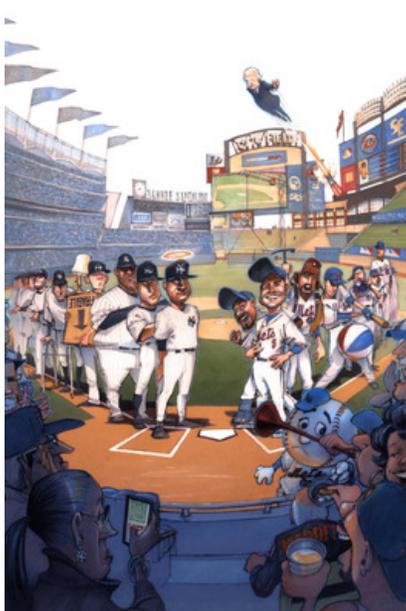
At this, Steinbrenner's cadence changes. He begins to talk more deliberately. It's as if he remembered that it's the Yankees, not a few hotels in Florida, that have made his family name world famous. He begins to talk about the team using words like duty, honor and family.

"So yeah, there's a lot of pride there, but there's also a lot of pride here in continuing what our father did for us, what he did for the fans and for the city of New York. It's absolutely our duty and responsibility."

The Other Family Business



Ever since he somewhat unexpectedly took the reins of the Yankees in 2008, Hal Steinbrenner has kept his distance from the limelight. His father, George, was a bombastic leader who never hesitated to make his displeasure known. Hal is low-key. He rarely gives interviews. Even as he supervised construction of the team's \$1.5 billion stadium and emerged as the undisputed head of the family business, he avoided making news the way his father had.



At the helm of the Yankees, he's become known for being quiet, direct, precise and focused on the bottom line. The Yankee payroll, at just over \$210 million, is still staggering, but Steinbrenner recently imposed a salary ceiling on the team, declaring the payroll should fall to \$189 million by 2014.

But when it comes to his hotel business, which he has never discussed in detail, Steinbrenner's enthusiasm tips to something even the most dedicated Yankee Kremlinologists may not know. Building his modest \$70 million to \$75 million hotel business, which is dwarfed in size by the contracts he regularly hands out to star ballplayers, may be the thing that gave him the confidence, if not the trust from his father, to take full control of the Yankee empire. "I think he felt, internally, that he wanted to prove that he can do this—that 'I've already done it on my own,'" said his sister, Jenny Steinbrenner Swindal.

It apparently worked: Steinbrenner's

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partner in the business, Don Steimle, said the venture showed George that his youngest son, who had never been the anointed successor, could someday run the team. "I could tell by the interaction between father and son that he was so proud of Hal. I think that

probably had a lot to do with where Hal is today."

A Business Opportunity

Like all the Steinbrenner children, Hal grew up around hotels.

The Bay Harbor Inn in Tampa was known to all as George Steinbrenner's hotel. The family held its annual Christmas party there. Jenny worked as a hostess in the restaurant.

Steinbrenner would house the team there during road trips along Florida's west coast and hire security guards to enforce curfew. Once the team moved its spring training site from Ft. Lauderdale to Tampa, it became even more of a nexus. "We had staff meetings there, organizational meetings there at times. We signed players there," Yankee general manager Brian Cashman recalled.

To George Steinbrenner, hotels weren't about making money, they were a clubhouse. "The hotels were very much a lifestyle thing," Hal Steinbrenner said. "He loved having the Bay Harbor Inn to meet his friends, have dinner there, walk around, put the scouts there, have baseball meetings."



[Enlarge Image](#)

Associated Press

Hal Steinbrenner with his father, George, at the renaming of Legends Field to George M. Steinbrenner Field in Tampa, Fla.

Thirty-five years later, the Bay Harbor is long sold. Badly in need of a renovation, Hal Steinbrenner unloaded it in 2005.

Unlike his father, Steinbrenner doesn't own hotels for the fun of it. Where the father saw a chance to enjoy himself, the son saw a business opportunity. Corporate partners describe the operation as streamlined, efficient and profitable. Glenn Lewis, a Marriott franchise executive, described

Steinbrenner and Steimle as model operators. "We wish more of our owners were like they are," he said. "We're trying to talk them into doing more hotels with us."

Lewis says most of Marriott's franchisees have no idea the Steinbrenner family owns these hotels. There's rarely anything more than a Yankee cap for sale by the front desk to tip them off. "They probably haven't used it to their potential," he said. "It's just one of those things—maybe they wanted to be lower key about it."

By any measure, the economic scale of this business is minuscule compared to the Yankees. Lawrence Wolfe, senior managing director with Eastdil Secured, said Steinbrenner's properties are "good select-service hotels with attractive flags." He estimated that the seven-hotel portfolio is worth between \$70 million and \$75 million. With the Los Angeles Dodgers selling at auction Tuesday for \$2.15 billion, it's fair to assume the Yankees would be in the same ballpark if put on the market.

Similarly, the most expensive of Hal's hotels, the Residence Inn in Ocala, recently

had its most expensive room available for \$128 on April 28. On the same night at Yankee Stadium, for a game against the Detroit Tigers, \$128 bought a single seat in row 12, Section 105, an area past the right field wall and a long way from home plate.

Nevertheless, Steinbrenner said the management philosophy he used for the hotels has helped him to run the Yankees. And as management philosophies go, it's a minimalist approach. Whereas his father would perform surprise inspections of his hotels and blow up at things like paint scrapes, Steinbrenner said he prefers to weigh in on the big matters and leave the rest to his managers.

It's much the same in baseball, where he said he is content to limit his involvement to broad matters and leave baseball decisions in the hands of others, like Cashman and team president Randy Levine. "If you're going to run a business as large as the New York Yankees, you have to be able to delegate authority," he said. "That's why I don't know how my dad did it. Now, my dad delegated authority, but I'm probably a little bit better at it than he was."

Looking for Other Things

By the early 1990s, Steinbrenner owned two hotels—the Bay Harbor and a Ramada in Ocala known as Steinbrenner's Yankee Inn. The Boss was looking for someone to manage the business. He settled on Steimle, who had been his private pilot for many years.

At the time, Hal Steinbrenner was finishing an MBA from the University of Florida. He graduated in 1994 and went to work for his father. He had an office and title and was involved with some aspects of running the team—but his father was still the undisputed boss. "Hal was involved, but he still had a lot of other time," Steimle said. "He wanted to do some other things."



Charlie Doerner for the Wall Street Journal

Hal Steinbrenner's partner in the business, Don Steimle, said the venture showed George that his youngest son, who had never been the anointed successor, could someday run the team.

Steinbrenner went to his father and proposed working with Steimle to develop some new hotels and trying to develop a relationship with one of the major brands. The idea of putting shovel to dirt and creating something from the ground up excited him.

Together with Steimle, he worked with Marriott International to turn a run-down Howard Johnson's in Ocala into a Marriott Courtyard. The renovated hotel, which opened in 1995, was a success, Steimle said, and George Steinbrenner was impressed.

After that, Hal Steinbrenner began to build smaller, limited-service properties from the ground up. He believed that smaller properties, without restaurants, would be better able to withstand a recession. So the partners joined with Marriott in 1999 to build and operate a Fairfield Inn in Ocala. While Hal said that Hotel was also successful, he said his father had tired of building hotels and wasn't interested in new projects.

Hal wanted more, however, and decided to branch out on his own, planning the Holiday Inn without his father's help.

This would be the real test. At the spot where they proposed to build, there was a Pizza Hut and a gas station on the corner and almost nothing else. Steinbrenner was convinced development would come. But for the first time, he was operating on his own, outside his father's group, with his own money on the line. "Even my hotel bankers were saying, 'it's a little green, are you sure about this?'" Steinbrenner said. "I see what you're saying, and it may happen, but I don't know."

The two men were rookie developers in every sense. Steinbrenner said he had many questions at first and leaned heavily on Steimle while Steimle leaned on the general managers they'd hired. "Were we afraid to do this? Sure," Steimle said. "Did we have problems construction-wise? Absolutely. It was a constant battle."

For a Steinbrenner, of course, failure is relative. Hal wouldn't have been destitute if the project hadn't worked. But there's a fair chance he would have fallen in the eyes of his father.

Today the area around the Holiday Inn Lakewood Ranch is heavily developed with chain restaurants and stores lining the roads. Shortly after the hotel opened in 2001, just as Steinbrenner thought, the area had exploded. In 2003, Steinbrenner opened a second hotel in the area, a Fairfield Inn.

The Holiday Inn is, by all accounts, a profitable and successful hotel. Steimle said the property has won several internal awards from Holiday Inn's owner, InterContinental Hotels Group.

Not all the hotels in the family's control were Hal's personal projects. Most were done with the family's involvement and funding. The ones he developed with his own money were referred to as "Hal Hotels."

In 2005, Steinbrenner went to his father and told him the older hotels, the ones he loved, needed to go. The Bay Harbor and the Ramada Yankee Inn in Ocala needed major renovations and weren't worth the cost.

Initially, when Steimle had put the idea to the Boss, Steinbrenner had balked. "He said, 'I don't like that idea, Don,'" and refused to do it, Steimle said.

Hal made a reasoned economic argument to his father. The Yankee patriarch listened and agreed, finally, to sell his favorite hangouts. Steinbrenner's Yankee Inn became just another Ramada. The Bay Harbor lost its Yankee presence, too.

Steinbrenner and Steimle began looking around Florida for more chances to expand. They built several more hotels, eventually peaking at eight.

Not all of the acquisitions worked. This December, the partners unloaded a Fairfield Inn in Clearwater, Fla., that, they said, was "underperforming." It was a small hotel with 83 rooms in an unfamiliar market. Steimle said it didn't meet their investment standards.

A New Boss

Steinbrenner rarely ventures out to the hotels anymore. By 2007, his involvement in the hotel business had begun to wane. His father was in declining health. His father's anointed successor, Hal's brother-in-law Steve Swindal, was out of the picture after divorcing his sister, Jenny. Steinbrenner said he felt the call to help.

In 2008, he and his brother, Hank, took over the ballclub. They shared power at first, with Hank handling the baseball side and Hal the finances. Hank was outspoken in the style of his father but after a year of stirring the pot, he

disappeared from the public eye. Hal began to assume full control. Before the 2009 season, Hal was elevated to managing general partner.

But he said the lessons of the hotel business are never far from mind. "Put a good product out there. Whether it's a baseball team or it's furnishings in a room," Steinbrenner said.

"The second half of it is customer service. That's half the battle. There's one thing you learn in the hotel business: If a guest checks in and has a bad experience right from the get-go at that front desk, often times it taints his or her entire experience."

It's not clear how history will view Hal Steinbrenner's stewardship of the Yankees. While the team is perceived to be wildly profitable, team officials have said, both publicly and privately, they aren't making the kind of money outsiders think they are. Thanks to its huge payroll, Major League Baseball's "luxury tax" and revenue-sharing programs demand something in the area of \$100 million from the team every season. While the team led the American League in attendance last season, overall attendance at the stadium was the lowest since 2003.

Steinbrenner said there was never any doubt he would help with the Yankees if needed. "There came a point where we all had to step up, and for the family's sake, get involved," he said. "I enjoy this now."

But what if the Yankees had not needed the youngest Steinbrenner brother when it did? If things had been different, would he have stayed on the outside, happy to grow his hotel business instead? His response to the question: "I can't say."

Jenny Steinbrenner Swindal said she still sees her brother beaming when the family discusses the hotels at their annual meetings. To him, she said, they're a reminder that he built something his own, without his father looming over the process. "The Yankees were already the Yankees," she said. "They will always be the Yankees. I think my father was able to bring the Yankees back to their glory and Hal's keeping that up."

The hotels, then, will always be something of a first love, and a proving ground. "It was Hal's way of knowing, in our world, that he could establish himself as an individual," his sister said. "And it's only given him the confidence to go on."

—Kris Hudson contributed to this article

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