



# THE TAOS NEWS

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## Would taller hotels be boon or blight for Taos tourism?

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Hotel investor Jay Batra says Taos' current hotel market might seem a little bleak. Some properties have struggled to turn a profit, occupancy rates are pretty lackluster and at least one large hotel has gone belly-up.

But Batra is willing to invest millions of dollars in Taos' hotel industry on the prediction that "there's light at the end of the tunnel."

"We feel there's a better tomorrow for what's coming to Taos," Batra told *The Taos News*.

In the last two years, Batra bought the Hampton Inn and did \$1.5 million in renovations. He then bought the shuttered Hotel Don Fernando for more than \$3 million. Now, he wants to build a brand new, four-story Holiday Inn Express on five acres next to his Hampton Inn property.

"A tourist place like Taos should have quality accommodations and I feel like what exists is quite the opposite," Batra said.

Batra has found support from the current town administration, which has argued the current hotel stock is outdated and can't keep up with growth in the tourism sector. However, the small amount of available data on Taos' hotel industry suggests lodgers are still struggling to fill the rooms they currently have.

### Rezone proposal

To entice Batra and other developers, the town is proposing to lift its current height restriction from 27 feet to 50 feet in a corridor at Taos' south end.

The rezoning proposal has sparked controversy over whether the scale of a four-story hotel is appropriate in Taos. Batra and the town say the change is needed to make room for modern developers, especially franchise hotels for national chains which tend to prefer taller hotels that come mostly pre-designed and are cheaper to operate.

Since Batra's company bought the Hampton Inn in 2014 and completed the renovations, he said revenue is up \$500,000 year-to-date — a 35 percent increase.

"Out of the gates, we've seen some really positive yields," Batra said. To him, that turnaround suggests potential in the Taos hotel market.

On paper, that potential isn't exactly obvious.

## **Taos trails**

According to the Rocky Mountain Lodging Report — a monthly survey of lodging conditions in several Western states, including New Mexico — Taos lags behind state and national averages when it comes to industry measures.

In 2015, Taos had an average occupancy rate of 56.4 percent, compared to 67 percent in Santa Fe and 61.8 percent statewide. The national average last year was 65.6 percent.

Some industry experts say an occupancy rate of 70 percent is indicative of a market that's ripe for growth, though there's no easy way to say for sure.

While Taos' occupancy rate seems low, it has been on the rise. Taos occupancy was up 3.6 percent in 2015 compared to 2013, according to the report.

Since not all lodgers participate in the lodging report, the survey is not a complete picture of the Taos hotel market. But last year the report's authors said there were 12 Taos hotels that regularly submit data, and most hotel managers contacted by *The Taos News* agreed that the overall figures are pretty accurate.

## **Number nuances**

Randy Randall, executive director of Tourism Santa Fe, told

*The Taos News* the lodging report can point to some obvious trends.

"If you're seeing occupancy and average rates growing, you're seeing a growth in demand," Randall said. But he pointed out there is nuance to those numbers. Different hotels cater to different kinds of guests, and overall occupancy rates don't necessarily tell you if you have too many low-end or high-end rooms. A market with an average occupancy rate might have plenty of budget motels, for instance, but severely lack high-class accommodations.

In touristy Taos, the market is even more complicated. Occupancy rates vary enormously depending on the season. In August 2015, for example, Taos' occupancy was 71.5 percent. But in January that year, it dipped to 47.4 percent.

To put money into Taos, hotel investors have to be sure they can weather those wild swings, and make enough during the good months so they can weather the bad.

## **Shake it up**

Part of the town's argument for loosening height restrictions leans on data from the recent Alabama Shakes concert, which found that about three-quarters of concert goers spent at least one night in Taos. Every room in town was booked for the show, and town officials say more hotel capacity would mean more overnight visitors and more economic windfall.

That's no doubt true during large events. But there are some who question whether the town should encourage the construction of more hotels simply to have more beds during peak times.

"There's an old saying in the hotel business: You don't build a church for Easter Sunday," said Paul Aragon, general manager of the Sagebrush Inn and Suites, in an interview Sept. 21.

The proposed Holiday Inn would be built across the street from the Sagebrush, and Aragon said he'd welcome more rooms as long as they met the town's current building standards.

Economically speaking, Aragon suspects a four-story, 85-room Holiday Inn could succeed in Taos. These hotels are cheaper to operate and can offer modern amenities compared to existing lodgers. But he doubts it would have an overall net increase on Taos' tourism numbers. Instead, Aragon thinks it would cannibalize guests from older hotels that are barely getting by.

Ultimately, the decision to build a new hotel comes down to the amount of risk an investor is willing to take on. But there are some like Aragon who worry town officials may be too quick to change policy to encourage investment without considering long-term consequences.

"Do you go to Taos because they built a new Holiday Inn?" Aragon said. "Or do you go for the cultural mosaic, the natural beauty and the light?"

It's extremely difficult to know whether a particular market has too many or too few hotel rooms. But other cities and towns have commissioned professional studies to gauge whether it's worth adopting policy changes that would encourage new hotel development.

Last year, city leaders in Kyle, Texas — a town of 30,000 south of Austin — hired a Texas real estate firm to study the potential for adding new hotel rooms and convention space. The report analyzed government policies, social trends and economic conditions, including passenger numbers at the nearby airport and resident demographics.

The report cost a reported \$20,000, which the city paid for using the Texas equivalent of lodgers tax revenue.

### **Up next**

On Oct. 11, the town council is expected to take up the issue again — considering whether to allow taller hotels in the area on the south end of Taos.