

# HOTEL OWNERS FOR TOMORROW



## Roundtable Series – Hong Kong

17 October 2018

Hosted by Mandarin Oriental Hotel Group  
The Excelsior, Hong Kong

Hotel Owners for Tomorrow is a coalition rallying owners across the world to demonstrate their commitment to helping the planet and its people.

## 2018 HONG KONG ROUNDTABLE PARTICIPANTS

- **Brittany Anthony**, Spa and Wellness Projects Coordinator, Mandarin Oriental Hotel Group
- **Dandan Gui**, Project Director, Horwath HTL Asia Pacific
- **Guifen Chen**, VP Engineering & Technical Services, Greater China & Mongolia, Hilton
- **Claire Hao**, Director, Development, Planning & Feasibility, Asia Pacific, Marriott International
- **Freddie Johansson**, General Manager and Regional CR Champion, Hilton Shenzhen Futian
- **Janice Lao**, Director, Corporate Responsibility and Sustainability, The Hongkong & Shanghai Hotels
- **Mariglo I. Lararit**, Director of Sustainability, Ten Knots Group, Ayala Hotels & Resorts
- **Kevin Murphy**, President & CEO, Asiawide Hospitality Solutions
- **Gert Noordzy**, Managing Director, Northside Consulting
- **Madhu Rajesh**, Director, International Tourism Partnership
- **Eric Ricaurte**, Founder & CEO, Greenview
- **Cyndy Tan Jarabata**, CEO/Founder, Tajara Leisure & Hospitality Group
- **Veronika Todemann**, Hotel Design and Planning Manager, Mandarin Oriental Hotel Group
- **Norbert Vas**, Vice President Business Development, Archipelago International
- **Alexandra Yao**, Vice President of Development, Mandarin Oriental Hotel Group

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# THE 5 ACTIONS FOR BUILDING A SUSTAINABLE FUTURE

To take sustainability to the next level in our industry, hotel owners will make the difference. HOT is simple: hotel owners commit to 5 basic actions. There is no cost to join, and the 5 actions do not require a financial commitment. To support HOT, a coalition is being built of hotel brands, management companies, industry bodies, and other supporters in hotel development to help owners carry out the actions.



## 1 Incorporate sustainability from the beginning of investment decisions

- Discuss sustainability at the onset of developing a project or acquiring a property to explore opportunities to improve.
- Talk about sustainability, its challenges, and its opportunities with capital advisors, developers, managers, and brands.
- Talk about energy, water, waste and carbon footprint of the building as well as external factors such as climate risk, water stress and protecting nature to identify risks and opportunities to get more value out of your investment.



## 2 Evaluate one renewable energy project efficiency project per property per year

- Review and consider at least one renewable energy-related project and at least one project relating to reducing energy, water, or waste for each property in the portfolio per year, either onsite or offsite.
- Encourage partners to develop good projects for you to review.
- If you have a portfolio, you can consider one project and see how it may apply across your properties.



## 3 Routinely monitor and benchmark sustainability performance

- Track each property's energy, water, waste, carbon emissions, and community impact for the entire portfolio.
- Review at least once a quarter.
- Benchmark these results among your portfolio, among peers, or through industry benchmarking.



## 4 Support brand efforts

- Encourage your property teams to actively participate in brand- and management company-led initiatives.
- No-cost options include participating in surveys, using their sustainability software, communicating their initiatives, keeping related signage updated, and participating in global volunteer or community events.
- For independent hotels, demonstrate how you support the branding of sustainability.



## 5 Share your best practices

- Help spread awareness and best practices that demonstrate solutions that are working to create value for the owner with the investment community.
- Communication methods include case studies, articles, and reports.

# ROUNDTABLE SUMMARY

Industry leaders from the Hotel Owners for Tomorrow (HOT) Coalition convened in Hong Kong prior to the start of the Hotel Investment Conference Asia Pacific (HICAP) 2018 event in a closed-door session of distinguished hotel developers, owners, operators, industry body representatives, and hotel development professionals. The three-hour event divided sessions into thematic topics, with participants taking turns facilitating as well as engaging the audience toward a productive discussion on the overarching topic of the pilot roundtables: ***how to get hotel owners engaged and build a successful coalition to support them.***

As the second of the series in Hong Kong, this roundtable's format was adapted format as a hybrid working session, seeking to convene participants to develop more guidance and best practices to be disseminated across the HOT Coalition for three areas:

1. Three key moments to talk sustainability in the project lifecycle
2. Pre-competitive aspects of hotel design & construction
3. a "Boracay Clause" for operating agreements

## KEY MOMENTS TO TALK SUSTAINABILITY

### ***FINANCING STAGE – THREE COMMON ARGUMENTS AGAINST SUSTAINABILITY, AND THEIR COUNTERS***

**Argument: "Local building codes do not mandate sustainability"**

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#### **Counters**

1. Policies and codes can change frequently. In almost every country, new regulation and codes are arising regarding aspects of sustainability, particularly efficiency around energy and water, and waste management.
2. You need to *futureproof* your hotel, the risks of regulation and weather effects from climate change will become more severe over the lifetime of the building, even the next few years.
3. Customers will be asking for this. Especially key sales accounts that book meeting space. Most major multinational companies will have requirements for this, especially those that book the most travel. Many will compare your hotel against competitors for your energy, water, and carbon intensity. Benchmarks are also freely available in most markets and they will compare your hotel against those. It may not be required in code, but it will help you win business.

**Argument: "Investing in *green* hurts my ROI"**

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#### **Counters**

1. You don't have to look at it as an all-or-nothing to be green. You can start with the most important ones that have proven ROIs, which your project consultants will easily be able to help you identify.
2. You can break it down into a systemic approach based on your desired payback. If you only want to look at less than 5 years, 3 years, or even 2 years, let's look at the scenarios and run the numbers together.
3. There may be rebates, incentives, and other political benefits of greening the hotel that mitigate the cost. You just need to make sure that all those working on your project have looked into these possibilities. Ask them.
4. You can look into a Purchase Power Agreement for renewable energy, which won't cost you anything up front, as someone else will invest in the equipment.
5. You can discuss with your operator some opportunities for co-investment or incentives, where the operator knows that it will provide sound returns for both.
6. If you want to sell the asset in a shorter time-frame, not building in sustainability to the heavier equipment will lower the valuation of the hotel.

**Argument:** "I'll have to borrow more money from the bank now"

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### **Counters**

1. Some aspects may have incentives, rebates, or no up-front cost opportunities such as Purchase Power Agreements [see some of the counters in the first two above].
2. Many of this up-front cost in sustainability will give you a better long-term performance. Utilities are above [*indicate, usually between 10-20% in Asia*] % and your largest cost after staff. More efficient equipment and design will save you directly. It may make sense to borrow more now, so that you can actually increase the return given the increased profitability compared to the increased debt service.
3. You are going to need to renovate this hotel in 6-8 years anyway, and it will be easier to borrow money now for these types of things, rather than once in operation when they will be costlier to install and obtain financing for. Once the hotel is built, you can't add more back-of-house space for equipment that would have saved you money, such as onsite filtration of water instead of buying bottled water at a much higher operating cost.
4. Even when looking at the combination of green features that have savings and have incremental cost, the incremental cost has been calculated at 0.01% of your total project cost when you look at it from the entire valuation.
5. There may be lower interest rates available for green financing, depending on the lender. Also, some lenders are starting to have requirements on green because they know it improves the profitability of the asset and decreases the risk.

## **FEASIBILITY STAGE – STEPS TO MAKING THE BUSINESS CASE**

### **1. Start with a general comparison on energy and water projections.**

- Gather the following data points: floor area of conditioned space, number of keys, average cost of energy and water in the location. If you are uncertain about the cost of energy and water, one place to refer to is the Horwath Asia Pacific Sustainability Data Trends Report.
- Find a comparable data set within the [Cornell Hotel Sustainability Benchmarking Index](#) (if not available in your market, use a similar climate zone).
- Take the quartiles from that data set (the 75<sup>th</sup> percentile best performer, and the 25<sup>th</sup> percentile best performer) for energy per square meter, and water per occupied room.
- Using the information gathered, estimate the two scenarios for the property based on the two quartile data points, for your annual total utility cost of energy and water.
- Compare those two, and the difference between them is the **sustainability benefit**.

### **2. Model the potential ROI scenarios of specific attributes.**

- Using the [IFC's EDGE tool](#), review the potential best practices on energy and water efficiency.
- Arrive at the short list of opportunities, and model the results for savings.
- Itemize each and output it.

### **3. Create a “side-by-side” proforma.**

- Using the original general model of ranges, and the estimated savings from IFC EDGE, show where the proforma will land in 2-3 scenarios of use.
- Supplement with specific information and specifications on the actions that will be taken.

### **4. Benchmark the best practices.**

- Refer to a benchmarking resource on common practices. Examples are the Green Lodging Trends Report and the Horwath Asia Pacific Sustainability Data Trends, which will show the prevalence of specific best practices in relevant markets. If you have a participating hotel in the data set, use the more specific attribute-by-attribute benchmarks.

### **5. Prepare the arguments and talking points for sustainability.**

- The range of performance in utilities is consistently 2x1 in any given market from a relatively good performing hotel and poorly performing hotel.
- There are proven best practices with estimated returns commonly available.
- Much of the hotel supply is doing a majority of these things.

### **6. Strengthen arguments with inter-departmental collaboration among operator and other parties.**

- Ensure that technical services teams are not the only department of the operator involved in the discussions. Engage the development team which originally put the project together.

Development teams should also know “what’s in the walls.” Engage the operations and sustainability teams if possible also.

- Discuss the results, and log more specific talking points.
- Refine the results based on observations.

#### **7. Present the business case. Save the planet.**

## **PRE-COMPETITIVE ASPECTS OF HOTEL DESIGN**

Design guidelines are part of a brand’s identity, and not commonly shared publicly or among peers. The design stages are also the moment to embed the technical specifications to make buildings efficient, run on renewables, and environmentally friendly. This session began identifying through group consensus, the building and equipment specifications that are not considered proprietary, but will deliver the biggest benefit to the owner, so that they may be spread across the HOT Coalition and its stakeholders for supporting discussions in the development phase.

- LED lighting
- Efficient Boilers
- Variable Frequency Drives in HVAC Equipment
- Occupancy Sensors
- Daylight Sensors
- Food waste digestors (where the market does not have prohibitive regulation)
- Onsite water filtration/bottling
- Lateral drains in the shower
- Water reuse

## **A “BORACAY CLAUSE” FOR OPERATING AGREEMENTS**

During a previous HOT Roundtable in Manila, an idea emerged to create soft, boilerplate language to include in hotel management agreements (HMAs). Its intention is to create a discussion point specifically for legal firms and professionals to use as a means of building awareness of the topic. The legal counsel of the Boracay Chamber of Commerce and Industry offered to draft the language, coining it the “Boracay Clause” as a call to attention of the importance of addressing sustainability given its recent closure. This session explored the opportunity for a Boracay Clause and participants identified the key points that should be included in the boilerplate language as a starting point.

- 1. The owner is responsible for adherence and compliance with local regulations concerning environmental and social issues.**

2. The owner and operator will review, at least on an annual basis, operational performance relating to energy, water, waste, carbon emissions, and sustainability-related aspects of OS&E procurement, and guest comments or satisfaction relating to sustainability.
3. A sustainability coordinator function will be designated in the property staff of the operator, which will have specific job functions and will be part of the management committee. Budget will be included for the portion of this job function as part of labor cost.
4. Operator will collaborate with local stakeholders via hotel associations, business councils, or other related entities regarding environmental action and community impact. The membership fees for joining these will be included in the annual budget.
5. A supplement of specific operating guidelines for sustainability will be included in the HMA.
6. Recommissioning of HVAC will be undertaken within the first calendar year of operation and included in the budget, and the owner and operator will review the results of the study together and determine the appropriate course of action and investment.



## JOIN THE COALITION

HOT is a true a coalition, with limited overhead or administrative structure, intended to advance peer-to-peer sustainability discussion among owners and investors. Ongoing roll-out is undertaken by the coalition's constituents through their various roles, channels and initiatives including roundtables, internal presentations, and a resource library. Types of entities that may join the Coalition:



**Signatories** – owners of hotel real estate who commit to the principles and follow them. Some entities may play a dual role for both owning hotels and managing hotels for other owners.



**Industry Partners** - entities with a direct relationship with owners and whose performance directly benefit from owner commitments (e.g. hotel brands and management companies).



**Network Partners** - entities that benefit indirectly from the initiative's success because it is also aligned with their mission, purpose, or complementary initiatives (e.g. industry associations and initiatives).



**Supporters** – entities that help hotel owners make investment decisions, or media that helps promote them. ***Not vendors of green products or services.***

## HOW TO JOIN THE HOT COALITION



To qualify as a Signatory, the entity or a significant portion of its parent ownership of the entity must be **headquartered in an Asian country** and owns a controlling interest in at least one property classified as a hotel/resort.



**All four types of Coalition members**, including Signatories, Industry Partners, Network Partners, and Supporters can **join by signing a commitment form** found here: <http://www.hotelsfortomorrow.org/jointhecoalition/>, subject to approval for meeting the criteria for each membership type.



The Owner Signatory **carries out its commitments** and **promotes becoming a signatory** to other entities who become interested.



The Industry Partner and Development Supporter roles are to **engage owners to become signatories**, and **support signatories in implementing the principles**.



The Network Partner and Media Supporter roles are to **provide external credibility to the initiative** and **help disseminate it throughout their networks**, further enabling signatories to be recognized.

# COALITION MEMBERS

As of 1 November 2018

## OWNER SIGNATORIES

Akaryn Hotel Group  
Brightland Hotel Pvt Ltd  
Cempedak Private Island  
Crystal Creek Meadows  
GreenPlace Assets  
Harilela Hotels  
The Henry Hotel  
The Hongkong & Shanghai Hotels  
Hong Kong Cyberport  
Intermass Engineering & Contractors  
ITC Hotels  
Jasminn by Mango Hotels  
The Lighthouse Marina Resort  
Nikoi Island  
Pt Dua Cahaya Anugrah  
Pt Anugrah Karya Bangsa  
Swire Hotels  
Taj Hotels Resorts and Palaces

## INDUSTRY PARTNERS

Estilo Hotels  
Hyatt Hotels Corporation  
Kokotel Bed & Café  
Marriott International  
Meritus Hotels & Resorts  
Six Senses Hotels, Resorts, Spas  
Wyndham Worldwide

## NETWORK PARTNERS

GreenOtels  
International Tourism Partnership  
Pacific Asia Travel Association  
Subic Bay Hotels, Attraction, and  
Tourism Stakeholders Visitors Board

## SUPPORTERS

C9 Hotelworks  
Horwath HTL  
Greenview  
Northside Consulting  
Tajara Leisure & Hospitality Group  
Tourism Solutions International  
TTG Publishing Travel Trade

Hotel Owners for Tomorrow is a grass-roots initiative of the hotel industry, launched in late 2016 and currently under pilot in Asia for bringing hotel owners to the global discussion of sustainability with financial acumen. There is no cost for owners to join, as this is a voluntary pledge, and the 5 actions do not require a financial commitment.

For more information and to join the coalition, visit [www.hotelsfortomorrow.org](http://www.hotelsfortomorrow.org).

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