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Marriott to start building 17-story hotel in Cupertino

By MICHAEL KREY

Marriott Hotels Inc. plans to begin construction in May on the 400-room first phase of its long-planned Cupertino hotel.

Spokeswoman Eileen Peterson said the 180-hotel chain will be the sole developer of the Cupertino Marriott, slated for a six-acre site on the Interstate 280 side of Stevens Creek Boulevard, between Tantau Avenue and Wolfe Road, next to the Tandem Computers Inc. campus.

The site is leased from Vallco Park Ltd., the group of more than 15 families that has owned the huge chunk of Cupertino since the time when orchards dotted the landscape.

Marriott develops most of its hotels in partnership with other entities, though it does develop and retain 100 percent ownership of some hotels, such as the Santa Clara Marriott.

Marriott declined to estimate the cost of the project, but the 500-room Doubletree in Santa Clara, which opened in late 1986, cost about $50 million.

The first phase is a 17-story, 400-room tower. It will be the tallest structure in Cupertino by far.

A 300-room, 15-story twin tower and a 500-space parking structure are planned as part of a second phase, although construction of that phase is not yet scheduled.

The full 700-room hotel will be the second largest hotel in the county, behind the 755-room Santa Clara Marriott.

The 400-room first phase will be the county's sixth largest hotel. The Fairmont, Red Lion Inn, Santa Clara Doubletree and San Jose Hyatt also are larger.

Peterson said first-phase construction is expected to take 18 months. She said the firm would provide its own financing.

The Marriott Hotel in Cupertino will be only the third hotel in the city, following a 126-room Cupertino Inn completed in mid-1987 and a 149-room Courtyard by Marriott project still under construction.

"Cupertino is the one area in Silicon Valley where a new major hotel may do very well," said Robert Hecker, a consultant with Laventhol & Horwath, an accounting firm that specializes in the lodging industry. "The Cupertino Inn and Courtyard aren't large enough by themselves.

"Cupertino should attract some of the hotel users that have been staying at Santa Clara, Sunnyvale and San Jose. And as long as the Apples and the Tandems keep doing so well, the business should be there."

Fred Reed, president of the firm that manages the Cupertino Inn, agreed that Cupertino's gain could be a loss for other parts of the county.

"With the high-tech firms around here doing so well, we need more quality hotels

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New Marriott hotel would be city's tallest structure by far

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in West Valley," Reed said. "We've got to get some clients off of 101.

"Having a quality firm like Marriott here will get more users thinking about lodging in Cupertino and with all their meeting and banquet space they'd bring more weekend business. The Marriott is a different type of product than ours. There may be some competition, but I believe they'll help us more than hurt us."

According to Laventhol & Horwath, demand is up in Silicon Valley, though the increase in new hotels has kept occupancy rates static.

Peterson said Marriott executives declined to comment on why they are ready to begin construction of the major project, but it has been long in the making. Until recently, some sources had thought that Marriott had put the project on the back burner.

The city of Cupertino has targeted the Vallco property for a major hotel since the mid-1970s, while the Marriott project has had city approval since early 1986. Marriott has applied for a building permit and few impediments remain, according to Steve Piasecki, Cupertino's assistant planning director.

"A significant hotel has been contemplated for some time so, yes, my sense is that the city is looking forward to the project," Piasecki said. "There also will be a significant fiscal impact for the city."

The city may look forward to the new Marriott, but other hotels will be wary.

"As a Marriott stockholder, I'm glad to see the confidence in the market," said Wesley Merhige, manager of the Santa Clara Marriott. "But as the manager of this hotel, I would at least have liked to see another hotel. The Marriott name has great appeal.

"But let's face it, none of the major hotels is knocking them dead right now. I don't know how much that will change in 18 months."

According to Laventhol & Horwath, occupancy rates for Santa Clara decreased from 71 percent in 1986 to 68 percent in 1987, while in San Jose the rate fell from 61.2 percent to 61 percent. In Sunnyvale, however, the rate increased from 65 percent to 68 percent.

"The drop in Santa Clara can be attributed to the (500-room) Doubletree, while the drop in San Jose was due to the new (581-room) Fairmont," Hecker said.

In terms of room nights, from 1986 to 1987 Laventhol & Horwath found increases of 28 percent for Santa Clara, 8.4 percent for Sunnyvale, 4.6 percent for San Jose and about 10 percent for the entire county.

"The Marriott will add a major competitor, but from our figures it doesn't seem that the Doubletree or the Fairmont took significant business away from the other area hotels," Hecker said.