

City Clears \$47M in \$130M Hotel Sale to Partner

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Sheraton Grand

Angeles.

SACRAMENTO, CA-The City of Sacramento last week closed on the \$130-million sale of the 503-room Sheraton Grand Sacramento Hotel and an associated garage, netting it \$47 million. The new owner is a joint venture of David Taylor Interests, the company that partnered with the city to develop

the seven-year-old hotel, and CIM Group Inc. out of Los

The City and David Taylor paid for the project in large part by selling \$96 million in 30-year revenue bonds in 1999. In addition, the city contributed a 700-space parking garage at 13th and \$8 million in cash while Taylor and his partners contributed the historic Sacramento Public Market building at 13th and J streets, which now houses the public spaces and meeting rooms of the hotel.

David Taylor Interests COO Roger Kittredge tells [GlobeSt.com](#) that through the first three months of 2008 the hotel produced an average daily room rate of \$158.26, revenue per available room of \$114.66 and an average occupancy of 72.5%. The same year-earlier period saw revPAR and ADR both 5% higher. Average occupancy was also down, falling to 72.5% from 76.5% in the first quarter of 2007.

Kittredge attributed the slowdown to the slowdown in the economy. "But it's a great property with really good potential," he says, "It is well positioned in the market as one of only two four-star hotels adjacent to the convention center," Kittredge says. "When the economy comes back you'll see all these numbers go up and it will hit the project performance targets."

The hotel is located in the city's entertainment district, which includes an IMAX Theater, the Community Center Theater, Pyramid Brewery and other restaurants, the Crest Theater, and the upcoming Cosmopolitan Cabaret. The hotel has been generating \$3.4 million in tax revenue for the city annually, which means the city's initial cash investment was paid off in less than three years. With a sale, the city's tax revenue from the development is expected to rise to \$4 million annually.

City officials says most of the \$47 million in sale proceeds will be used, in part, to spark further Downtown redevelopment. Mayor Heather Fargo says it has been estimated that the projects funded by the proceeds will have the potential to stimulate \$100 million in additional investment in Downtown.

Kittredge confirms that half of the proceeds are earmarked for additional projects along J, K and L streets by David Taylor and CIM Group. The duo is currently in the process of

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evaluating potential projects and is required to bring the first project to the city by the end of the year.

David Taylor says the future development will occur on a mix of owned and controlled parcels, as well as properties yet to be put under the city's control. Nearby, at 10th Avenue and K Street, the company is converting an old Woolworth's into a cabaret theater and restaurant. In April, the company finished a 25-story office tower at 621 Capitol Mall in Denver. The 360,000-sf office project is 45% pre-leased with two leases out for signature that would take that total to 68%, Kittredge says.