

BUSINESS

ARIZONA DREAMIN'



John Severson/The Arizona Republic

Sedona Rouge Hotel & Spa is nestled among Arizona's scenic red rocks, including Thunder Mountain.

More luxury filling Sedona

Calif. developer has high hopes for resort

By John Stearns
The Arizona Republic

Jim Apple went to Sedona looking for a place to build small office and warehouse space for the likes of plumbers, painters and electricians.

Instead, the Orinda, Calif., developer built an upscale hotel in the tourist town renowned for its stunning red-rock surroundings.

Five years after his initial foray into Sedona, he and three business partners are officially opening the \$20 million, 77-room Sedona Rouge Hotel & Spa today. It's the first hotel project for Apple, one he hopes boosts the pulse of the city's sub-

dued lodging and dining landscape.

Apple's motivation emanated from his experience in Napa, Calif., a wine and tourism mecca loaded with sophisticated restaurants and hotels and where he owned a shopping center.

As it is in Napa, he saw expensive homes developing in Sedona, and several million annual visitors, but not the same level of lodging and food.

"I thought, 'Boy, this market needs this product,'" said Apple, who is Sedona Rouge's managing partner. "Time goes by, you just talk yourself into something."

New in Sedona

The \$20 million Sedona Rouge Hotel & Spa is in west Sedona, away from the tourist hubbub of uptown Sedona.



Tony Bustos/The Arizona Republic

What he and his partners talked themselves into is more than the already daunting task of building and operating a high-quality resort. Their property is set on the west side of the city, away from the uptown strip where many tourists like to congregate. They are trying to position it as a hip place to come to unwind after a day of sightseeing, the first salvo in an effort to give the community more nightlife.

At Sedona Coffee Roasters across from the hotel, manager Paul Miller said it's hard to know if the hotel will bring additional business to west-side merchants, as some predict.

It depends on whether people will walk more than a block from the hotel, Miller said. He complimented the hotel's design compared with others in the area, "but I would almost question that business decision" to locate in the heart of a commercial area, he said.

Sedona's lodging industry has spoken positively about the new hotel's arrival, said Jennifer Wesselhoff, spokeswoman for Sedona-Oak Creek Canyon Chamber of Commerce.

"We really don't have any other properties like that with a full-service spa and restaurant within the Sedona city limits," she said. "This will definitely help us expand our product that we have available here."

Up-tempo style

A key component of the hotel is Reds, a contemporary American bistro restaurant and bar by the designers of Rose Pistola and LuLu in San Francisco. The open kitchen, backlit red glass behind the bar and activity inside will be visible through windows facing Arizona 89A.

"I think we can get young people coming back to Sedona," Apple said of his attempt to create a lively nighttime scene complementing



John Severson/The Arizona Republic

Ed Conway, general manager of Sedona Rouge Hotel & Spa, is confident the new resort will succeed despite the formidable competition. "We're going to wow them with service," he said.

what he calls "sexy" hotel rooms accented by bold colors, invitingly plush beds, large shower heads and 32-inch flat-screen TVs.

It's the first new hotel in the market since the upscale Amara Creekside Resort opened its doors almost two years ago.

"We welcome the Rouge," said Dina Spector Gómez, chief operating officer for Amara. "If they can bring more people to Sedona and they have that Sedona experience, then it's better for all of us."

While Sedona's lodging market had posted strong numbers through April, one Arizona analyst says Sedona Rouge is on track, aiming for a lively res-

Sedona Rouge Hotel & Spa

Amenities: 77 rooms, full-service spa, 150-seat restaurant, bar, more than 2,000 square feet of meeting space, high-speed wireless Internet, observation deck, pool

Owners: Jim Apple, retail, office, warehouse developer and co-founder of PickApple restaurants, San Francisco Bay area; Al Walburg, president of Walburg Realty & Investments Corp., Bay area; Robert Brooks, executive vice president of strategic development for Westinghouse Air Brake Technologies Corp. and investor in Pittsburgh Pirates and Pittsburgh Penguins, Pennsylvania; Bill Kassling, chairman, president and chief executive officer of Wabtec, on board of the Penguins, Pennsylvania.

Contact: 1-(928)-203-4111 or www.sedonarouge.com.

taurant-and-bar component.

"I think that's definitely needed up there," said Jeremy Allen, market analyst with the Marcus & Millichap real estate investment brokerage company in Phoenix.

Through April, occupancy in the Sedona/Prescott area averaged 61.7 percent, up 1.6 percent from the first four months of 2004, according to Smith Travel Research. Average daily rate was \$95.68, up

8.5 percent, and revenue per available room was \$59.06, up 10.4 percent.

Sedona is home to most of the properties in the survey.

Costs added up

The many touches Apple and his partners added led to a roughly \$260,000-per-room development price. It exceeded expectations, but Apple said it was necessary to maintain their vision that "you will immediately get the impression that there is something different, sophisticated and very authentic about the style and design of the Sedona Rouge."

Per-room cost is in the range for a high-quality, but not luxury, full-service hotel in a place like Sedona, said Bruce Baltin, senior vice president in Los Angeles for PKF Consulting, a hospitality-services firm.

Apple said the hotel proved the most complicated real estate deal he has ever done. He found himself spending countless hours learning about and discussing details like thread counts of bedsheets.

"I have never spent more than 30 seconds talking about sheets, never in my life," he said.

The owners are managing the hotel themselves to ensure their vision is fulfilled.

Sedona Rouge will spend "whatever it takes" to ensure other details are taken care of, said Ed Conway, general manager. He expects nightly rates from \$175 to \$275, with a target average of \$200 plus.

Apple considers Enchantment Resort and smaller bed-and-breakfast inns to be Sedona Rouge's competitors.

"We will never match the Enchantment's beautiful setting, but we think we can kill them on ambiance and service," he said.

The hotel is on Sedona's western commercial strip, but Apple believes its orientation, mostly away from the highway, mitigates that impact.

"We are going to lose some business of people that want that grand view," he said.

But visitors can get that during the day on their hikes and Jeep tours, he said, guessing many others will want a nice dinner and poolside martinis afterward.

"That's the guy we're after."

West-side boost?

"We're absolutely stoked about it, (tourists are) going to be right across the street," Kelly Ingram, a cashier at Art Mart Gallery, said of Sedona Rouge. "More of the locals know about this part of town" than tourists, she said, hopeful the hotel will attract more visitors to west-side shops.

"A lot of tourists ask: 'What is there to do at night?'" colleague Philip Wing added. "I think a lot of people are glad to see it over there."

Conway, the manager, is confident the hotel will succeed.

"We're going to wow them with service," he said. "If we can do that, I'm not worried at all."

Apple hasn't ruled out building another hotel somewhere, someday. And he still believes there's a market for his small offices and warehouses in Yavapai County.

"I'm going to start looking again," he said.