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Aspen hotel pipeline filling up

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13 current projects have been proposed or approved

After years of relative quiet on the hotel development front, Aspen finds itself in the winter of 2015-16 with 13 lodging projects proposed or underway.

The list runs the gamut from new timeshare lodges that have been sitting on the shelf for five years or more, to complete redevelopments of major downtown hotels, new boutique concepts and some ideas that have come out of left field. Many include a free-market real estate component.

The potential wave of redevelopment comes after political battles over what the city's role should be in encouraging developers to renew the bed base, and what type of projects are best for Aspen's future. Aspen voters last month vetoed at the polls a 37-room economy lodge that was larger than what zoning allowed on a Main Street parcel and citizens in August 2014 essentially forced city council to downsize a developer-incentive package targeted at new hotels and remodels.

Most of the projects that are moving forward now came about with little to no help from the city in the form of zoning breaks.

Byron Koste, the retired founding director of the University of Colorado Real Estate Center who in 2007 helped the city evaluate new lodging development in the Lift 1A neighborhood, said last week that increased activity in the hospitality sector is not just an Aspen thing.

"As a class of real estate, hospitality — hotels — is perceived well right now," Koste said, pointing to the recent opening of a new 500-room Westin near Denver International Airport. Much of the demand can be attributed to a post-recession bounce and people wanting to travel more.

Koste also noted that the industry is experiencing consolidation, with large brands such as Starwood and Marriott

expanding their inventories.

“When things like that happen, it encourages people to provide more of that asset class for those big conglomerates to buy,” he said.

‘Pure hotel’ unlikely

The city’s community development department commissioned numerous studies between 2012 and 2014 to examine the feasibility of new hotels in Aspen.

A July 2014 report from Vail Valley firm Triumph Development came to the conclusion that a new Aspen lodge would need breaks on height and floor area limits, as well as city fees and affordable housing requirements, to pencil out. Assuming a 40,000-square-foot developable lot, the property would also need a free market condo component equal to 50 percent of the square footage dedicated to hotel rooms, according to the study.

Triumph concluded that a “pure hotel” product — no fractional or free market — that met zoning limits would need to charge an annualized average nightly rate of $875, assuming 48 percent year-round occupancy. According to a market sample Triumph commissioned for its report, Aspen-area mid priced hotels — the pool consisted of the Limelight, the Sky, Aspen Meadows and Snowmass Mountain Chalet — had an annual average nightly rate of $258 and 59 percent occupancy. The luxury hotel sample — the report used the Little Nell, St. Regis, Arrabelle, the Lodge at Vail and the Sonnenalp in Vail — returned an average rate of $495 and average occupancy of 51 percent.

With the nightly cost needed for profitability nearly double the existing luxury market average and triple the mid-priced sample, “No developer, equity investor or lender would pursue a project with those assumptions,” says the report from Triumph, which develops commercial, residential and hospitality real estate and has a property management and brokerage in Vail. The report added that if a project in Aspen with the necessary zoning breaks and free market component came across Triumph’s desk, “we would spend the time and money to pursue it.”

Another city-commissioned report from Economic and Planning Systems Inc., of Denver in June 2013, found that the Aspen market on average was able to attain high prices for lower quality inventory compared to other ski resorts.

“Aspen’s room rates are an indication of the quality and desirability of Aspen as a destination,” the report states. “However, resting on this view that Aspen is superior is risky.”

The last major new hotel to open in Aspen was the 126-room Limelight in 2008, followed by fractional ownership "residence club" projects at the Residences at Little Nell and Dancing Bear phase one in 2009. The Little Nell, St. Regis, Hotel Jerome and other properties have seen significant remodels completed in that timeframe.

Below are brief descriptions of the 13 projects currently in various stages of the development pipeline in Aspen.

Dancing Bear phase 2, new timeshare lodge

Existing conditions: Construction underway on former site of Chart House restaurant at 219 E. Durant Ave., on a 12,000-square-foot lot; work stalled in 2009 but restarted last year under new ownership.

Proposed development: 10 units of 1,800 to 2,000 square feet sold in fractional ownership shares, plus one 3,200-square-foot penthouse, also sold as a fractional. New building will include restaurant and spa, and underground tunnel linking to phase 1 building across the street.

Entitlement status: Construction expected to be completed in February.

Ownership: Chart House Project Owner LLC of Aspen, tied to Sunrise Co. and Oak Tree Capital Management.