The Role, Cost and Management of Hospitality Facilities

Chapter 1
Hospitality Facilities

- Hospitality industry relies on well designed and well maintained facilities
  - Key element of the business

- Guests desire:
  - Comfortable and safe environment
    - Conduct business
    - Entertain
    - Relax
    - Dine
    - Sleep
Hospitality Facilities

- Facility is the guest’s home away from home
  - Want it to be better than home
Management Involvement

- All departments use facilities
  - Rely on facilities to do their jobs
    - Efficient design
    - Proper equipment and systems

- Managers involved in:
  - Design
  - Planning renovations

- Managers have daily involvement with facilities department
Role of Facilities in Hospitality

- Facilities plays critical role in the industry
  - Appealing visual environment
  - Comfortable thermal environment
  - Needed supplies
  - Elimination of unwanted sound and noise
  - Protection from the elements
  - Safety

- Guests may not directly notice the contribution of the facilities department
Other Contributions

- Role as “manufacturing plant”
  - Creation and delivery of services and products
    - House and interconnect equipment and systems
  - Safe, efficient and comfortable work environment

- Role in image creation
  - Define the industry and provide identity in the marketplace
    - Characteristic roof shapes, signage, colors, and other trademark elements
    - Develop ability to identify business by characteristic appearance
Growth

- Largely comes as a result of additions in size or units
  - Industry dependent on facilities to produce and deliver services

- Recognizing opportunities and challenges involved in the operation of facilities provides another role for facilities management
  - Business opportunity
ROI

- Provides owners with a return on investment
- Two basic ways:
  - Generation of operating profit
  - Market value of the property
- Key role in revenue production
  - Proper design and mix to meet customer needs
  - Important to maintain existing facilities
Revenue Generation

- Proper design and mix of facilities important in meeting needs, want, and desires
  - Provides appeal to the guest
- Little latitude to make extensive changes without massive infusion of capital
  - What can be done is maintenance of existing facilities
- Linkage between maintenance and revenue generation
Cost of Design, Development and Construction

- Construction costs vary significantly depending on:
  - Type of facility
  - Complexity
  - Luxury level

- To provide a return on investment, facilities must be operated and maintained to maximize:
  - Operating profit potential
  - Real estate appreciation
Cost of Design, Development and Construction

Cost include:
- Land
- Building and Site Improvements
- Soft Costs
- FF&E
- Pre-Opening and Working Capital
Cost of Design, Development and Construction

- Total Cost Breakdown
  - Construction (60% - 65%)
  - FF&E (15% - 18%)
  - Development (10% - 12%)
  - Financing (8% - 10%)
  - Pre-Opening (3% - 4%)
  - Working Capital (1% - 2%)
  - Reserve for Operating Shortfall (3% - 5%)
Cost of Design, Development and Construction

- Proper design, quality, and budget control lead to predictable costs
  - Maintenance
  - Renovation
  - Operation
Cost of Operation

- Following construction, there will be ongoing costs of operation

- Two principle cost entries:
  - Property operations and maintenance (POM)
  - Utilities

- POM correlates with initial construction cost
  - The more you spend to build, the more you spend to maintain
Cost of Operation

- Property operations and maintenance (POM) costs:
  - Labor and benefits
  - Supplies
  - Contract costs

- Utilities costs:
  - Electricity
  - Fuel
  - Steam
  - Water
Cost of Operation

- Costs for POM and utilities average between 9.5% and 11.1% for lodging properties.

- Restaurant repair and maintenance (R&M) generally does not include the cost of labor.
  - Results in lower maintenance value.
  - Restaurants are more energy intensive than lodging properties.
Cost of Operation

- Contributing factors
  - Occupancy
    - Sometimes correlated and sometimes not
    - Fixed portion unaffected by occupancy
  - Weather
  - Usage of system
    - Occupancy affects needs and access to systems
  - Business mix
  - Age of facilities
  - Types of building systems
  - Local utility rates
  - Local labor rates
  - Differences in construction
Renovation and Modernization

- Capital expenditures (CapEx) clearly facility related
  - Can be significant

- Not simply replacement of worn-out FF&E and soft goods
  - Wear an tear
  - Obsolescence
  - Regulatory requirements
  - Life safety
  - Franchise product demands
  - Changing technology
  - Replacement and renovation of building components
Renovation and Modernization

- Planning and implementation for capital expenditures represents a significant portion of a facility manager's duties
  - Related to building age

- Management contracts generally provide for a 3% to 4% reserve for replacement account
  - Lower during the first years after opening

- Cost and timing of capital expenditures can vary considerably over the life of a facility
Impact of Facilities Design

- Design will dictate scope of facilities management function

- Facilities design focuses on:
  - Facilities component
  - Facilities layout
  - Material
  - Methods and types of construction
  - Equipment
  - Systems
Components and Layout

- Presence of facilities, outlets and grounds will all create maintenance needs
- Layout will affect maintenance needs
  - High-rise vs. low-rise
Material, Methods and Types of Construction

- Material effect maintenance needs and operating costs
  - Poor material selection causes problems
- Well constructed builds focus on maintenance
  - As opposed to renovation and repair
- Construction affects the physical plant
  - Insurance claims
  - Maintenance and utility costs
Equipment

- Equipment concerns:
  - Durability
  - Lifetime
  - Reparability
  - Efficiency
  - Accessibility
Systems

- Older buildings can be quite challenging
- Modern systems can be quite complex
  - Can define the skill set for facilities manager
Management Responsibilities

- Safety and security
  - First concern
- Legal and regulatory issues
  - Building codes
  - Health and environmental regulations
  - Governmental mandates
- Service
  - To the guest and employees
- Cost control
  - Asset protection
  - Management function
Responsibilities of the Department

- Systems and Building Design
- Systems and Building Commissioning
- Building and Systems Operation
- Building Maintenance
- Guestroom and FF&E Maintenance
- Equipment Maintenance and Repair
- Equipment Selection and Installation
- Contract Management
- Utilities Management
- Waste Management
Responsibilities of the Department

- Budgeting and Cost Control
- Safety and Security
- Contractual and Regulatory Compliance
- Part Inventory and Control
- Renovations, Additions and Restorations
- Special Projects
- Staff Training
- Emergency Planning and Response
- Corporate Reporting
Facilities Managers in Lodging Properties

- Chief Engineer, Director of Engineering, Director of Property Operations, Director of Facilities
  - Responsibilities vary
- Likely to have technical backgrounds
  - Management skills developed on-the-job or through continuing education
  - Not usual to have 4 year engineering or technical degree
    - Industry requirements changing due to complexity
Staffing

- Varies with:
  - Age of property
  - Services offered
  - Type of systems
  - Commitment to in-house vs. contract services
  - Other factors

- Staffing level guidelines call for 2.5 to 4 facilities staff per 100 rooms
  - May be significantly more