


**5<sup>th</sup> Annual Hospitality Law Conference**  
 Presents

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**A Course of Lodging Delicacies**

**Condo Hotels -  
3 Years into the Concept**

Presented by:  
**Irvin W. Sandman**

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**CONDO HOTELS: THREE YEARS INTO THE CONCEPT**  
 Introduction

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**Irvin Sandman**

- Leader, Graham Dunn PC's Hospitality Industry Group
- Over the last several years he has served as lead counsel in over 150 transactions involving over 100 different hotels worldwide, including complex acquisition structuring and condominium hotels
- Chair of the American Bar Association's Hospitality Industry Liaison Subcommittee
- Counsel to National Association of Condo Hotel Owners, Seattle Hotel Association, Seattle Convention and Visitors Bureau, and local, regional and national hotel companies
- His team and teammates hold admissions to practice in Connecticut, California, Florida, Massachusetts, New York, and Washington

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CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
**INTRODUCTION**


**CONDO HOTELS: THREE YEARS INTO THE CONCEPT**  
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**What is a condo hotel?**

- Rooms are owned separately as condominium units
- Condo units are rented by the hotel through a rental program
- Contrast: mixed use.

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**What are the advantages**

- to the consumer?
- to the developer?

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**Why are these developments challenging?**

- Securities risks
- Condo laws
- Zoning laws

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Introduction

- Different kinds of lenders
- Dependency on condo market
- Uncertainty of rooms inventory
- Developer may be forced to continue as the owner of the "hotel unit"

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CONDO HOTELS: THREE YEARS INTO THE CONCEPT

Challenge to the concept that the condo hotel "has to work as a hotel."

**CONDO HOTELS: THREE YEARS INTO THE CONCEPT**  
Challenge to the concept that a condo hotel "has to work as hotel."

**When does a hotel "work"**

- from the point of view of a hotel owner?
- from the point of view of a unit owner?

**Why might you want to make it work both ways?**

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Condo crash coming  
*Apartment Finance Today*  
November/December, 2005

"A tsunami of new units will swamp the market."

CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
THE CONDO MARKET HAS STALLED

Hotel Owners Remain Optimistic That a Downturn Is Still a Ways Off  
*HotelBusiness*  
September 2006

**CONDO HOTELS: THREE YEARS INTO THE CONCEPT**  
The Condo Market is Stalled

**The impact of the stalled condo market:**

- Financing
- Unpredictable sales
- *It really does have to work as a hotel*

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Goodbye Condo Mania



*Goodbye Condo Mania — Article by Pat Metz Fowain — Published by Kollinger.com, 2006*

CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
COTTAGE INDUSTRIES



CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
Cottage Industries

- **National Association of Condo Hotel Owners ([www.nacho.us](http://www.nacho.us))**
- **Retail Lenders**
- **Marketing Consultants**
- **Accountants**
- **Workout specialists**

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CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
THE BRANDS ARE IN, OUT, IN....?

CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
NEW APPLICATIONS AND MARKETS



CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
New Applications and Markets

- **The Regional Resort Condo Hotel**
- **The Corporate Condo Hotel**

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CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
NEW IDEAS IN RENTAL PROGRAMS



CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
New Ideas in Rental Programs

- **Staggered Termination**
- **Multiple Packages**
- **Lease-back programs?**

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**NEW IDEAS TO ENCOURAGE RENTAL  
PROGRAM PARTICIPATION**



CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
New Ideas to Encourage Rental Program Participation

**What are the risks that are being addressed?**

**Use condo documents to:**

- Place expenses of hotel amenities on the unit owners
- Require unit owners to maintain units according to brand standards

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**MUNICIPALITIES MAKE NEW ZONING LAWS**



CONDO HOTELS: THREE YEARS INTO THE CONCEPT  
New Ideas to Encourage Rental Program Participation

- **Why do the municipalities care?**
- **The good, the bad, and the ugly**

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CONDO HOTELS: THREE YEARS INTO THE CONCEPT

**ARE CONDO HOTELS HERE TO STAY?**



**CONDO HOTELS: THREE YEARS INTO THE CONCEPT**  
Graham & Dunn, P.C./Hospitality Industry Team



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Irv leads the firm's Hospitality Industry Group. He and his team counsel hospitality companies about all aspects of condo hotels; acquiring, developing and financing hotel properties; developing and protecting technology, brands, e-commerce solutions, and other intellectual property; negotiating and management agreements, drafting franchise agreements, strategic partnerships, and other relationships; managing employment and diversity matters; restructuring troubled properties; and litigating disputes.

