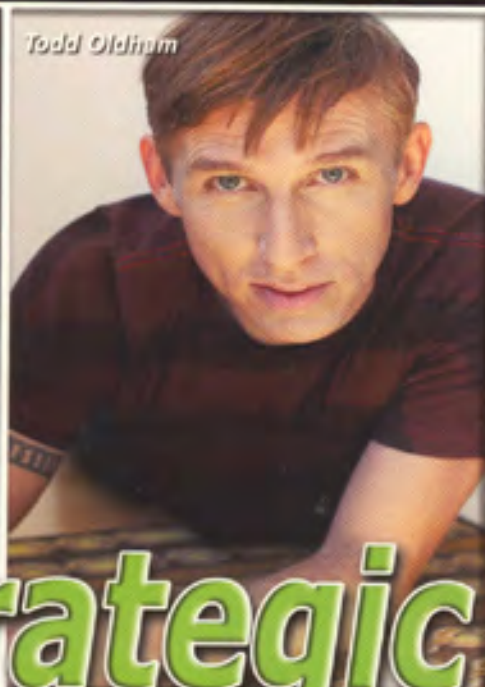


New Look™ magazine



David Rockwell (left) & Maya Romanoff



Todd Oldham



Angela Adams



Thomas Schoos (left) & Michael Dobin

Strategic Alliances

Collaborative product lines prove their value as vendors and designers continue to join forces

Story begins on p. 22



Roger Thomas (left) & Norman Marks



Margaret McMahon




Tonya Grine (left) & Danielle Peacox



Eileen West



HFS  CONCEPTS 4

HFSC4.COM

ARCHITECTURE | INTERIOR DESIGN | STRATEGIC SOURCING & PROCUREMENT | PROJECT MANAGEMENT

www.thenewlookmag.com/readerservice
For more information use ad #410

Anatomy of a Project

A Roundtable event presented by New Look™ magazine



Hosted by



Sponsored by



Anatomy of a Project

Roundtable reaction

Wide range of executives stress clear communication

By **BRUCE SERLEN**

LAS VEGAS—With the credit markets still constrained and construction and purchasing costs rising dramatically, owners and developers are scrutinizing new projects more closely than ever to ensure that budgets and timetables are realistic. To generate best practices, NEW LOOK™ magazine last month presented an industry roundtable at the World Market Center here entitled "Anatomy of a Project." The event—which was moderated by NEW LOOK™ magazine editor Dennis Nessler, was sponsored by Simmons Hospitality Group, Flexsteel Commercial Seating and MTS Seating—and hosted by the World Market Center.

A range of disciplines was represented around the table, including ownership and development, management, architecture, construction, design, and purchasing. The hypothetical project being dissected was a three-and-a-half to four-star, ground up, new construction hotel. For purposes of the discussion, participants were told to assume the project's financing was firmly in place.

Even with financing locked in, more attention is being paid today to budgeting—and with that comes a need for greater ongoing communication between the key disciplines. Waterford Hotel Group president Robert Winchester described budgeting as a series of refinements. "Initially, it's a bit like throwing darts as you zero in on the specifics of the site, the type hotel, projected construction costs, and a variety of zoning issues. The process continues once you hire an architect, who may not be the architect who does the final drawings," Winchester explained.

According to Marcus Hotels & Resorts president/CEO William Otto, developers often undervalue the importance of construction costs to the overall budget. "Later in the process, they'll zero in on FF&E prices, but not focus sufficiently on construction costs, which can amount to 80% of the budget," he said.

Even though the extra time may seem a luxury in these strained economic times, Gemstone

"Management companies tend to have an understanding of the local marketplace that owner/developers don't always have," Cataldo said. "Including us in the process early on can mean significant cost savings later on, particularly when it comes to savings from value engineering."

Budgets keep going through revisions, especially as costs continue to rise, Benjamin noted. "The earlier we're involved, the better. Six months out, even before groundbreaking is a critical period," he said. "We don't want to be working off a budget that's a year old and needs rethinking." Likewise, management companies' expertise extends to pre-opening marketing. "Owners can forget how important these efforts can be in building awareness of the property," Cataldo added. Open communication amongst key team members is important and it's up to the

owner/developer to set that tone from the onset. "The owner/developer needs to be clear on this from the beginning. Otherwise, there are going to be hiccups," said Therese Virserius, a principal in Therese Virserius Design. "Clear communication allows for the possibility of the 'third idea.' The owner may have one idea, you may have another, but a compromise can emerge that's a third idea."

As the process moves forward, cash flow needs to be available. "Vendors need to get paid as the work gets done, so the funds have to be ready. This may seem simple, but it can be hard to communicate," said purchasing agent Neil Locke, a principal in Neil Locke & Associates.



From left to right, David Martinez of Tarsadia Hotels, Jerome Cataldo of Hostmark Hospitality and Connie Glazer of Wilson & Associates.

Hotels & Resorts, LLC, principal Mark van Hartesvelt recommended devoting additional time upfront to identifying the hotel's eventual positioning in the marketplace. "Create a vision and then build a vision around that. It'll minimize the chance of there being expensive changes later in the process," he said.

Hostmark Hospitality Group executive vp for development Jerome Cataldo urged that management companies like his be selected as early as possible—and consequently be brought into the budgeting process. Alan Benjamin, president of Benjamin West, a purchasing agent, made the same request.

continued on page 34

Anatomy of a Project



Rob Winchester of Waterford Hotel Group (right) makes his point as Andrew Fay of Gettys listens intently.



Left to right, Mark Friesen of Beyer-Brown & Associates, Alan Benjamin of Benjamin West, David Martinez of Tarsadia Hotels and Connie Glazer of Wilson & Associates.

Sustainability needs to be considered early on in a project's lifecycle

LAS VEGAS—Each of the participants in last month's NEW LOOK "Anatomy of a Project" Roundtable here agreed that environmental sustainability has become a high priority with both owner/developers and customers. Yet when it comes to building and operating eco-friendly hotels, roundtable participants agreed on two other points as well. First, for as straightforward as the concept of sustainability may appear in theory, it can be quite complicated in practice. Second, for owners, building and operating a sustainable hotel can be quite expensive and there are no assurances that they'll see a reasonable return on their investment.

For many developers, their focus on sustainability centers around their properties' receiving one of the three levels of LEED (Leadership in Energy and Environmental Design) certification, a program administered by the U.S. Green Building Council.

Early intervention

"Owner/developers have to understand, however, that it makes the most sense to incorporate LEED principles into the project when it's being constructed. It's more difficult to do—and more expensive—when construction is mid-stream or after the fact," said architect Jonathan Nehmer, who has his own firm, but is also a principal in HVS Compass Interior Design.

Therese Virserius, a principal in her own design firm, agreed that building a sustainable project was more expensive, but said owners could also look forward to long-term returns on their investment. "The costs will come back to you. Plus there are tax benefits involved," Virserius said, adding that not many of the developers she has worked with would "be prepared to make a significant investment, if they didn't see a long-term return."

Gemstone Hotels & Resorts, LLC, principal Mark van Hartesvelt agreed, particularly when it comes to energy prices. "Given the recent rise in energy costs, there's certainly going to be a long-term ROI from installing more efficient energy systems," he said.

Considering how quickly sustainability became a front-page issue, policies and procedures are still being finalized across the industry.

"Local communities are changing their building codes to incorporate sustainability principles, forcing developers to comply," Nehmer noted.

Neil Locke, who has his own purchasing firm, Neil Locke & Associates, anticipates that the demand

Designer feedback essential for projects

continued from page 2

Owner/developers' objectives can change mid-stream and that needs to be communicated. "Owners may think it's clear to the team because they've discussed it—and agreed—among themselves, but it's not," noted Beyer-Brown & Associates principal Mark Friesen.

Similarly, owner/developers will hire architects and designers and then not elicit their input. "Let the design team contribute its best ideas. You don't want to lamper the creativity they bring to the table," advised Tarsadia Hotels executive vp of business development David Martinez.

Given the intense budgetary and time pressures they're under today in undertaking a new project, it's easy for owner/developers to look to hire designers they've worked with before. "But even though I may be the safe choice, you don't necessarily want to risk getting stale working with the same team," cautioned architect Jonathan Nelmer, president of Jonathan

Nehmer & Associates. "A relationship history creates a certain comfort level, but the design team may just not be right for the new project or have the best creative solutions."

On branded hotels, an ever present concern is that the brand will change the brand standards once the design and construction phases are underway. "Certainly, you want the hotel to be current with the brand's latest standards, but it's easy to get caught in the middle—and can be expensive to remedy mid-stream," said Larry Carver, a principal in Carver & Associates, a purchasing and design firm. "For this reason, you'll want to be sure the brand's regional director is involved and very much part of the communications loop."

Value engineering, while understandably a popular approach today, can also be carried too far or misunderstood in other ways. "Value engineering isn't just about cutting things out. The intention is

continued on page 44

continued on page 44

Anatomy of a Project



Front row from left, Jonathan Nehmer of Jonathan Nehmer & Associates, William Otto, Marcus Hotels & Resorts, Allison Sansone, Apollo Hospitality Group, Therese Virserius, Therese Virserius Design and Steve Van, Prism Hotels & Resorts.



From right to left, Neil Locke of Neil Locke & Associates, Larry Carver, Larry Carver & Associates, and Mark van Hartesvelt, Gemstone Hotels & Resorts.

Value engineering not just about cutting

continued from page 34

to create value for both the owner and the guest," noted Gettys president/COO Andrew Fay.

Designers definitely have a role in this discussion. "We want to be part of the value engineering process from the onset," said Wilson & Associates project manager Connie Glazer. "It needs to be part of the mindset from the beginning, not an afterthought."

Owners' objectives vary, depending on the particular project and market. "In some cases, the owner envisions a long-term hold, but in other cases, it's more of a short-term timeframe," Fay continued. "It's important for all of us to know this up front because it affects so much about the way money is allotted."

Owner/developers need to be wary that "value engineering" simply not become a euphemism for an increased number of change orders, especially late in the construction process, according to Apollo Hospitality Group marketing manager Allison Sansone. "The greater the number of change orders, the greater the likelihood schedules will be affected."

As the economy continues to soften through 2008 and possibly 2009, Prism Hotels & Resorts president/CEO Stephen Van expects to see calls for more cost cutting on the part of owner/developers and, consequently, more value engineering. "Even the brands will start to soften up on their standards," he predicted.

If value engineering is carried to an extreme, owner/developers run the risk of jeopardizing quality and damaging the product. "By cutting corners, you can achieve a certain 'look' that might last one or two years, but what about five or six years?" Benjamin asked.

"You can value engineer the small things, but cumulatively you can end up negatively impacting the larger vision you had for the property," Van Hartesvelt confirmed. "In addition, owner/developers can inadvertently make cuts in the name of value engineering that create additional operating costs."

Sustainability becomes top of mind for owners on new build projects

continued from page 34

for environmentally friendly products in hotels will only continue to grow. "Vendors are starting to respond. The question for owners becomes, when does the cost factor outweigh the sustainability advantage?"

A fellow purchasing agent, Larry Carver of Carver & Associates, said he's begun to see vendors he works with looking at sustainability much more intensely. "They know it's something their clients are interested in, so they're getting on board, participating in recycling programs and so on," he said.

Yet in many ways—ROI, for example—the industry's position on sustainability is still evolving. "A lot of it is still smoke and mirrors," said Beyer-Brown & Associates' principal Mark Friesen.

What, for example, will the effect be on the resale market? "When properties trade, will there be an increase or decrease in value based on their LEED certification?" asked van Hartesvelt. "That may not be the case today, but in five or 10 years, who knows?"

Alluding to the current industry practice of sourcing many products offshore, Nehmer noted that developers gain one point towards LEED certification, if they source the products within 500 miles of the hotel.

Hostmark Hospitality Group executive vp for development Jerome Cataldo said it had become part of the job of management companies like his to counsel owner/developers on the subject. "They need to know what the impact could be, if they don't follow environmentally friendly practices. The potential on their business could be significant."

For his part, Carver feels he knows where the trend is leading. "Being green is going to be in all of our DNA. It's going to become a habit, like second nature. It's going to get to the point where it's hard not to be green."