

San Diego developer plans 50-story hotel east of Austin Convention Center

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A San Diego hotel developer plans to build a \$350 million hotel with more than 50 stories and 1,035 rooms east of the Austin Convention Center. The hotel would be built on land now used for parking at the northeast corner of Red River and Cesar Chavez streets, near Waller Creek.

Manchester Texas Financial Group could find itself in competition with White Lodging Services Corp., which plans a 1,003-room Marriott Marquis hotel on Congress Avenue between Second and Third streets.

It's unclear whether Austin could support two more convention-size hotels, in addition to the 800-room Hilton Austin, so the developers could be in a race to see who can break ground first.

Manchester Texas would develop the hotel. Its parent, San Diego-based Manchester Financial Group, built the Manchester Grand Hyatt and the Marriott Hotel and Marina in San Diego, high-rise hotels on San Diego Bay.

The Austin project would include 115,000 square feet of meeting and exhibit space, along with two restaurants and retail space.

Douglas Manchester, founder and chairman of Manchester Financial Group, said Friday that the project has been going "at a pretty fast speed" and that he anticipates starting construction in the next 12 months. The project would take at least 18 to 24 months to build, he said. He said Manchester Financial can put the required equity into the project and attract the loans to complete it.

He said it's too soon to talk about what flag the hotel would carry, although he said Hilton "is very interested."

"We have looked carefully at many hotel sites in the Austin market and concluded this site is by far the very best with its immediate location adjacent to the convention center," he said. "We think this will create the catalyst for a very lively area," especially as plans to revitalize the Waller Creek area begin to bear results.

Work is under way on a tunnel to divert floodwaters along the creek banks, a project that is expected to spur redevelopment along what has long been a trash-filled eyesore and haven for transients.

Perry Lorenz, who owns the 1.7-acre site with developer Robert Knight, said the hotel could open about the same time the tunnel project is completed in late 2014.

Lorenz and Knight will be on the development team for the project, beyond leasing the land to Manchester for 99 years.

"We're going to get this right, and I'm going to be involved from beginning to end," Lorenz said.

Manchester said that when he developed the waterfront in San Diego with the Hyatt and Marriott hotels, it was "an old Navy athletic field with tattoo parlors."

He said the hotels were the "catalyst for the redevelopment of all of downtown, but the bones were there," and he believes they are there as well on the Waller Creek site, with its proximity to the convention center, Lady Bird Lake and the hike-and-bike trail.

"We're very excited about the redevelopment of Waller Creek and look forward to being a very big and integral part of that area," Manchester said.

White Lodging has said it will be ready to start its Austin project in about nine months, pending approval of \$4.3 million in fee waivers from the City of Austin. The City Council was set to vote on that measure Thursday but postponed it until Wednesday, as news of the new project emerged.

Lorenz said Manchester "would expect the same courtesies to be extended to them."

Austin Mayor Lee Leffingwell said in an email that he would support giving those same courtesies "to another similar and meritorious project, and then let the market make the decision as to which or both."

A White Lodging executive said the firm looked at the Lorenz/Knight site but opted for Congress because of its proximity to nightlife, restaurants, businesses and the convention center. White Lodging said its hotel would take 32 months to build.

The architect for the Manchester project is Gensler, an international architecture firm that has worked with brands including JW Marriott, Ritz-Carlton, Starwood and Hilton. Gensler, which has an Austin office, is aiming for the second-highest green building rating for the hotel under the Leadership in Energy and Environmental Design program.

Lorenz said he had heard Manchester was scouting sites in Austin for a hotel, and the connection was made through Gensler.

Randy McCaslin, a vice president with PKF Consulting, a hospitality industry consulting firm, said that "Austin is currently losing an enormous amount of convention center demand because it lacks the number of dedicated hotel rooms to meet the requirements of most large conventions. There is a need for at least 1,000 more hotel rooms to support the city's efforts to attract this business."

Whether the city can support two convention hotels would need to be studied, McCaslin said, "but it is exciting that there are two groups that are interested in bringing a new convention center hotel to Austin."

Ronald Powell, director of corporate communications for the Port of San Diego, where Manchester's firm built the Grand Hyatt and Marriott hotels, said: "Doug delivers. He builds big hotels."





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Courtesy of JB Goodwin