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# Hotel/apartment project on Denny

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Seattle has its share of luxury hotel/condo projects, but now two local developers are building a hotel/apartment project — an unusual pairing that one hotel specialist said he has never seen in this market and rarely elsewhere.

Kauri Investments and Ariel Development have broken ground on a 160-room Hyatt Place hotel geared toward business travelers at the northeast corner of Sixth Avenue and Denny Way. An upscale eight-story, 56-unit apartment complex will be adjacent with a common wall, but it will be separately operated with its own entrances and elevators.

“This is the first one around here,” Chris Burdett, a senior managing director with PKF Capital, said about the hotel/apartment package. He said he’s heard of such developments in New York and San Francisco, where condos in planned hotel/condo projects became apartments because of changing market conditions.

The architect on the Hyatt Place/apartment project is Johnson and Braund Design Group, and the contractor is Graham Construction. The hotel will be managed by Louisiana-based company, InterMountain Management, LLC.

Seattle-based Kauri and Ariel aim to take advantage of Amazon.com, the Bill & Melinda Gates Foundation and the Children’s Hospital research institute, which are moving into that area.

“It’s hard to locate it any better,” said Kauri President and CEO Kent Angier.

The hotel and apartment building will architecturally look like one structure, Angier said. There will be four floors of underground parking with 249 spaces, some of which will be reserved for the apartment dwellers.

The select service hotel will have a fitness center, pool, self-registration kiosk, a coffee and wine cafe and bakery, free Wi-Fi, a TV den and an e-room with free access to public computers and a printer. Room amenities will include 42-inch high-definition televisions.

There are no current plans to allow renters to use the hotel pool and fitness center, but it’s something the developers are considering, Angier said.

The \$60 million project is scheduled to open in the fall of 2009. Angier said under the area’s zoning more square footage could be built with a commercial/residential project than with just commercial.

The apartments will be one- and two-bedrooms, with an average size of 750 square feet. Rents haven’t been set.

The apartments were designed as condo quality but will be built as apartments because of market conditions and the developers’ desire to hold on to the property given the area’s growing popularity with businesses, biotech firms and nonprofits.

“Right now we believe that there may be some other opportunities in the future there and by retaining ownership we’ve retained all possibilities, including condominiums,” Angier said. He declined to say what the other options are.

Burdett said in mixed-use projects with hotels it’s important to keep the hotel operations apart, with a separate entrance and elevator.

“When (guests) come into a hotel they don’t want to be mixing necessarily with apartment dwellers next door,” he said. =

“They want to feel like they’re in a hotel.”

Sometimes, however, allowing residents to use hotel facilities, such as exercise rooms and pools, works and provides extra revenue, he said.

Burdett said he expects to see more hotel projects with a mix of uses as a way to spread risk and maximize sites.

“Whether it’s condos or apartments or commercial, you can put a hotel next to anything,” he said.

Andy Olsen, managing director of The Chambers Group, a hotel consultancy, said the hotel/apartment concept makes sense as a way to maximize a site, but doesn’t have the benefits of a hotel/condo project where developers can use money from condo sales to prop up the hotel before occupancy and room rates build up. Condo/hotel developments also tend to be luxury and amenities, such as room service, can be shared.

With a hotel/apartment project, “you’re not selling the units so you are not getting the degree of mitigation that you would with condos and you’re not seeing the synergy between the two,” he said.

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