

Developer revives plans for 1,003-room Congress Avenue convention hotel

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White Lodging Services Corp. intends to start construction in about nine months on a 1,003-room Marriott Marquis convention hotel on Congress Avenue in downtown Austin, and the city will consider waiving up to \$4.3 million in development-related fees for the project, which had been shelved during the recession.

"We're really excited about it," Deno Yiankes, president and CEO of investment and development for Indiana-based White Lodging, said Friday. "To be this close and hopefully be in a position to start this is very exciting, not only for us but for the city."

The hotel would be the city's largest, ahead of the 800-room Hilton Austin.

Yiankes said the building's height is still to be determined, but it could rise 27 to 30 stories. The hotel would have about 103,000 feet of banquet and meeting space and would take about 32 months to build, he said.

Mayor Lee Leffingwell said he will sponsor an item, to be considered by the City Council at next Thursday's meeting, that would authorize the city manager to negotiate and execute a contract that would waive \$3.8 million in fees for the project. The city also would share in the cost of moving a wastewater line on the site, spending \$500,000.

The city typically reimburses developers for major infrastructure costs in cases where those improvements also have a public benefit. Leffingwell said the city offers fee waivers "for projects where they are appropriate," and emphasized that they do not constitute "out-of-pocket money."

Leffingwell and others have been pushing for a second convention-size hotel, saying the city was unable to attract the big events that require large blocks of rooms in a few hotels.

In addition, the growth of Austin events such as the South by Southwest Interactive, Music and Film festivals has strained the area's ability to provide enough rooms.

This year, SXSW organizers said they had to contract with a record 73 hotels to assure accommodations for attendees.

The Republic of Texas Biker Rally filled area hotel rooms to nearly 100 percent of capacity in 2010, according to Smith Travel Research, and registration was 8 percent higher this year.

White Lodging had postponed plans for the hotel, on Congress between Second and Third streets, in late 2008, but executives said all along that the company remained interested in building the project.

"They figure they can save a lot of money by going ahead on a fast track here, before costs escalate in an economic recovery and the cost of materials and labor increases," Leffingwell said. "The expectation is (that) after a year, costs won't be as low as they need to be to make the project work."

Yiankes said that, pending approval of the fee waivers White Lodging has requested, "we will go full speed ahead on our architectural and engineering drawings," a process he said will take about eight to 10 months.

Meanwhile, White Lodging plans to start construction in August on a 17-story Hyatt Place hotel with 296 rooms at Third Street and San Jacinto Boulevard downtown, Yiankes said.

Yiankes said he did not yet have a price tag for the Marriott Marquis project. However, he said the owners of White Lodging — a family-owned hotel development, ownership and management company — have committed to put up 100 percent of the cash equity, and based on that, "we don't anticipate the debt financing to be a problem."

Leffingwell said that Austin "is not in the same position" as some other cities that have offered incentives to developers building convention hotels.

The city's hands are tied in that regard because of previous commitments with the Hilton project involving covenants for the bonds that were used to finance the Hilton convention hotel, he said.

White Lodging's project would create 400 permanent jobs, as well as nearly 600 construction jobs while it is being built, Leffingwell said.

When White Lodging announced the Congress Avenue hotel, there was some community outcry because the project was going to displace several local businesses on Congress, including the popular Las Manitas restaurant, which has since closed.

Courtesy of JB Goodwin