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Makeover puts hotel into gaming

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A rendering of the new Alexis Resort Park.

The completion of a $5 million renovation of the small Alexis Park Resort and Villas by the end of December is only the first phase of an extensive $400 million transformation of the 20-year-old property that will turn it into a gaming and luxury destination.

While the current first phase basically spruces up the front area of 500-room property, plans are being detailed by famed Strip architect Joel Bergman to create an additional 1,000 room tower with a 60,000-square-foot casino floor and 30,000-40,000 square feet of meeting space by April 2007.

The ambitious project is the product of new owner, Los Angeles-based Financial Capital Investment Company (FCIC), which purchased the Alexis in May together with additional land to give the company 28 acres along Harmon Avenue just across the street from the Hard Rock Hotel and Casino.

Having lost bids to buy three local properties, including the Aladdin, since deciding to break into the Las Vegas market in 2001, FCIC believes its development of the Alexis will complement and not compete with other big projects slated for that end of Harmon while offering Las Vegas visitors a Tuscany-Mediterranean-designed alternative to the familiar exhausting verve of most casinos and hotels.

"We will have an ambience that is more resort than anything in Las Vegas," says Richard Alter, one of two managing partner of FCIC. "It is going to be a F-U-N place in Las Vegas. A little bit of hip-ness but not pretentious ... The Las Vegas market has enough room for everybody. You don't have to steal customers [from competitors] to make money. We see the opportunity is there and in order to make the best of it, you have to create something and we're creating something."

Opened in 1984 as the Alexis Park Hotel, the property was a non-gaming hotel that tilted toward the fashionable, with amenities such as the upscale Pegasus Room restaurant. The property was designed with contemporary flair of the period - lush front vegetation that concealed the property from the street, stark white paint and low exterior ceilings.

"It used to be ugly," Alter says. "It looked like a hospital."

While the style, and the prospects, faded over the years, the Alexis maintained its loyal customer base that kept the property profitable, ingredients that made it ripe for FCIC.

Started 15 years ago by Alter and partner Eddy Chao, the company has built a reputation for turning good properties, whether hotel or residential or time share, with decent revenue but suffering from neglect into premium performers through a combination of rehabilitation and marketing.

A prime example is the 451-room Omni Hotel in downtown Los Angeles, which Alter and Chao snatched up in 1998. The hotel is now part of the renaissance underway in downtown LA and posted an average 94 percent occupancy rate in October. FCIC currently has 11 properties in its portfolio.

"We usually don't build from the ground up," says Alter. "If there is a solution we can see to the existing building, that's what we like to do. We buy properties that already ... are making a profit. We wouldn't buy at a price unless it has cash flow to cover the mortgage."

In 2001, Alter and Chao had made a strategic decision to enter the Las Vegas market, and particularly the gaming industry, that was bottoming out after the 9/11 attacks. They began scouring the area for properties. Over the course, FCIC was a bidder on the Aladdin, the Las Vegas Hilton and the former Regency in Summerlin, losing all three times.

Rebuffed in the local hospitality and gaming industry as well as in the bidding process, FCIC approached the Alexis Park owner, Louis Habash, in January to persuade him to sell his hotel. The Alexis fit the company's purchase profile perfectly - established and generating cash flow but needing management expertise and capital for renovation followed by more focused marketing to maximize its potential.

Although the Alexis had faded under Habash's reign, he was not desperate to sell and had turned away "thousands" of offers, Alter says. FCIC showed Habash its plans and wrote a $6 million non-refundable check to show their earnestness. The combination was irresistible and Habash signed in March and the deal closed on May 27.

"[Habash] is a serious but difficult man," Alter says. "He had dozens of plans for everything but never pulled the trigger. He was not financially capable. If anything, Eddy and I are trigger happy ... He's very comfortable with us. He loves our plans. In fact, he may be a future investor."

Paying $62 million for the Alexis, FCIC also bought the adjacent 206-unit Americana Inn Apartments, the partial future site of the casino and hotel tower, on the Alexis' west side for $8 million. In addition, the company purchased a former mobile home park, a 4.7 acre site behind the apartment complex that will be developed into 1,500-space parking garage, for $10 million, closing just last month.

With the Hard Rock adding a second tower and other developments such as MGM Residences, planned on Harmon for the next few years along with major public improvements such as wider sidewalks and a median strip on the street, FCIC sees perfect plans requiring perfect locations.

"The price is reasonable [for the property]," says Alter. "The Hard Rock is the anchor on one end and the future MGM CityCenter [project will be on the other]. We have more frontage than the Hard Rock. [With public improvements], people will be able to walk up and down easier. [It will be] Strip number two."

In addition to the Harmon Street developments, a mixed-use development is being planned for the 20 acres behind the Alexis running to Tropicana Ave. Among its highlights will be a new major thoroughfare connecting Tropicana and Harmon avenues, giving strong traffic flows from the airport.

"You never get a second chance to make a first impression," Alter says. "We'll have billboards [on Tropicana]. But we're not high profile yet. We have to make sure our product is acceptable."

Toward that end, the first phase is completely reconstructing the front pool and lobby areas. The vegetation has been cleared; the pool will become more spacious with modern lighting and a bar; outdated tiles will be replaced with soft concrete; and vibrant Mediterranean colors will replace the glaring white.

Among the most interesting features is a $500,000 glass front wall with two entry doors that will be held in place by cables and not frames, an architectural and engineering "first" for Las Vegas. The upgrades will augment the already finished transformation of the Pegasus Club into the trendy 375 Supper Club/Lounge at a cost of $750,000. The club and eatery opened on November 19.

According to Alter, the parking garage, which will include the central plant and other back of the house items, will break ground by mid-2005 and will be completed by the end of the year at a cost of $50 million. The second phase will, however, consist of a 50,000-square-foot structure to house a restaurant, nightclub and timeshare sales office.

The sales office is crucial as FCIC is converting 150 rooms of the Alexis' present 500 into timeshares and hopes to begin closing on individual units by Labor Day 2005. Timeshare units will also be a critical element in the hotel/casino as well as the future but as yet conceptual three residential towers around the casino.

According to Alter, FCIC rushed into the Las Vegas market on the strength of two market studies it ordered to determine which real estate vehicle has the strongest demand here.

"We were evaluating what to build and did a couple of timeshare studies," he says. "They said it was high, deep, wide and forever. And underserved. That's essentially the Las Vegas marketplace [as a whole]. There might be some bumps, but no bubbles ... I saw the timeshare market and said what can I do now. I don't want to wait. [With the Alexis], we have the amenities that people want. The Fairfield timeshare cost $100 million and they don't have anything."

While the lack of timeshares is providing the biggest opportunities here, the biggest returns are still in gaming. Currently going through the application process to obtain gaming license, Bergman is already working on the details to the already designed floor plans and individual rooms of the casino and resort. The company is aiming for groundbreaking at the end of 2005.

"We are in the gaming business, first and foremost," Alter says. "We are not an entertainment center like Wynn. The casino will be the number one profit maker."

Still the plan calls for moving with what is in hand first. The Alexis Park Resort and Villas has been open for business since FCIC has taken control, turning in an averaging an 87 percent occupancy "even though it is under construction."

With the renovation almost done, FCIC has signed on American Property Management Co. to manage the Alexis. One of its first objectives is to institute a marketing strategy.

Under Habash, the Alexis spent no money on marketing last year. According to FCIC marketing and creative director Dinka Bojanova, she along with the property managers have interviewed two advertising agencies, including Virgen Advertising.

"We have a 2005 marketing plan," says Alter. "The first thing is to brand the [property]. Our first six months [in 2005] are already full, so we have some time."

Targeting a slightly older and more mellow crowd than its Hard Rock neighbor, the message will portray the Alexis as the alternative to anything the city has to offer, regardless of what phase FCIC's plan has achieved.

"Las Vegas is overwhelming," Bojanova says. "I hear from guests and visitors that they are tired of trying to relax here. The whole project is cool and contemporary. After we complete the casino, everyone will just be all over it. It is very different than anything Las Vegas has."

That fits Alter's and Chao's business model to a tee.

"Give them more than they anticipate or want and then charge them more for it," Alter adds. "It's always profitable. [You can't do] the reverse or you lose customers."

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