

The Dallas Morning News

Poshly repurposed

Hotel Palomar
aims for style
of 'urban resort'

By SUZANNE MARTA
Staff Writer

With its newly opened Hotel Palomar and Residences, upscale boutique inn operator Kimpton Hotels and Restaurant Group LLC is driving its first stake into the competitive Dallas travel market.

Developed by Realty America Group and Behringer Harvard Real Estate Investments, the project signals a shift for Kimpton, which is better known for intimate hotels crafted from historic downtown buildings.

The Palomar is being billed as an "urban resort," a \$100 million complex with a hotel, spa, condominiums and retail on a 5.4-acre site at the southeast corner of North Central Expressway and Mockingbird Lane.

Early responses from customers have been positive, said Joe Schwingler, general manager of the Palomar, which has 198 rooms and almost 9,000 square feet of meeting space.

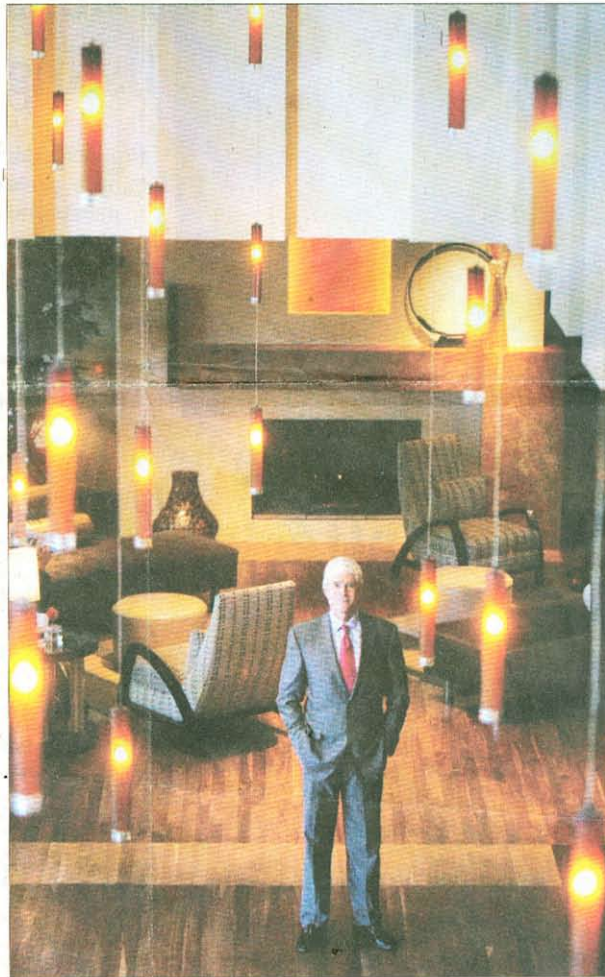
"People are raving," he said. "They're happy to see the hotel return to its place as a jewel."

The jewel is still a work in progress. The refurbished hotel began taking guests last month, but two adjacent buildings, being built from scratch, are still swarming with construction crews. Last week, a three-alarm fire damaged the roof of the Palomar's condo tower. Workers in the building were evacuated, but no injuries were reported.

The stylish hotel has had three previous identities over the last four decades. It opened as the Dallas Hilton Inn, then changed to the Hiltop Inn and most recently became the derelict Hotel Santa Fe. Through all of its transformations, the original blond brick exterior was left substantially intact. But to create the Palomar, the hotel interior was taken down to the studs and remade with an artsy theme.

The lobby entrance is colored in a sophisticated chocolate-brown palette. A fireplace-warmed "living room" encourages guests to linger with gourmet coffee service in the morning and wine in the early evening.

On the first two floors, where the lobby, restaurant and meeting space are located, Kimpton installed \$500,000 worth of original artwork.



LOUIS DeLUCA/Staff Photographer

Above: The Palomar is the first Texas foray for Kimpton Hotels, run by CEO Mike Depatie. "We want to be in a place where it's hard for someone else to copy what we do," he says.



Left: An artist's rendering of how the completed Hotel Palomar will look.

Allie Beth Allman Realtors

Palomar revives hotel as stylish city getaway

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Such improvements are intended to recapture the attention of locals and travelers alike.

Built in 1967, the hotel remained popular as the Hilton Inn for nearly two decades.

But business suffered with the economic bust of the 1980s. The hotel's condition became so tarnished by 1990 that it lost the right to retain the Hilton brand.

Rather than create a new sign, the property was renamed the Hilltop Inn, switching out the "n" for a "p."

In 1993, the property was purchased out of foreclosure by followers of the Maharishi Mahesh



Mike Depatie

Yogi, who turned it into a center and dormitory for the transcendental meditation movement.

A group of local investors tried to buy the hotel in 1997, but the owners reneged, tangling the property, by then known as the Hotel Santa Fe, with lawsuits until 2003.

Two years ago, Realty America and Behringer Harvard Funds bought the site for its latest incarnation.

San Francisco-based Kimpton's interest in its first mixed-use urban property is part of a strategy to broaden its customer base.

Launched in 1981, Kimpton opened its first hotels by adapting rundown buildings in San Francisco. The intimate, eclectic hotels built a following among travelers seeking something different.

But as the company grows, Kimpton is looking to capture guests who travel to more than just gateway cities.

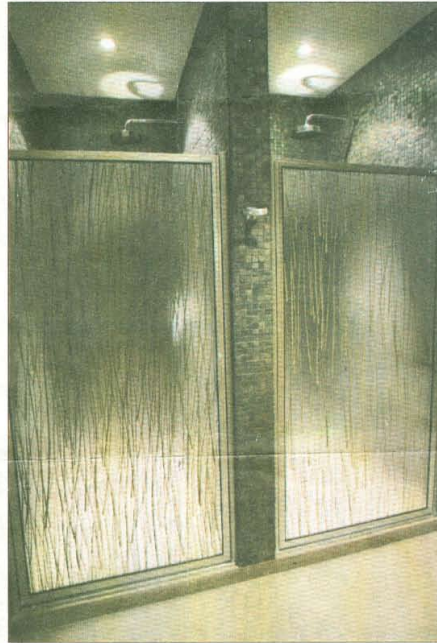
"Our concept is appealing to a broader group of people, and we want to be where our customers are," said Mike Depatie, who took over as Kimpton's chief executive in July.

Growth push

Kimpton's parent — Kimpton Group Holdings LLC — launched a \$157.2 million investment fund last year with the aim of acquiring, developing or redeveloping more than \$450 million in hotel properties by the end of 2007. The goal is to fill the development pipeline with enough projects to double its size from 42 hotels and resorts to 80 in the next five years.

The privately held company, with Dallas-based Crow Holdings as a significant investor, is slated to do \$550 million in sales this year.

Although most of Kimpton's hotels go by different names, the company has recently worked to expand its two upscale brands — the whimsical Monaco and the more polished Palomar — in key business markets.



COURTNEY PERRY/Special Contributor

Blades of grass are frozen in the frosted glass of shower doors in the locker room at Exhale spa in Hotel Palomar.

Dallas' Hotel Palomar is the company's third under that name, following the original in San Francisco and a Washington D.C., location that opened in July. Other Palomar projects are under way in Arlington, Va., Los Angeles' Westwood section, Atlanta and Nashville, Tenn.

Palomar and Monaco also reflect Kimpton's push into the luxury market.

Much of company's existing hotel portfolio is composed of 3- to 3½-star properties. Kimpton now plans to focus on 4- to 4½-star projects, which are more expensive to build and operate.

"We want to be in a place where it's hard for someone else to copy what we do," Mr. Depatie said.

The Dallas Palomar is Kimpton's first foray into the Texas market. The company also has a hotel under construction in Austin and other deals in the works for Houston and San Antonio.

Other properties

Elsewhere in Dallas, Kimpton is working with Hotel Lumen, a 6-month-old, 52-room boutique property on Hillcrest Avenue that will be relaunched next spring. And work has begun on the operator's new 124-room Hotel Joule, to open downtown next summer.

Even with its Kimpton cachet, the Hotel Palomar faces stiff competition for well-heeled customers.

Starwood Hotels and Resorts Worldwide Inc.'s glitzy 252-room W Dallas Victory opened in June, and the 217-room Ritz-Carlton is slated to open next summer — more than doubling the supply of luxury hotel rooms in the city. Additional projects are under way for a new Mandarin Oriental and a renovation of the Stoneleigh Hotel.

Locally unfamiliar

Sales of the Palomar's luxury condos have been slow, in part, developers say, because Kimpton isn't well known locally.

Soon after the 72-unit project was announced, about 20 percent of the condo units were sold. But once sales hit 30 percent, activity slowed.

J. Phillip Brosseau, a principal with Realty America, said the project suffered from a summer slump "just like every other residential project here." He said it has seen a boost in activity in recent weeks.

"Now they understand that it's not the same old building that the Maharishi owned or that Hilton had — it's a five-star service hotel," Mr. Brosseau said.

The Palomar's location also could prove challenging.

"There's barely a hotel on that corridor that does \$100 in rate," said Greg Crown, a hotel analyst with PKF Consulting in Dallas. Mr. Crown noted that most of the new office development — which typically attracts business travelers to a hotel — has been north of LBJ Freeway.

Anwar Elgonemy, a hotel analyst with Jones Lang LaSalle in San Francisco, said Kimpton's niche is well-defined and has been successful in building a strong customer base.

"They're offering something different," Mr. Elgonemy said. "The business traveler is bored with cookie-cutter hotels."

The Palomar's Mr. Schwinger said that early bookings have been strong and that the hotel, with rates starting at \$289 a night, should exceed 70 percent in occupancy this year.

HOTEL PALOMAR AND RESIDENCES

Where: 5300 E. Mockingbird Lane, at North Central Expressway, home of the former Hotel Santa Fe.

Project cost: \$100 million, including 198-room, four-star hotel, 72-unit condo complex, high-end spa and retail space

Room rates: Standard rooms, \$289-\$499 a night; suites \$599-\$2,400 a night.

Food and drink: Central 214 is open for breakfast and dinner; lunch service begins Oct. 9. A new version of the hotel's original Trader Vic's is to open by year-end.

Condos: 12 loft-style units start at \$331,000; the 51 luxury units in the project's south tower are between \$450,000 and \$1.75 million. There are five penthouses, including one in the top floor of the hotel. Developers hope to add a second phase with 200 additional condos.

SOURCES: Kimpton Hotels and Restaurant Group LLC; Realty America Group