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More Hotels for a Comeback City

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PROVIDENCE, R.I.

FOR years, there were just a few hotels in this capital city. They took in visitors during the city's good times and bad, hanging on during its bleaker years like children on a roller coaster ride.

But times are no longer lean here. Flush with capital from investors who don't like the stock market's returns and who see Providence as an underserved market with a growing future, developers are racing to build new hotels in the city.

Five major hotel projects have been announced or recently opened, including the addition of a 31-story, 200-room tower to a Westin hotel, the conversion of a crumbling Masonic Temple into a 274-room Renaissance and construction of a downtown hotel with more than 200 rooms.

This year, an 80-room boutique hotel opened in the heart of the city's old retail district, a warren of narrow streets and historic buildings. Simply named Hotel Providence, it was created by combining two buildings, which were renovated and luxuriously furnished by Stanley Weiss, a Providence developer and antiques connoisseur.

An upgrade is also planned for the Holiday Inn, a stalwart in the city. It is to become a high-end Hilton with 40 additional rooms, under plans by the owner, the Procaccianti Group of Cranston, R.I., a hotel development and management company.

The hotel will be dressed up with new facades, a new roof design, a 10,000-square-foot ballroom and a three-story glass atrium. Next to the hotel, the developer plans to build a 17,000-square-foot fitness center as well as shops, restaurants and other attractions geared toward pedestrian traffic.

Still other projects are being discussed. Carpionato Properties Inc. of Johnston, R.I., may build a new Holiday Inn where the city's Farmers' Market once was, according to John Kokot, executive vice president for development. And Procaccianti recently bought controlling interest in two parcels in Providence that had been intended for hotel development by their previous owner.

The latter projects are not sure things. But add together the projects that are certain, and the city's tally of hotel rooms is climbing by 850.

Two important factors are driving the boom, developers and others said. One is the availability of financing for new hotels, a commodity that tends to be cyclical in nature. "You

have a tremendous amount of money looking for real estate opportunities," said Michael McMahon, the director of the Rhode Island Economic Development Corporation.

Brad Robinette, a senior vice president at Sage Hospitality Resources of Denver, the developer behind the Masonic Temple project, said, "The capital markets are strong; you see it across the country." Sage is partially financing its project with state and federal tax credits for historic properties. The Hotel Providence also qualified for tax breaks.

The second factor behind the boom is a strong demand for hotel rooms. No hotels were built in the city during its nadir in the 1970's and 80's, when businesses fled downtown with the opening of suburban shopping malls and office parks. In that period, "nothing happened," recalled Thomas Deller, Providence's planning director.

The dry spell was broken with the opening of the state-financed Westin in the early 1990's, followed in 2000 by the opening of a Courtyard by Marriott, with 216 rooms. They joined three stalwarts: the Biltmore, the Holiday Inn and the Marriott. But demand continued to outpace supply as Providence's efforts to remake itself took off.

Providence's hotel occupancy rate in 2004 was 73 percent, about 10 percentage points higher than the national average, according to George Donnelly, vice president for marketing at the Providence Warwick Convention and Visitors Bureau. The Westin's room price can sometimes reach \$380 a night.

BUT how many hotel rooms are enough? In Providence, no one seems to know the magic number. "I wouldn't be so cavalier to say it doesn't concern us," Mr. Kokot said.

The location of Carpionato's new hotel - in a downtown site, two blocks from the new Providence Place Mall, the centerpiece of an intense economic revival effort - should, however, guarantee its success, he said.

Carpionato's plan calls for a 15- to 20-story tower with stores and restaurants at ground level, parking on Levels 2 through 7, some 200 to 250 hotel rooms above the parking, and condominiums on top. The hotel's brand has not yet been determined, but Intercontinental has expressed interest, Mr. Kokot said.

Sage has liked the Providence market for some time and is confident about its future, Mr. Robinette said. It expects to draw 100,000 tourists a year to the Renaissance, a high-end member of the Marriott family, with packages that feature performances at Veterans Memorial Auditorium, which is next door, and arts institutions.

State and city officials acknowledge that there could be a challenge in filling all the rooms. "I think there's a lot of pressure, but it's good pressure," said James P. McCarvill, executive director of the Rhode Island Convention Center Authority, a quasi-governmental agency responsible for booking conventions, trade shows and other events into the Rhode Island Convention Center, next to the Westin.

For years, the authority has clamored for more hotel rooms in Providence, saying a lack of accommodations was preventing it from booking large conventions and shows. It did not have a big-enough block of rooms within walking distance of the convention center, Mr. McCarvill said.

To address this problem, the authority decided to sell the Westin, which was built with money from the state to complement the convention center. There was one condition: the new owner had to add 200 rooms. The highest bidder was Procaccianti, which already owned the Holiday Inn. It agreed this year to pay \$95.5 million for the property.

With more than 30 hotels nationwide, Procaccianti specializes in renovating and expanding hotels. Its purchase of the Westin is part of a larger plan to spruce up a single downtown block. The Westin is at one end of that block, and the Holiday Inn at the other.

To further that goal, the company recently bought a controlling interest in the former Providence police and fire station, opposite the Holiday Inn, and the Fogarty Building down the street. Although city officials have suggested that turning them into hotels may not be wise at this point, David Preston, a spokesman for the Procaccianti Group, said Procaccianti would consider a number of uses - including hotels.