



## INTEGRATED PROJECT DELIVERY

### IPD's Flexibility Makes "Open Hotel Renovation" a Lucrative Choice

The '70s was a decade of inflation, oil crisis and the start of the digital revolution. This was also a decade during which a large number of hotels were built. Today, many of those hotels are coming onto the real estate market creating profitable opportunities for savvy buyers. These properties are old, tired, and in many cases, attractively priced. The investors who built them are ready to retire and they are shifting their portfolios to more passive investments. This baby boomer trend is opening doors to a new generation of investors who see the upside potential of renovating properties with good bones in key locations -- while remaining open for business.

#### **BENEFITS OF AN "OPEN HOTEL RENOVATION"**

An "Open" renovation allows a property to retain their staff, remain on the reservation system and gain revenue to offset renovation costs. This is particularly beneficial for a hotel that might have lucrative contracts with airlines that could be lost if they closed for an extended period of time. The Chamberlain Group, which encompasses both Architects and Constructors, has been using a creative solution called Integrated Project Delivery (IPD) for 15 years, to meet the unique demands of this type of client. Because hotel renovation is a very fluid exercise, the bulky design-bid-build process of traditional construction is just too cumbersome, slow and expensive to be effective. IPD's innate ability to respond to surprises quickly makes it possible to keep costs and schedules in check. One thing an investor can count on, during a hotel renovation, is plenty of surprises. IPD helps hotels maximize their renovation budgets while minimizing the challenges to their business. In the hotel renovation scenario, saving time and money can make the difference between a frustrating experience and a project that is financially and personally rewarding.

#### **RENO VS NEW BUILD**

So why not just build a new hotel? There are several factors driving the hotel-reno surge. They are financial, political, practical and sometimes, green. Following are a few of the more compelling reasons an investor might choose a renovation over building a brand new hotel:

#### **LIMITED LAND**

In some cases land availability and zoning restrictions make new hotel construction difficult. Many municipalities are tightening codes in an attempt to discourage new development and encourage higher density within an urban context. When a buyer can't find available, affordable land to build a hotel, an older property in a great location could justify the cost of a retrofit.

#### **CASH FLOW IS KING**

A 300 room renovation typically takes 6-8 months. Usually, these are done without closing the hotel. By contrast, building the same hotel from scratch is often a 4 year proposition, due mainly to the stringent municipal approvals process. When carrying costs are factored in, the instant cash flow potential of an existing hotel is substantial.

#### **REPURPOSING**

Hotels are purpose built, but that doesn't mean they can't be repurposed. Many investors are redeveloping old hotels into new senior residences or student housing. Demand for these two categories is projected to exceed supply within the next few years.



*Pointe-Claire Holiday Inn, Easton's  
Group of Hotels*

The Chamberlain Group believes their Integrated Project Delivery method was the only way to tackle the Pointe Claire Holiday Inn project that included 14 floors, 10,000 sf of meeting space, a gym, restaurant, and 312 guest rooms, and complete renovations in the short span of 6 months, while the hotel remained open.

“Any time you are doing a project like this, you are going to run into surprises” explains Adrian Mauro, Chamberlain’s President. “IPD gives us the control and flexibility to respond to those surprises quickly without sacrificing schedule or



*Delta Sault Ste. Marie Hotel*

Sault Ste. Marie. “We’ve always had excellent service. Now we have the product to back that service up. All of our employees are really proud to show our property off and welcome our guests in”...Dominique Eckhardt, Sales Manager, Delta Sault Ste. Marie Waterfront Hotel and Conference Centre.

In many cases, recent zoning changes might have decreased the number of parking spaces required, making a large surface parking area a nonproductive wasted space. Moving the parking underground might even create enough open space to add a second revenue generating use like another tower.

Sometimes, a hotel is just not what it used to be because industry trends have changed. When Easton’s Group of Hotels purchased the Pointe Claire Holiday Inn, they found suite potential waiting on the balcony. Balconies, which were a common feature in business hotels in the ‘70s when many travelers smoked, are generally found only in hotels with a view in today’s smoke-free environment. By enclosing these balconies, the Chamberlain team was able to expand the size of the rooms and incorporate suite features, such as kitchens.

**THE ULTIMATE RECYCLING PROJECT**

At the heart of every recycling opportunity is the idea that it is better to reuse something than to throw it away. Building renovation is recycling on a grand scale. By avoiding wholesale demolition and rebuilding, a renovation project keeps tons of debris out of landfills every day. Many hoteliers are committed to making green choices in their building programs, both for personal and political reasons. Hotel guests, who make purchasing decisions with a social conscience tend to look favorably on corporations which they perceive as being socially responsible.

**BOTTOM LINE BENEFITS OF THE “OPEN HOTEL RENOVATION”**

It is tough enough to accomplish a renovation of an entire hotel, working around the clock. Add the pressure of doing it all while guests are relaxing nearby and teamwork becomes crucial. Make no mistake; it takes a team to navigate the challenges of such a large renovation, especially when the project must be accomplished while the hotel remains open. The current economic climate is enticing hotel buyers to renovate while remaining open because they cannot afford to be closed for an extended time. An “Open” renovation, when executed by an experienced team of Architects and Contractors, can reap great rewards for the hotel investor who wants to minimize risk, maximize cash flow and capitalize on the opportunity of an undervalued hotel in a great location.



*Holiday Inn Lobby, Pointe-Claire*

Forward thinking investors are beginning to recognize that with a few modifications, hotels can easily be converted to meet the needs of this swelling demographic.

**HIDDEN POTENTIAL**

Sometimes older hotels have hidden treasures that are not obvious in the listing. The demographics of the neighborhood may have changed during the last 30-40 years of operation. A simple rebranding might bring the property into better alignment with its location, as was the case with the re-branded Delta Hotel on the waterfront in

Pointe Claire Chamberlain Design Team: Adrian Mauro, Per Lilholt, Tracey Pilcher  
 Pointe Claire Chamberlain Construction Team: Ersilio Serafini, Dan Burgess and Jean Charpentier  
 Delta Hotel Chamberlain Design Team: Adrian Mauro, Massimo Zucco, Per Lilholt  
 Delta Hotel Chamberlain Construction Team: Ersilio Serafini, John Colby and Diane Zufelt