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Hotel news: Current state of development: When is really the right time to build?

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With new construction pricing at its lowest level in six years, now is the time to seriously consider moving forward with ground-up hospitality industry development projects. This may be a scary thought to some due to the blood-letting in hospitality since 2009, but as we approach the end of the first quarter of 2010, I believe that the industry needs to be looking ahead to what is going to happen during the next two year window and position for that potential growth.

With the predictions in place that 2010 will not be as bad as 2009 and the hope that the swing to forward motion in business and leisure travel will continue, we must now ask ourselves the million dollar question: "When is really the right time to build?" Project planning, site selection, approvals, and design take awhile as we all know. In this economy, shortening the window from conception to being online is highly desirable while reducing the owners' risk by lessening the unknowns. Risk is keeping developers and lenders from taking the first step in the process because they wish the crystal ball was clearer on the economic outcomes expected in 2010 and beyond and that the process to get from concept to closeout was smarter.

Integrated Project Management is Smart Development Practice

Although I cannot fix the economy from my desk and I don't pretend to be an economic wizard, I do believe that some of the risk we are all feeling can be overcome by developing smarter. "Sure," you might say, "It's not his money that's on the line here," but every day I see that traditional design, bid, build scenarios of the past are antiquated and unwieldy in a shifting economic landscape and that this is increasing the risk factors for the developer. So what is the alternative? Enter Integrated Project Delivery or IPD.

IPD is a project delivery approach that reduces the overall design/build schedule by integrating people, systems, business, and practices efficiently. This is of tremendous value in reducing risk to project owners and developers as well as to project funding entities. The center of the IPD process is the team selection including the owner, designers, and constructors. This team is united through trust, a transparent process, collaboration, and open information sharing resulting in shared risk and potential reward for all tied to the single goal for overall project success.

At the core of IPD success is the defined roles of the team members and the collective review, assessment, and decision making related to pros and cons of the project budget, schedule, or construction path. Under the IPD approach, the key participants are contractually tied to one another from the project inception. The team members are often selected based on pre-existing relationships or close referrals. From that point forward, these key participants work with one another to solve the "project" goals instead of focusing on their individual goals, needs, and desired outcomes. In this scenario, no information is lost from one entity to the other as regularly occurs when using the traditional development process where the architect, owner, and constructor are separate entities. In

the past, project drawings, financials, and other project data were certainly passed between the parties involved in a development, but not always in a completely open or transparent format and most often only on a request/need to know basis. Using the IPD approach, although all of the players have their area of expertise, the collaborative approach to project delivery enables increased opportunity to lend ideas and to identify a better, faster, and cheaper way to reach project completion.

When employing the IPD approach, a process for defining and resolving any legal and contractual considerations such as compensations, resolution of team disputes, and sharing of sensitive information needs to be established early on. This eliminates the potential for bottlenecks in mid-development. When the project parameters are set and the entire team is vested in them, they are able to make informed and fast and efficient decisions.

With both the traditional and IPD project development approaches, as the project moves forward the traditional phases of schematic design, design development, construction documents, bidding, and construction are revised. The difference is that with the traditional approach, the budgeting and scheduling are typically only looked at during the four weeks of bidding prior to awarding the project to a contractor. Utilizing the IPD method, phases of conceptualization, criteria design, detailed design, implementation documents, buyout construction, and closeout are considered and involve all team members and their expertise at the outset. The result is a budget that well-defined based on the total project view at the beginning of the project and a contractor who fully understands what they are building rather than one who has only four weeks to take it all in and crank out a number without the full range of data. The joint design and project development parameters are more accurate in this scenario because of the sharing of information, building models, budgets, etc and this results in efficiency and "team" ownership of the project. Key subs are brought in contractually at various stages of the design/documentation process to advise the team on detailing, budgeting, and even to start shop drawings, but the core team remains intact and jointly in control.

IPD in Action at TD Garden Arena, Boston

A significant project under an extremely tight time schedule was recently completed by Group One Partners for Boston's TD Garden Arena. It's a good example of IPD in action. The project included the removal of an existing 8,000 s/f restaurant and the construction of a new club lounge, restaurant, function spaces, bar, and premium seating boxes. The duration from design to opening was three months! The only way this project could be completed on such a tight timeline was to implement the IPD process of project management.

The first step in the process was to produce a concept plan so that contractors could be pre-qualified by the owner and architect. Once the general contractor was selected, the design process began. Weekly team meetings to review existing conditions, design goals, mechanical issues, and the budget were initiated from day one. The end goal budget and design was set by the team and that team collectively made decisions on how to achieve this goal without sacrifice. A main part of this project was a significant millwork package. To achieve this particular task, a subcontractor was identified by the team to assist in the millwork development. Having this sub involved from such an early stage allowed for the shop drawings to be produced while the overall design continued to be developed. The subcontractor offered the expertise needed to achieve all the goals in the most efficient way possible. Upon closeout of the project, a final project review showed that it was completed on time, on budget, with no sacrifice of design or Owner goals.

In Conclusion

Hospitality project Owners are very sensitive to the bottom line development cost and its direct impact on room rates. With the average daily room rate (ADR) drastically reduced over the past 18 months, now more than ever, controlling development costs is a high priority. Demand for hotel occupancy continues to be at a deficit in many areas of the country and in these areas particularly, construction has slowed and pricing is aggressive. In many cases equity is available and financing is beginning to see a shift as well but the banks are adamant about defining and locking in project costs and gaining a thorough understanding of all possible project risks prior to making any financial commitment. With IPD, risk potential can be minimized, the risks that could exist can be more accurately defined, and the process to avoiding pitfalls is much more successfully managed.

The value to the owner in all this continues to be that all team members have the same shared and communicated interest in the project success. With the IPD team bound by the same contract, fiscal transparency, increased speed of project delivery, the result is lower overall project risk.

This IPD approach is a unique process that has many benefits to the development of a hospitality project. By challenging our clients, our peers, and ourselves to work collaboratively it ensures the projects success. It is this smarter and sustainable development that is the future of our industry.

Harry Wheeler, AIA, LEED AP is principal and co-owner of Group One Partners Inc., a hospitality specific design firm offering architecture, interior design and FF&E procurement.

Group One Partners, Inc is known throughout the hotel industry for design quality and thorough understanding of hotel operations which has enabled them to become approved architects and designers for many of the major brands. As principal Wheeler is responsible for overseeing the company's business development and special projects.

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