

ORLANDO Business Journal

MARCH 24-30, 2006

orlando.bizjournals.com

\$2

'Official hotel' status more than just hyperbole

Convention center designation includes guaranteed rooms in exchange for maximizing its size.

BY BOB MERVINE | STAFF WRITER

ORLANDO — Being labeled an official convention center hotel is more

than a puffy advertising line for Palazzo del Lago, the area's most recently announced mega resort that will include a spa and five themed restaurants.

The designation is part of a deal in which the resort gives a guaranteed block of hotel rooms for conventions booked three to five years in advance, in exchange for avoiding an

expensive impact study that could limit its size.

Phase one of the \$800 million Palazzo del Lago is set to open in early 2009 on South International Drive, about four miles from the convention center. The project will include 585 condo-hotel units, 675 conventional hotel rooms and 994 condo villas. The condo

units will go on sale this summer with hotel units starting at \$400,000 and villas at \$300,000.

Having the official convention center hotel designation on the project's letterhead helps assure potential condo buyers at the resort that their units

PLEASE SEE PALAZZO, PAGE 17

PALAZZO: Only two Orange County resorts, neither built, have the designation

Continued from page 3



Krystoff

will stay filled, says Jerrold Krystoff, CEO of Hospitality Development Group Inc., the Fort Lauderdale developer of Palazzo del Lago. He says much as 70 percent of the Palazzo's overnight rental business could be with groups.

Group travel can mean tour groups, but in this case it refers to meeting and convention business, especially for hotels located near the county's convention center.

The official designation, which calls Palazzo a "Convention Center Hotel Development," is the linchpin of a 2001 contract between Orange County and the hotel's developers.

According to the deal, official convention center hotels agree to guarantee up to 50 percent of their available rooms for a citywide convention center group five years before a group comes to town. Booking a group five years in advance gives the convention center assurances that half of the hotel's available rooms on those dates will be blocked at a fair rate. In the event of a four-year booking, the guarantee drops to 40 percent of the available rooms; three years drops to 30 percent. Inside of three years, no guarantee is necessary.

In exchange, the county allows the developer to build the number of rooms allowed under the International Drive Activity Center Mixed-Use zoning district agreement, based on the theory that high-end hotel rooms servicing the convention center are good business for all involved. Otherwise, an expensive development of regional impact study by the hotel would be required.

The concept was developed in the mid-1990s, says Tom Ackert, the executive



SPECIAL TO ORLANDO BUSINESS JOURNAL

Palazzo del Lago entrance on South International Drive



Akert

director of the convention center, the second largest in the country. He sees the agreement as a sales tool. "It increases the armament for our sales department," he says. "At the end of the day, it's not likely to influence the final decision" by

a meeting planner on whether to book a convention in Orlando or elsewhere.

None of the hotels located near the center have chosen to become official convention center hotels, and so far only two developments have qualified for this status.



Villaverde

Alan Villaverde, Peabody Orlando's general manager, says there's no advantage to his hotel in a deal like this, but for a large property miles away from the convention center, "it's

Hospitality Development Group Inc.

Line of business:

Privately-held real estate development company specializing in hotels, resorts and condos, both domestically and internationally

Headquarters:

Fort Lauderdale
Principals: Ralph Holden, chairman; Jerrold Krystoff, CEO; Daniel Adache, president

Local presence: Planned \$800 million, 2,250-unit mega resort to be operated by InterContinental Hotels Group PLC

Revenue: Did not disclose

Contact: (954) 764-3979
www.hdgusa.com



impossible to say whether it will bring the benefits they expect."

"We've never gone out to solicit this," says Dan Heffler, director of sales and marketing for the Orange County Convention Center. "The developers who were interested came to us."

Buena Vista Towers, the other property that has asked to be an official hotel, is located in the Marbella Resort project. The Buena Vista Towers is a two-building, 25-story condo hotel project, but the number of rooms has yet to be determined, says Buena Vista Corp. President Shamamand Maharaj. However, he thinks the official convention center hotel status is a good idea.

That's because it facilitates better occupancy and average daily rates, and increases the hotel's entitlements with the county, he says. Maharaj adds, "It allows us to have a closer relationship with the convention center."