

# CRAIN'S Cleveland Business

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## Hotels are digging the local landscape

Once-slow market has been booming in region

By Stan Bullard



Photo by CONTRIBUTED PHOTO The planned Springhill Suites in Independence (shown is a rendering of the hotel, combined with a picture of the surrounding land on Rockside Road) could be open for business in May 2016.

Suburban hotel development in Northeast Ohio, typically measured in one or two a year, is kicking into a much higher gear.



Photo by REBECCA R. MARKOVITZ

More than 10 hotels are under construction or scheduled to start this spring in the region. Four of those are rising or are scheduled to go up this year in western Cleveland suburbs and Lorain County. Along with the just-completed Cambria Inn in Avon, they are the first new West Side hotels since the 1990s.

Capturing resurgent business travel and growing leisure travel is the objective for this batch of inns, but the looming Republican National Convention in 2016 is giving developers an extra reason to push their projects through.

Next to I-77 immediately north of Rockside Road in Independence, a line of trees in the devil strip of Rockside Place was recently cut down and tiny yellow flags put in to mark the site of a planned 121-suite Springhill Suites by Marriott.

Ed Cury, the West Palm Beach, Fla.-based developer of the Springhill in Independence, said his project was planned to accommodate business travelers, but construction will be on a fast track to finish it by May 2016 so it's ready for the GOP convention.

"It might have been later, but we got our orders in and reached a number of milestones to have it ready before the RNC," Cury said. "It's great that it will be in Cleveland." Cury's project is going in on a portion of the excess parking at the Holiday Inn Rockside, whose Cincinnati-based owner, JAGI Cleveland, is his client for the Springhill Suites because they felt the market was ready for more rooms.

Springhill has a contemporary design and other features to make it attractive to young business and professional travelers, Cury said. The Independence Springhill Suites will be Cleveland's second, joining one in Solon.

#### **Lending a hand**

David Sangree, president of Lakewood-based Hotel & Leisure Advisors LLC, said a combination of factors has produced the flurry of new suburban hotel proposals.

Nationally, hotel occupancy and revenue are up, Sangree said, which encourages hotel development.

"The lending community is very much interested in lending for hotels again," so developers see an opportunity, he said.

Although suburban hotel development is up in the region, it is not as busy as some other regions which have stronger job growth.

"In Cleveland, we really haven't had much hotel development for a long time, so it looks like a lot," Sangree said.

New hotel flags also prime the pump for hotel development.

“Every new hotel franchise is looking for a new site,” Sangree said. “Every franchise wants to have as many sites as possible so they can arrange to serve as wide a range of followers as possible. A new franchise will also tell developers what areas it wants to be in and award them franchises for specific sites, which helps them gain financing. Likewise, Springhill Suites is well known as a good brand so hotel real estate investment trusts and lenders are interested in backing them.”

For example, Chicago-based Hyatt Hotels Corp. is expanding rapidly its 200-location Hyatt Place brand with contracts for another 45 locations this year, according to Mark Younam, director of real estate and development for Hyatt Place.

Two factors led to the addition of a Hyatt Place at Crocker Park in Westlake and a proposed one at Legacy Village in Lyndhurst.

“We have an increased focus on franchising in North America,” Younam said. “An increased franchised hotel presence will help us gain access to capital from developers and property owners that specifically target franchising business opportunities.” The Westlake and Lyndhurst locations supplement the first Hyatt Place in the Cleveland suburbs, the one in Independence that began life as an Amerisuites Inn.

### **Going vertical**

Moreover, Hyatt likes locations where it can benefit from multiple demand generators, Younam said.

At the Crocker and Legacy Village properties, it can accommodate business and leisure travelers who may patronize restaurants and stores at the centers. Cleveland-based Stark Enterprises long pursued a hotel that the Hyatt Place is realizing at Crocker Park because it fits its concept as a mixed-use community with offices, apartments and retail.

The attraction was the same for retail-focused Legacy, which has a small amount of office space, but also because the six-story hotel will enhance the property.

Mitchell Schneider, CEO of Lyndhurst-based First Interstate Properties Ltd., said that since a hotel operates 365 days a year, it can have a “significant synergistic effect. The uses support the occupancy and viability of each other.”

The hotel and associated parking garage will occupy just a two-acre site at Legacy.

“Even if an exciting retail concept were available, the parcel is too small to accommodate it and the structured parking required for it are too small to be economically viable,” Schneider said. “Hotels are vertical properties so they fit the site. The square footage and investment of capital that goes with it drive the economics for the project.”

### **Thinking conceptually**

The other concept new to Cleveland suburbs is from Hilton Worldwide — the Home2 Suites extended-stay brand, which the company bills as pet-friendly and casual.

The city of Beachwood has approved a 91-room Home2 Suites for a site next to I-271 near Chagrin Boulevard. The suite hotel will complete a plan by Beachwood-based Atlantic Hospitality that trimmed the size of an existing Clarion Hotel to accommodate its redo as new, smaller Clarion and accommodate a Hotel Indigo, which opened last year, and make additional land available for development.

The four-floor Home2 Suites with an indoor pool will go in at 3589 Park East Drive, according to Beachwood city records. Ted Alec Sahley, Atlantic project manager, declined comment.

A Wallhouse Hotel, a concept homegrown in Ohio, is proposed for a site at Brunswick Town Center in Brunswick. The first Wallhouse opened 21 months ago in Walnut Creek, Ohio, as a six-story boutique hotel with a modern design serving Amish country.

The strategy is to serve as a destination hotel emphasizing service and shy away from areas with high corporate traffic, according to Robert Schlabach, president of business development for Wallhouse Hotel LLC and Winesburg Builders based in Millersburg.

With just one existing hotel in Brunswick, Schlabach said his firm believes there is support for a 70- to 80-room hotel focused on serving guests of area residents and local businesses in a family atmosphere. He would do six stories in Brunswick, but the city's height restriction confines him to four.

### **Franchise tags**

Hotel franchises also are interested in covering holes in their coverage of the area or capitalizing on areas with population growth thanks to new-home development. That helps account for a 96-unit Homewood Suites in Sheffield Village and a 76-unit Fairfield Inn & Suites that Fremont-based Sunrise Hospitality Inc. is constructing.

Holiday Inn Express also is growing in the region. Columbus-based Alliance Hospitality Inc. is finishing a 91-suite Holiday Inn Express on Clemens Road in Westlake and Wadsworth-based American Hospitality Group plans to start building one of similar size this spring in Montville Township.

Meantime, a 116-unit Residence Inn by Marriott is under construction at the I-90 interchange with Nagel Road in Avon, and a Chardon-based investor group is planning a yet-to-be flagged 70-room hotel in Chardon.

Several sites yielding hotels today are on locations originally planned, often by other developers, prior to the 2008 recession and its long wake.

John Hunter, the mayor of Sheffield Village, said a group he declined to identify because they have not yet filed applications with the city wants to pursue a Holiday Inn on a site in his community. But he's not counting on it until construction ramps up. Why the caution? The same idea, he said, was discussed eight years ago, but the project never proceeded.

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