

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

## A Course of Lodging Delicacies

Condo Hotels - 3 Years into the Concept

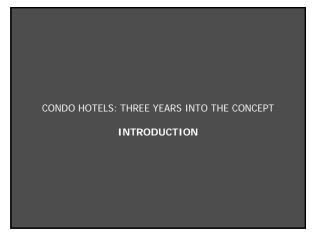
Presented by: Irvin W. Sandman

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- 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
- Irv Sandman
- 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

## 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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CONDO HOTELS: THREE YEARS INTO THE CONCEPT

### What are the advantages

- · to the consumer?
- · to the developer?

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CONDO HOTELS: THREE YEARS INTO THE CONCEPT

Introduction

# Why are these developments challenging?

- · Securities risks
- · Condo laws
- Zoning laws

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# CONDO HOTELS: THREE YEARS INTO THE CONCEPT 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

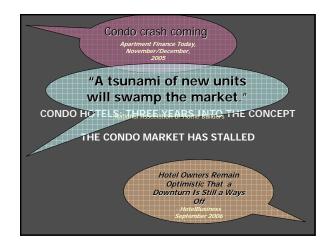
Challenge to the concept that a condo hotel "has to work as hotel."

#### 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 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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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)
- 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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CONDO HOTELS: THREE YEARS INTO THE CONCEPT

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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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



Irvin W. Sandman, Graham & Dunn P.C. Hospitality Industry Team Leader

Graham & Dunn, P.C. 2801 Alaskan Way #300 Seattle, Washington 98121

Direct: 206-340-9641 Toll Free: 1-800-458-1705 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. disputes.

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