

# Hotel Business®

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## diversity report

### Franchisors keep minority incentives intact

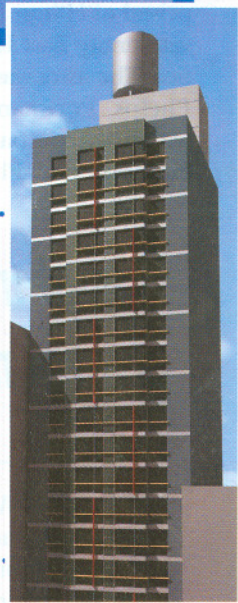
BY STEFANI C. O'CONNOR

NATIONAL REPORT—Developers and franchisees who fall under the diversity umbrella held open by most major hotel brands will have one less thing to be concerned about as 2009 gets off to a rocky economic start: none of the incentive programs offered by most franchisors to get deals done are facing any cuts, a distinct plus in an increasingly tight lending environment.

“Wyndham Hotel Group offers a special financing program for all qualified African-American, Hispanic and Native-American franchisees intended to help address the historic underrepresentation of these entrepreneurs among franchisees of lodging affiliates,” said Gus Stamoutos, senior vp of franchise sales and development for Wyndham Hotel Group. “Despite the tightening economy, we

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A diversity incentive program is paving the way for a new Courtyard in New York.



# Economic woes having little impact

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continue to see the value of offering this program and will continue to do so. Our strength lies in our approach and flexibility and ultimately it is that which enables us to help all of our franchisees achieve the goal of hotel ownership.”

According to Stamoutos, Wyndham provides an approved applicant under this program a development incentive of up to \$1,000 per guestroom for the first 74 guestrooms of a property and up to \$1,500 per guestroom for each additional guestroom, up to a maximum development incentive of \$150,000, but not more than 50% of the franchisee’s equity investment in an asset.

“By being flexible in what we offer, we’re able to structure the best possible deal for each individual, including those that fall into minority groups,” said Stamoutos.

Bill Fortier, senior vp of development for the Americas at Hilton Hotels Corp., indicated there has been no economic impact on the company’s diversity incentive program, which offers a variety of assistance avenues.

“We evaluate each deal on an individual basis and identify what kind of assistance would be most appropriate in each instance,” said Fortier. “Our assistance may include royalty fee reductions in the initial years of operation, reduction to waiver or refund of application fees and other forms of economic assistance. In addition, we offer assistance by recommending contractors, lenders, architects and others who can assist the owner in completing their project.”

The incentives do not differ from brand to brand within Hilton.

At Marriott International, which also offers a variety of incentives ranging from fee relief to credit enhancements to assistance with site evaluation, the offering may vary from brand to brand.

In 2005, Marriott set a goal to have 500 minority-owned or -franchised hotels and \$1 billion spent with minority suppliers by 2010. Marriott created the Diversity Ownership Initiative to help franchisees reach that goal. Two years ago, the company reported it had more than 400 minority and woman-owned hotels and was well on its way to meeting the 2010 objective.

“Currently, there is an incentive for owners to build Fairfield Inn and Suites, TownePlace Suites or SpringHill Suites. We are looking to grow these three brands and we believe they would be great opportunities for prospective owners,” said Ray Bennett, Marriott’s



senior vp of CFRST (Courtyard, Fairfield Inn, Residence Inn, SpringHill Suites and TownePlace Suites) brand development in the Eastern region. “We are pleased with the performance of our current incentive program. In the future, we plan to work even closer with owners and financial partners to ensure their continued success.”

Last November Hispanic-owned Robert Finvarb Companies, LLC broke ground on its seventh Marriott-branded hotel in

as many years. Slated to open this autumn, the 198-room, eight-story SpringHill Suites by Marriott will debut in the downtown Miami Health District that includes the University of Miami Medical School, Jackson Memorial Hospital, the Veteran’s Administration Hospital and the Bascom-Palmer Eye Institute.

“We’re excited to partner with Marriott once

again,” said owner Robert Finvarb in a statement. “It’s been a great partnership.”

Bennett said another undisclosed owner who took advantage of incentives is currently building a Courtyard by Marriott in Greenwich Village in New York that’s slated to open in fourth-quarter.

Brian Parker, vp of emerging markets and new business development for Choice Hotels International, has not seen any impact on the company’s incentive programs, which have several aspects to them.

First, Choice offers what it calls its Standard Minority Incentive, which is geared toward new or converted midscale and economy brand hotels. When owners opt for a Cambria Suites, Clarion, Comfort



**Brian Parker**  
Choice Hotels International

# on franchisors' minority incentives

Inn, Comfort Suites, MainStay Suites, Suburban Extended Stay, Quality or Sleep Inn property, they receive \$1,500 per room up to \$125,000 (\$200,000 for Cambria Suites franchises) and \$750 per room up to \$50,000 for Econo Lodge and Rodeway Inn properties.

(Left) Roberts Hotel Group has several brands in its portfolio, including Choice Hotels' product, three of which are slated to come online this year.

Sports star Earvin "Magic" Johnson is a part owner of the Washington Hilton in Washington, D.C. (below).



Second, there's an additional incentive tier for Sleep Inn. "The Sleep Inn Minority Incentive is more comprehensive," said Parker. "In addition to receiving incentive money to cover operational costs, minority clients receive up-front savings when evaluating the viability of their project and securing the franchise. The total value of the program is \$155,000."

For example, there's a 50% affiliation fee reduction. "Our standard affiliation fee is \$40,000; as part of the incentive program, we have reduced the fee to \$20,000," said Parker.

Also there's a grand opening incentive whereby \$75,000 is paid shortly after the grand opening of a property. That money can be used for any hotel-related purpose.

Choice also will contribute up to \$50,000 toward the first year's cost of a professional management company or the general manager's salaries. Furthermore, Choice offers a re-licensing minority incentive through which owners receive a 50% reduction of the affiliation

fee if they purchase an existing Choice-branded hotel.

Parker said his company really is not concerned that the shrinking economy might force cancellations of such incentive programs and is actually looking at ways to enhance its programs. "We take diversity very seriously and are committed to increasing the number of under-represented minority owners within our system and the industry overall. Now, more than ever, franchise companies that are committed to growing their brands and diversifying their ownership base need to think about ways to enhance their programs, not eliminate them," said Parker. "Considering how difficult it is for aspiring minority hotel owners to secure financing in the current economy we're exploring adding a component to our overall program. The addition would include a program whereby we connect potential minority owners with similar investment goals to bridge equity gaps needed to secure financing. This component will have even greater value when the credit market improves."

Recently, Roberts Hotels Group (RHG), Choice's largest African-American franchisee, executed two deals. "Our commitment to diverse ownership and minority incentive programs were instrumental in getting both deals done with this group," said Parker.

RHG's Choice properties include the Comfort Inn and Conference Center in Tampa, FL, and the Clarion Hotel in Shreveport, LA. Three additional properties are expected to open this year: the Comfort Inn and Suites in Fort Myers, FL; the Roberts Benchmark Clarion Hotel in Memphis, TN; and the Roberts Walthall Clarion Hotel in Jackson, MS.

Meanwhile, Hilton recently approved two new hotels with Hampton Inn Developer of the Year David Hunt from Jackson, TN. Others who have taken advantage of Hilton's offerings include sports star Earvin "Magic" Johnson, who is now part owner of the Washington Hilton in Washington, D.C.

As the economy continues to shift, Fortier noted, "Incentives will continue to be as important as they have ever been as a way to enable under-represented minority hotel owners

to build hotel businesses of their own."

Bennett concurred, noting, "Incentives are always important, but what's paramount for our owners is Marriott's continued support during these difficult times, and it is our number-one priority."



Ray Bennett  
Marriott International, Inc.