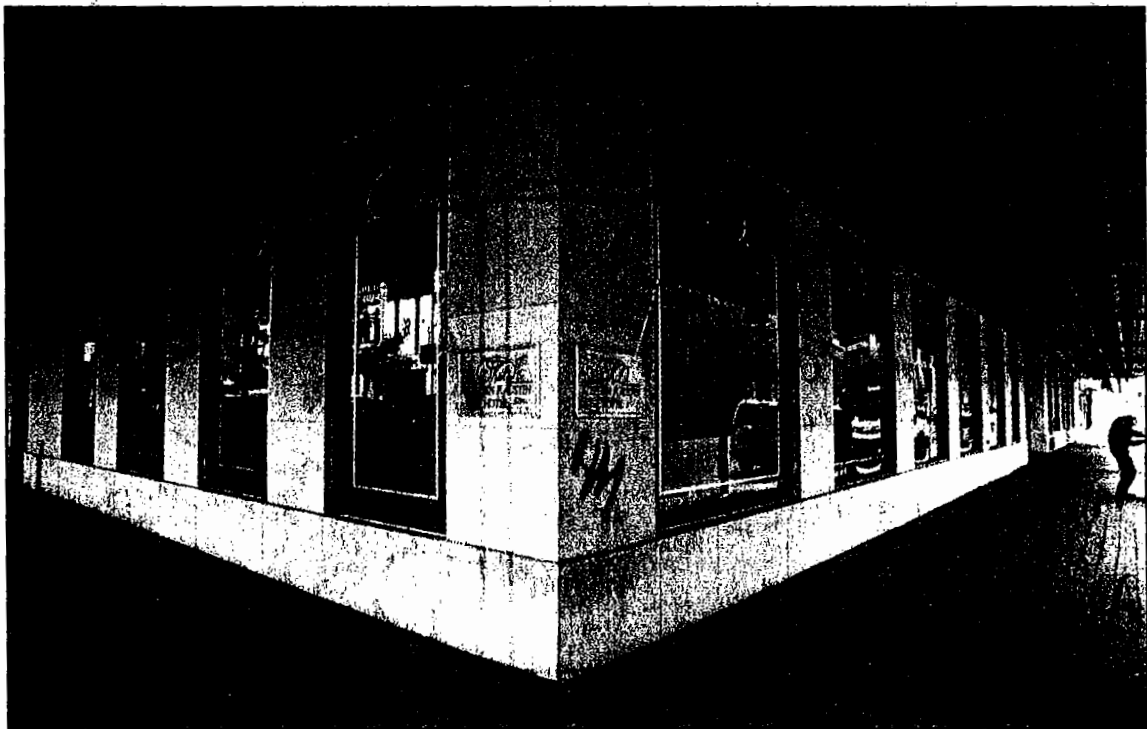


Historic hotel purchased



Taylor Johnson/AA-S

An aura of neglect clings to the Stephen F. Austin Hotel in downtown Austin. It opened with fanfare in 1924 and closed in 1987 in the midst of an economic bust. New owners plan renovations that could cost \$15 million.

Investors hope to restore elegance

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American-Statesman Staff

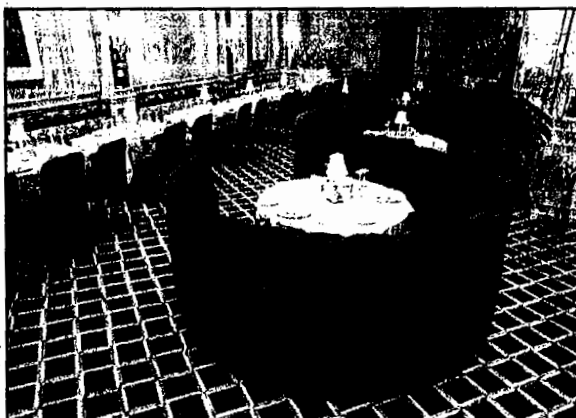
The Stephen F. Austin Hotel, once one of the city's most elegant hotels, was bought Tuesday by investors who hope to spend millions of dollars to return it to its former splendor.

Ten years after closing the 200-room hotel, Raleigh Enterprises of Los Angeles sold it to the Khimji family of Dallas and Vancouver for an undisclosed price. The property was valued at \$2.5 million in 1996 by the Travis Central Appraisal District. The family owns 4,000 hotel rooms in North America and more than a million square feet of office space, including Austin Centre at 701 Brazos St.

Tom Stacy, president of T. Stacy & Associates in Austin, the local partner on the deal, will oversee the project, which could cost \$15 million.

"It's exciting that we have an opportunity to bring such a great property back to life," said Stacy, who also chairs the Downtown Austin Alliance, a non-profit group working to revitalize downtown.

The fortunes of the hotel, anchored at Seventh Street and Congress Avenue, have reflected the city's fortunes. It opened with fanfare in 1924 and in its heyday hosted Texas luminaries. When it closed in 1987, Austin was in



In 1987, the hotel was modernized and then closed by owner Raleigh Enterprises. Now, planned renovations will restore some of the hotel's elegant touches.
AA-S file photo

the midst of an economic bust that closed businesses up and down Congress Avenue and elsewhere.

Now the comeback of the "Stephen F." could reflect the growth on and near Congress and revitalization efforts that could bring more people downtown.

"This is a tremendous boon for downtown, to have a Congress Avenue property brought back into the market, restored and repositioned for the 1990s," said Charles Heimsath, chair of economic development committee of the Downtown Austin Alliance and president of Capitol Market Research.

"I think every new project we get downtown just adds to the momentum and the excitement, further stimulating interest in downtown."

During its 63-year history, the hotel was the place where oil and cattle deals were done, political maneuverings were transacted and romances were kindled.

Raleigh had hoped the hotel would flower 12 years ago when it spent \$4 million on renovation. The bust came along, however, and Raleigh closed it in 1987. The company hoped to do more

See Buyers, C3

Buyers hope to restore elegance of downtown hotel

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renovation and reopen in 1989.

That never happened.

Today the vacant hotel, with its worn burnt-orange carpeting, faded flowered chairs and cracked ceilings, has the musty smell of neglect. Luggage carts in the lobby haven't ferried a suitcase for a decade. The roof is gone, and water has seeped through the entire building.

Looking through its dusty windows, it's hard to believe that many of the most important characters of modern Austin history passed through its doors.

"It's filled with memories," said John Barclay III, a native of Austin who has gazed across the street at the hotel for 20 years from his office at 716 Congress Ave.

1920s gift

In the summer of 1923, the Austin Chamber of Commerce took steps to finance the Stephen F. Austin Hotel, with \$93 members buying \$600,000 worth of bonds. The 11-story hotel, which later

Rangers held court in the hotel's coffee shop. A Texas politician was seen chasing a petticoat-clad woman down one of the hotel's corridors.

The hotel's style and decor changed as ownership changed over the years.

The elegant cream-colored marble staircase that once was the centerpiece of the lobby was long ago replaced by an inconspicuous staircase to the left of the front doors. Georgian 12-paned windows were replaced by recessed, dark, modern windows.

Deals and risk-taking

Raleigh, which also owns the Westwood and Sunset Marquis hotels, bought the hotel in 1983. Two years later, Raleigh spent \$4 million to renovate the hotel before closing it in 1987.

Over the past five years, at least four other deals to buy the hotel have fallen through, including a plan to reopen the hotel as a low-rent apartment complex. That idea

was dropped when a \$4 million federal grant was denied.

On Tuesday, Stacy completed a three-year effort to put a deal together.

"We decided to take the risk to see if we could make it work," Stacy said.

Stacy said they plan to spend \$15 million to completely renovate the hotel. The project would reduce the number of rooms to 187 and restore the grand staircase in the lobby.

He said he is negotiating with four hotel companies that would put their flag on the property.

The new owners are optimistic about the prospects for the property. Stacy said the investors are willing to take a lower return than usual on the hotel because of its history and importance to downtown Austin.

But if the costs are too high, the building might be developed for another use, such as apartments or condominiums. Several national developers have contacted Stacy

about converting it into downtown apartments. Stacy said he will know within 30 days whether the hotel project will work.

"Our No. 1 objective is to bring it back as a hotel," Stacy said.

Downtown's changing face
Stacy believes the timing is right for the Stephen F. Austin.

Congress Avenue's residents include the Austin Museum of Art, several theaters and coffee bars and restaurants. The Austin Convention Center, built five years ago, is less than a mile from the hotel.

The downtown hotel market has rebounded since the bust. The February occupancy rate for downtown Austin was 80.2 percent, up from 68.5 percent in 1991, the last year available, and the average daily room rate was \$99.79. When Raleigh closed the hotel, daily room rates for downtown Austin hotels had slumped to an average of \$45 a day.

"The downtown Austin hotel

market is healthy" said John Rosen, coordinator of "Trends in the Hotel Industry," a publication produced by PKF Consulting. "The entire industry is thriving right now."

The news of the sale of the Stephen F. Austin was greeted enthusiastically by Congress Avenue merchants and advocates of downtown.

"It's a big hole on Congress Avenue," Barclay said of the empty building. The restoration of the Stephen F. Austin would be one of several downtown projects that seek to breathe life into old buildings.

Canile and Co., a subsidiary of the LBJ Holding Co., wants to convert the historic Brown Building on Colorado Street into loft-style apartments. Another developer is converting two downtown buildings into luxury lofts.

"It's sort of a continuation of the restoration trend we're beginning to see up and down Congress Avenue," Heimsath said.