



Markethouse restaurant (above) in Chartres' Doubletree Chicago Magnificent Mile hotel features 160 seats in a rustic-décor setting. The M Avenue and Lounge (right) has sparked new business in the Allerton Hotel in Chicago.



Chartres turns food & beverage operations into unique profit centers

By STEFANI C. O'CONNOR

SAN FRANCISCO—In the current economic squeeze, lodging investment company Chartres Lodging Group, LLC has been able to boost its revenue stream during the past year by layering in concept restaurants within its expanding portfolio of hotels in the U.S., opening almost a dozen restaurants in as many months.

According to Maki Nakamura Bara, Chartres' co-founder and managing partner, the company has been investing in large-scale hotels—an average of 700 rooms both in the U.S. and Japan—with a skew toward convention properties that tend to have numerous food and beverage outlets of varying levels of service, from coffee bars to full-service restaurants. "Initially, we've been kind of forced to focus on outlets, whereas traditional hotel owners really don't want to focus on food and beverage. It's that necessary evil that comes with [some] hotels. In the past 20 years it's been the trend to lease them out if you can and let them be somebody else's 'problem,'" Bara said.

However, Chartres has taken a different approach, looking at each F&B space on an individual basis as a profit center. "Food and beverage can be a really invigorating way to operate the investment," Bara said. "We approach the restaurant business the same way we approach every hotel investment. We'll go into a space and we'll take a look at it and if Ruth's Chris [Steak House] is the right brand for that particular market and space, that's what we'll do."

That brand actually went into leased space this past July at the company's Hyatt Regency St. Louis at the Arch. Bara noted

Chartres also developed its own concept bar, the Brewhouse St. Louis Historical Sports Bar, in the three-meal restaurant in the same hotel. "We brainstormed our own brand, our own name. Sometimes we'll use a food and beverage consultant to help us. A lot of it is done in house organically," she said.

With the exception of Ruth's Chris, Bara said Chartres owns the restaurants and concepts.

Chartres sister company, Kokua Hospital-

Restaurants in general have a high mortality rate and hotel guests often ignore on-premise restaurants, conditions that Bara is well aware of. "The Markethouse is a great example. We were very sensitive to the fact that we did not want to create a hotel restaurant. So we hired the Puccini Group, which does a lot of the concepting for Kimpton [Hotel and Restaurant Group, LLC]. We wanted it to feel like a neighborhood restaurant," Bara said.

The 160-seat dining room and lounge offer rustic décor as well as a "Harvest Table" for 14 and a wine bar. Bara said the outlet's design is in marked contrast to the hotel's modern look. "One of our investors said, 'Gosh, why did you get two different designers? This doesn't match. Why are you doing this?' But this was very intentional. We did not want it to look like it was even part of the same building," she said.

Bara added there are advantages in the current economy to Chartres having its own restaurants. "We're finding it's very difficult to negotiate good terms with restaurateurs, and even if we are able to, we're locking ourselves up for many years," she said. "With what we're doing, this gives us flexibility. If [the restaurant] is successful, fantastic. If it's not successful or mediocre, then at any given point we have the option—if the market does come roaring back—to entertain any offers with a national tenant."

Taking a cue from its Japan properties, Chartres also has fashioned Karaoke rooms as part of a media lounge notably at its Draft Media Sports Lounge in the Sheraton Dallas and the Brewhouse at the Hyatt Regency in St. Louis. The

lounges also feature pool tables and Nintendo Wii stations. "Karaoke is popular, but it's very noisy and distracting to people who want to do other things, so we created these private rooms. I also thought it was a good way to get covers up, because we could make it bottle-service only, etc.," Bara said.

"Our general motto is just to take unutilized, non-revenue-generating space and make it revenue generating because at the end of the day we're real estate investors and every square inch of the space is an opportunity for us," Bara continued.

Bara said a good example of this strategy is the M Avenue & Lounge in Chicago's Allerton Hotel on North Michigan Ave. The hotel's restaurant and bar had been on the second floor while the hotel's cavernous lobby was on the third floor. Guests were whisking right past the F&B facility.

"So we moved the check-in to the second floor and made the area into more of a living room, check-in experience. It integrated the lobby, the lobby bar and the restaurant and you immediately felt activity and warmth. It's very inviting. We improved our revenues tremendously by doing that," Bara said.

The former lobby space was turned into a ballroom where weddings now generate substantial revenue for the hotel.

Similarly, Chartres added lobby lounges to several properties, including its Doubletree Chicago Magnificent Mile and the Sir Francis Drake Hotel in San Francisco. "It turns a stale lobby experience into more of a lively lobby experience," Bara said, noting the spaces are really not about being "scenes" for outside traffic, although all business is welcome. "It's primarily for our in-house guests," she said. "If we can catch them once during their stay it's a huge coup for us. The bonus factor is that it improves their guest experience by having that." HB



The Brewhouse St. Louis Historical Sports Bar in the Hyatt Regency St. Louis at the Arch feature private Karaoke rooms, Nintendo Wii stations and pool tables.

ity, operates several of the F&B operations, including the Draft Media Sports Lounge in the Sheraton Dallas Hotel, the Markethouse in the Doubletree Chicago Magnificent Mile and M Avenue and Lounge at The Allerton Hotel in Chicago.

"Most of the time when we do go with an independent, it's because of a market condition or maybe it's a union situation, where we just cannot attract the right economic terms from a lease or nationally recognized brand to come into the space," Bara said. "That's what drives coming up with our own concept."