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Successful San Antonio hotelier says it's all about the deal

Greg Jefferson | Feb. 25, 2019 | Updated: Feb. 25, 2019 12:31 p.m.



The latest deal for Ed McClure, CEO of Phoenix Hospitality Group, was the purchase of the storied El Tropicano Riverwalk Hotel — his company's third downtown property — for an undisclosed price. Ed McClure, whose Phoenix Hospitality Group recently acquired the Tropicana Hotel, is seen Wed., Feb. 20, 2019, at his Double Tree by Hilton Hotel.

Photo: William Luther /San Antonio Express-News

Ed McClure owned the place, and it showed as he walked through the lobby.

He looked around, spread his arms and described the \$5 million in renovations his company, Boerne-based Phoenix Hospitality Group recently made to their DoubleTree by Hilton Hotel downtown. “We really opened up this space,” he said about halfway between the restaurant.

McClure bought a stake in the 249-room hotel in 2009, but his history with the location goes further back. He'd convinced his fiancée to buy the property in 1991. The deal was that he'd manage it for them for a fee.

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It had been built six years earlier, but never opened — another vacant building left over from the commercial real estate bust of the barbed-wire fence around it,” he said, “and the street was covered with broken glass.”

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Video: San Antonio Express-News

The hotel, on César E. Chávez Boulevard next to the University of Texas at San Antonio Downtown Campus, was McClure's kind of old native of Scottsdale, Ariz., built PHG on distressed hotels, including this one and the Gunter and Crockett hotels in the 1980s ar

“I like looking for 50-cents-on-the-dollar-kind of things — 40 cents on the dollar, maybe 60,” said McClure, the company's CEO. “Ar bring it to par, and everybody wins.”

However, as his company has grown, flame-outs and near-disasters have become a smaller part of his strategy. More recently, PHG new hotels and snapping up solid properties. PHG's new 120-room The Bevy Hotel in Boerne, for example, built in a public-private city, opens this spring. And the company bought the Hotel Indigo on North St. Mary's Street in 2017.

In December, McClure closed his latest deal, buying the storied 324-room El Tropicano Riverwalk Hotel — his company's third down undisclosed price. One of his partners in the deal was Weston Urban Financial, backed by billionaire Graham Weston.

Opened in 1962, its developers fashioned the hotel after the stylish resorts they'd seen in Acapulco, Mexico. If El Tropicano were a chrome fenders and fins.

This isn't McClure's first go-around with the historic hotel — PHG had managed it more than 20 years ago. As an owner today, he's \$35 million on renovations.

McClure spoke last week with the San Antonio Express-News about his experience in the hotel business and what's ahead for San Antonio's hotel industry. The following transcript has been edited for clarity and length.

Q: So you started working at (La Mansion del Rio on the Riverwalk) around the mid-1980s — that's what got you to San Antonio. How did you start your career at that point?

A: I was at Sheraton's world headquarters in Boston, and I was over food and beverage in North America. I had everything in Canada, designed the restaurants, designed the restaurants and menus, hired all the chefs — everything. I really loved that. Earlier, I'd been with Hyatt a few years and Washington, D.C., and I was a regional director. I oversaw (food and beverage service at) four to five hotels at a time.

Q: You could have gone either way — into the restaurant industry or hotels.

A: Yes, and I love restaurants. That's where my roots and my heart and my passion are. But the money is in hotels. When I was, like, in a decision, in Scottsdale, to go into hotels — and I was managing a restaurant by then. In fact, I grew up in restaurants, like from the time I was a kid.

Q: Was it a family-owned restaurant?

A: Close to family — they were like family. And it was a state (Arizona) where you could work at that age as long as your parents were there. I got the pots and dishes, learned how to prep. I got into the front of the house, bused tables and worked for some good people who took me under their wing. I got under some chefs that were really good. It was a really good restaurant.

I went to (Arizona State University) for a while, but I just loved restaurants and I was doing well in it. I was 20 or 21, managing a restaurant on my way. I bought a car, and I'd drive up to Vegas on the weekends.

Q: What kind of car?

A: A Camaro.

Q: What color?

A: You know, it was kind of an odd color — copperish.

Q: That seems like a long way from Sheraton corporate headquarters.

A: I went and did that job (at Sheraton). But, frankly, I was too young. I handled the work — the work wasn't the problem. I just couldn't handle being a family guy. I had a wife and a 2-year-old daughter, and we were living in Boston and thinking of another kid. But I just lived on planes. I would go away for a while. I gotta get to Seattle, I gotta get to Dallas, I gotta get to here, I gotta get there. I couldn't handle being a balanced person who had power and responsibility, and then be a family guy.

Literally, like two weeks later, I'm sitting in my office and I get a phone call from a guy, and he says, "Hey, look, I'm sure you're not interested in this guy in San Antonio."

I'm like, "Oh, San Antonio?" And he said, "Have you ever heard of La Mansion?" I said, "Stayed there many times."

So I flew down, I met (attorney Patrick J. Kennedy, the hotel's owner at the time), and I said, "That's it." Their budget was 60 grand, and I said, "I'm gonna take the job. I'm gonna go down there and bring real hotel sophistication to the locals." I came down and I started working.

how to reposition the hotel. ... Pat has enormous business sense. We were really good for each other, and I was feeling it. Maybe that's why he called me in one day and said, "I want you to (run) the whole company." He made me vice president of operations, and we built (a) fabulous hotel. We took (La Mansion del Rio), put \$8 million into it and took it from \$55 (per night) to \$110 — the first \$100 rate in the

It was really successful, really rocking, but then Pat and I had a separation and it was over. He fired me one day, tried to rehire me but said "No." I didn't take the rejection so well. So I formed Phoenix Hospitality Group.

Q: That was in 1987?

A: Yes.

Q: Describe how the hotel industry was doing in 1987 after the real estate bubble popped.

A: A bunch of hotels were working in foreclosure or were on the brink of foreclosure. They were all in dire straits.

Q: So were you like a kid in a candy store?

A: Oh, yeah. Everybody was desperate. I either went on the lender side or the owner side — I didn't really care who I worked for. My job was to manage you out of this with marketing and operating expertise — that's the only way this asset ever comes back."

It's the story of our company. That's it. We're doing the same thing today.

Q: Is part of your strategy to always own your properties, or to sign management agreements?

A: I'm always the manager. And then all I need is a capital source. I've been blessed to find two or three capital sources that have been willing to start from the beginning).

Q: Do you ever sign deals with an owner just to operate the property?

A: Yeah, that's what I did initially. I didn't own it, I just managed it — fee for services. So I'd sign a five-year, 10-year management contract with enough of them and had seen owners (sell hotels) that I managed — and people were making \$5 million here and \$10 million there, and I was getting a paycheck.

In '93, we began saying, "We have to have a piece of the property or we won't manage it anymore." I did a resort project in the Hill Country area. That was my first play with some money of my own, and it was hugely successful. That capitalized me to go do other deals today — we are the general partner now in almost every hotel we have.

Q: How did the deal to buy El Tropicano come about?

A: (Then-Tropicano co-owner and real estate developer James Lifshutz) and I talked in 2011. I said, "Hey, how are you doing over the hotel business?" We established a dialogue way back then, and we got back in touch in '13. James had a price in mind that never hit the market. I had a price in mind. I know that hotel — we operated it incredibly successfully in the '90s and sold it for a whopping price.

So we couldn't quite get there in '13. We both really tried hard. But I'm just about the deal — it all has to be right.

Later, I said, "I need a compelling price, and then I think I can do it." We discussed what that might be, and very quickly he came to me and said "That's compelling. I'll do it." We put it under contract really quick and then put together the money. This is a complicated deal, and

renovation.

Q: It's a historic structure, so you've got constraints on what you can do on the outside. What about the inside?

A: We can't change the outside, but we can work on coloration, probably. It's all subject to (city Historic and Design Review Commission) not going to change how it looks. It's a midcentury, modern historic structure now, so we have to work within that parameter. But we're excited about the glazing on the building — the glass. I have a really good architectural team working on that. Midcentury modern is really hot, and we're excited about it.

Q: At \$35 million for renovations, that's gonna be a lot of work inside. What do you have planned? And are you going to have to close point to do the work?

A: Nope. We'll keep it open. We've got a three-phase plan worked out to keep it operating at least to the current standard, if not better.

The major renovations begin September, or maybe August. Completely new guest rooms, completely new public areas — make the building give it a really nice spa. We've got our Hotel Indigo close by. We've got the Pearl and Hotel Emma right up the (San Antonio River), a south of (El Tropicano). We're going to fit in in the middle of what's going on there.

Q: What'll that do to your rates?

A: They'll go up a lot. I think it was about \$90-something. We'll push it up to the \$160, \$170 range when it's done.

Q: So it looks like you're very opportunistic in your acquisitions, but how much of it has to do with location?

A: A lot. We moved on the River Walk, for example, and the River Walk locations are phenomenal.

Q: How does the downtown hotel market look to you over the next five years?

A: Fantastic. The new Convention Center expansion put us in a whole new league of conventions. It's a meetings market, and that's tourism at select times of the year — weekends, Spring Break and summer. But 365 days a year, we've got inventory — we've got to get meetings have been vital for the growth of San Antonio.

I'm fortunate enough to have been here for a long time, riding that wave. We're in a whole new era with what we can book with the Alamodome. Look at the NCAA Final Four, which we did last year. They're already coming back as fast as they can. The city has worked along with the private sector. All of us have been working together for decades now. It's powerful.

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