

BRANDED MIXED-USE DEVELOPMENT

Part 2

Phases for Project Development

As this article has been written by and from the perspective of one who provides very specific pre-development advisory services (“Hotel Transactions Consultant”), we can break down into broad phases the nature and type of work we would undertake to assist the developer.

To get from land with an idea to an open and operating hotel (with residences) could be as much as a five to seven-year process, broken down roughly as follows:

<i>Preliminary Planning:</i>	Area program for hotel (number, type, size of rooms and suites; type and size of amenities; delineation of back-of-house; unit mix for Residences; land plan; Concept Design) – 6 months to one year
<i>Secondary Planning:</i>	Market Study & Feasibility Study (including both hotel performance and residential sales pricing and velocity); outreach to potential operators/brands; site visits and introductions – 6 months to 9 months
<i>Management Agreement:</i>	Preliminary discussions with brand/operator to lead to an LOI/MOU; possible initial reaction to Preliminary Area Program and Concept Design – 4 to 6 months
<i>Management Agreement Negotiations:</i>	Full legal negotiations on Hotel Management Agreement and incidental documents (“HMA”) – 9 to 12 months
<i>Design Development:</i>	Depending on the brand/operator, Schematic Design may advance concurrently with HMA negotiations; however, the more conservative approach would be to assume that all design development (including sub-consultants and interior design) will occur after the HMA is executed; sufficient time must be allotted to enable the brand/operator to provide its approvals; permitting, depending on local law, and other governmental approvals might fit into this timeframe – 12 to 18 months
<i>Earth-moving and Construction:</i>	Depending on local law and practice, this could be two-stages, with foundation permits preceding building permits, enabling earth moving; however, for these purposes, they are combined; Pre-opening processes for the hotel opening and residential sales would commence at some point (approximately 12 months (perhaps 9 months, with a

smaller hotel) prior to opening and, potentially, even earlier for residential sales) during this period – **24 to 36 months**

To be sure, some of these phases may overlap; the developer who identifies the target brand earlier in the process – even against the advice of the Hotel Transactions Consultant – would likely be able to accelerate and partially merge the *Preliminary Planning* and *Secondary Planning* phases and discuss the LOI/MOU provisions at roughly the same time; there are *pros* and *cons* to that approach that should be the subject of a different article. Nevertheless, the first five phases listed above are not likely to be concluded within a year or 18 months.

Hotel Transactions Consultant Phases

Accordingly, the phases of a Hotel Transactions Consultant would break down approximately like this:

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| <i>Initial Phase:</i> | Preliminary area programming with concept and vision statement, identification of appropriate brands (but with no communication with them), identification of potential Feasibility Consultants (and a rough outline of cost and phasing); (if requested) identification of land planners and design architects suitable for the Project |
| <i>Phase 2:</i> | RFP and selection of Feasibility Consultants, RFP and selection of Project Management Services provider (described below), oversight and coordination of Feasibility Study; RFP (or other process) for Brand/Manager selection and negotiation – estimated duration: 15 - 18 months, with LOI/MOU to take 3 to 6 months and Agreements, roughly, 12 months |
| <i>Phase 3:</i> | Pre-Construction development advisory, including interaction with Project Manager (see Part 3 for a discussion of Project Management Services) and brand and management company(-ies) on needs-wants-desires, assistance in adding to design team, RFP (and coordination) for any design team member, procurement company and branding agency (if called for); preliminary preparation/ review of branded rental program for residences – estimated duration: 18 – 24 months |
| <i>Phase 4:</i> | Establishment of pre-opening processes-protocols-procedures in preparation for opening and operational asset management – estimated duration: 12 months, starting 12 months before opening (approximate 9-month pre-opening period and 3 months preparation (Pre-Opening Budget review, candidate review and interview process, interaction with brand/operator, establishment of pre-opening plan and personnel deployment) |

Involvement of an Asset Management professional in the hospitality arena for the post-opening/operational period is highly recommended. This entity will provide expertise in hotel operations and capital planning and will represent the Owner in all dealings with the Manager. Active, day-to-day Asset Management on behalf of the Owner should be engaged in the final 120 – 180 days prior to opening (sooner if Owner desires a professional analysis of the Pre-Opening budget and plan), to enable review and familiarity with the final stages of the Manager’s critical path to opening and review and involvement with the first-year operating budget and staffing guide (as well as the employees filling critical roles).

The Technical Assistance Services Fee (or also called, Design Development Fee) is paid to the brand operator during the design development and construction processes; assume this amount will be paid monthly over a set period of time that approximates the time from execution of the HMA documents to opening of the Project, if not the commencement of construction or a pre-determined objective event indicating completion of design review, including interior design approval and specifications for furnishings. Though partially size-dependent, the order of magnitude will likely be between \$500,000 and \$1,000,000 (sometimes including expenses and sometimes excluding expenses, subject to negotiations). The TSA Fee is compensation to the brand for its efforts in providing design development, operations development, brand standards information and review and approval of all plans and specifications for the resort and the residences.

Part 3 will address Branded Residential Matters, Project Management Services, and Legal Services.

