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Lexington Hotel set to get face-lift

New owners aim to lure arts crowd, high-end clients with boutique hotel

by **Megan Neighbor** - Feb. 11, 2011 03:12 PM
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A new ownership group targeting a higher-end customer and the arts community plans to begin a \$15 million to \$20 million renovation of Central Phoenix's Lexington Hotel by midsummer.

Among the myriad of upgrades: a first-floor art gallery accessible to both visitors and locals.

In early 2012, the property at 1100 N. Central Ave. will re-open as a non-branded boutique hotel and art gallery, said Tim Sprague, a principal at Habitat Metro, one of three development groups that purchased the hotel in January.

Habitat Metro principals Sprague, John Hill and Feliciano Vera will be joined by developers Bond HD LLC, a California-based hospitality group, and McKinney Capital Group LLC, a San Diego real-estate development and finance firm, in the revamping and re-branding of the property.

When complete, the Lexington will join the ranks of other boutique hotels in downtown and central Phoenix, including the Hotel San Carlos, the Clarendon Hotel and the new Westin Phoenix Downtown, which is slated to open in March.

The Lexington's art gallery should set it apart, Sprague said.

In addition, the property's face-lift likely will make the "new" Lexington hardly recognizable when compared with its former self. Even its name will change, Sprague said, although he did not say what the new name would be.

Renderings of the post-renovation property show an expanded ground floor where the art gallery will be located. That space will double as a meeting area, Sprague said.

To allow for the 8,000- to 10,000-square-foot expansion, the hotel's existing porte-cochere, or vehicle entrance, will be enclosed. The Lexington's existing restaurant will be redone and slightly expanded, and all its 108 rooms will undergo a full remodeling.

The finished product: a three- to four-star hotel with rates averaging between \$175 and \$200 per night, Sprague said.

That compares to the hotel's lowest rate of \$99 on Feb. 9, according to its website.

"We feel the downtown hospitality market is very ripe in terms of a unique niche arts hotel," Sprague said. "And from our analysis, there's a need for additional hotel rooms."

Habitat Metro has had an interest in downtown for the past several years.

It developed Portland Place Condominiums, a 54-unit complex near the Lexington Hotel on West Portland Street and Central Avenue. A second phase of the condo project was slated to open in 2009 but was halted by the economic downturn. Development will continue when market conditions improve, Sprague said.

The Lexington is the first hotel project for the development group.

Habitat Metro and its partners purchased the property from NCA Hotel Partners LLC for \$4.8 million on Jan. 19, documents from IonData show.

That was only about seven months after NCA Hotel Partners, the property's lender, absorbed the hotel at a foreclosure auction, according to Sprague and filings at the Maricopa County Recorder's Office.

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NCA Hotel Partners was the property's lender for only a short stint before the property went into foreclosure, Sprague said.

NCA partner Peter Gooding is one of several investors who will finance the Lexington's renovation project, Sprague said.

Sprague said Habitat Metro would rely heavily on Robert Watson and Paul Guccini of Bond HD to re-brand the hotel and attract guests, he said. Watson and Guccini serve as the president and chief financial officer at Solage Hotels and Resorts, the ownership group of Solage Calistoga in California.

The Lexington's face-lift will necessitate its temporary closure, starting sometime this summer.

Generating revenue can be tough for hoteliers whose properties aren't branded, said Tom Silverman, the general manager at Chaparral Suites in Scottsdale.

Since 2000, Silverman's hotel has been non-branded. From 1980 to 2000, it was part of the Embassy Suites Hotels franchise.

Being associated with a brand name for 20 years helped the hotel establish a base group of clientele, Silverman said.

To maintain that in recent years, Silverman has advertised more heavily. More meeting space was also added to attract business groups.

"When you are independent, you have to be good at everything because you are fighting the chain mentality," he said.