

## BUSINESS

# Council gives DIA OK for \$900,000 hotel asset management contract

By **Laura Keeney**

***The Denver Post***

POSTED: 11/20/2014 12:01:00 AM MST [ADD A COMMENT](#)

UPDATED: 11/20/2014 01:33:46 AM MST



DENVER, CO - November 7: Construction continues on 519-room Westin hotel and conference center at the front of the Denver International Airport on Friday, November 7, 2014 at in Denver, Colorado. The Denver International Airport's Hotel and Transit Center is a five year construction project that includes the building of a new hotel and commuter rail station that will connect the airport with downtown Denver. (Photo By Brent Lewis/The Denver Post) (*Brent Lewis, THE DENVER POST*)

**A \$900,000 contract to hire an out-of-state consultant is designed to ensure Denver International Airport's new Westin hotel meets city business objectives in the months leading up to its opening and in the first year of operation.**

"Much like the city of Denver did on the city-owned Hyatt Convention Center, DIA decided that as first-time hotel owners, it would be prudent to have the services of seasoned hotel experts during the initial years of operation," DIA spokeswoman Stacey Stegman said. "We believe that hiring a consultant with great experience in this area will help ensure the success of the new Westin Denver International Airport well into the future."

The City Council on Monday OK'd the contract to hire Delaware-based Capital Hotel Management as the asset manager for the 519-room hotel, which is set to open in late 2015.

The hotel is owned by the city of Denver. Starwood hotels — Westin's parent company — is the franchisee and the hotel's operator.

Although responsibility for the hotel's occupancy and profitability falls on Starwood/Westin's shoulders, Denver has a vested interest. The city issued bonds to fund the hotel project, and paying them off depends on the hotel's profitability.

Financing of the airport's hotel and transit project has been increasingly under scrutiny.

---

---

This month, The Denver Post obtained [a draft copy of a performance review of the project](#) by the city auditor, Dennis Gallagher, which projects final costs — for the hotel, public plaza and train station — will rise to \$737 million.

Among the audit report's recommendations are several that address a lack of budgetary oversight.

CHM will help fill that gap by conducting periodic analysis of the hotel's financial statements and challenging "hotel management to respond where areas of opportunity exist," according to documents provided to the City Council from DIA.

Hiring such a consultant to represent the city's interests in a project this large is not uncommon, especially when it comes to balancing customer expectations against profit goals, said David Corsun, director of University of Denver's Knoebel School of Hotel Management.

"It's not just about operating a hotel and providing service and a quality product; it's about appreciating a real estate asset," Corsun said. "CHM's role is to work with the general manager to make sure that Starwood, through that general manager and team, is meeting the hotel owner's needs, in this case the city of Denver.

"But the asset manager has to also recognize the needs of the guest must be met," he said. "There's a balance."

CHM's fee structure is broken into two areas: pre-opening and post-opening hotel asset management. Pre-opening will command a fee of \$15,000 per month.

Post opening, the fee rises to \$22,500 per month.

Although this price tag may seem hefty, the experience DIA is paying for does not come cheaply, Corsun said, pointing out the many areas that the city and DIA will rely upon CHM for guidance, including complex debt oversight and deep analytic insight into Westin's operations.

"The fees are not a dollar a day because it requires a lot of expertise in a variety of areas," Corsun said. "This includes management of the debt service, helping the owners secure the

debt, seeing what capitalization looks like — it's all required in order to service the debt and still return something to the city."

CHM was chosen in a competitive bid process and will begin work at the end of this month, Stegman said.

*Laura Keeney: 303-954-1337, lkeeney@denverpost.com or twitter.com/LauraKeeney*