

## St. Regis Fort Lauderdale developer wins \$43M from Starwood

By DOUGLAS HANKS

[dhanks@MiamiHerald.com](mailto:dhanks@MiamiHerald.com)

The developer of the ill-fated St. Regis Fort Lauderdale hotel won \$43 million from the brand's owner, Starwood, in a dispute that dates back to the boom days of luxury real estate.

A New York judge ruled Starwood, the owner of a family of hotel brands that includes Sheraton, Westin and W, acted improperly in 2008 when it quit as manager of the 166-room tower on Fort Lauderdale Beach Boulevard and sent the owner scrambling to hire Ritz-Carlton as a five-star replacement just 18 months after opening. The divorce followed a rocky, bitter marriage between St. Regis and the company that owns the hotel, Castillo Grand.

Sheraton Operating Corp., the Starwood arm involved in the suit, said it would appeal the Nov. 18 decision. "We are disappointed in, and respectfully disagree with, the trial court's decision," the company said in a statement, according to Dow Jones Newswires.

The ruling by Judge Alan Scheinkman captures the high stakes as South Florida's condo boom enveloped its tourism industry during the past decade.

Castillo financed the construction of the project by selling off some hotel rooms as condominiums, and the developers wanted a five-star brand to beef up prices. At the time, New York-based Starwood was leveraging its popular hotel brands by offering them to developers as a way to not only lure tourists, but also pitch hotel living as an enviable lifestyle for condo buyers.

The dynamics prompted Starwood in 2000 to sign on for one of the boldest moves in South Florida's lodging market: trying to plant a five-star flag in Fort Lauderdale, a resort city well known for spring break and discount room rates.

But behind the promises of a new level of luxury when the hotel opened to much fanfare in May 2007, a bitter partnership was dissolving.

"There were regular threats to pull their brand in the event the design didn't meet [Starwood's] standards," said Todd Soloway, of New York's Pryor Cashman and Castillo's lawyer.

Starwood accused Castillo of poor management of the project, which led to costly delays. Castillo accused Starwood of changing the requirements for the St. Regis brand as new executives took the helm. (Both blamed the other for a decor scheme that prompted

Starwood hospitality chief Robert Shinn to send an email describing finishes in a model room as looking like “stuff that had washed up on the shore.”)

The end came in May 2008, when Starwood announced it was quitting its management contract during the next five days and leaving Castillo to fend for itself. By then, the real estate market was on its way to a crash and hotel companies were bracing for a recession.

Starwood agreed to delay its exit, and Castillo signed Ritz-Carlton as the new operator. With Castillo desperate, Ritz-Carlton negotiated a more favorable deal, locking in the property for a 50-year contract rather than the 20-year agreement St. Regis had signed. Scheinkman ruled Castillo was entitled to damages over the switch, along with compensation for the two-year delay in opening the St. Regis that the judge blamed on Starwood meddling.

The judge said the dispute did not seem to hurt the bid to give Fort Lauderdale its first ultra-luxury hotel.

“Whatever the growing pains were,” Scheinkman wrote, “there is no dispute that the hotel is spectacular.”