



Addressing Coronavirus-related Renovation and Construction Disruptions

Many hotel owners are suddenly having to deal with the, until now, unthinkable issue of significantly scaling back their hotel or resort operations or closing their properties entirely in response to the impact of the COVID-19 virus. This requires careful management in and of itself, but properties going through this process in the midst of active renovations or during large capital improvement projects are subject to an additional layer of issues that require a different set of actions and decisions.

The first question to be addressed is whether to continue with active renovation or construction projects or halt activity completely.

The benefits of continuing construction activity in a partially or non-occupied property if financially feasible are several:

- ▶ Disruptions to guests due to active construction or renovation are of minimal concern and construction work hours can be extended to shorten project schedules.
- ▶ Construction work can also progress concurrently in multiple zones of a hotel where occupancy levels only a month ago might have dictated a more restricted, phased approach.

One risk, however, in continued renovation work during the current COVID-19 environment is impacts to the supply chain of construction materials and FF&E, as well as the availability of construction work crews. This is less of a risk for capital projects that are currently at or nearing completion. Longer-term completion requirements in the current environment would pose greater risks and should be carefully considered.

In the event that the decision is made to temporarily halt active construction work, several factors should be evaluated and protective measures should be implemented.



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Construction Contract Issues and Considerations

- ▶ Review current construction contract terms for provisions related to shutdowns and work stoppages.
- ▶ Verify whether all construction and consultant contracts include a “force majeure” clause (for events such as epidemics that cannot be reasonably anticipated or controlled) that may dictate whether cost and/or schedule impacts could be imposed due to the delay caused by a shutdown. If the delay or work stoppage is caused by neither party, as may be the case with a COVID-19 work interruption, the contractor may be entitled to a schedule extension, but no additional compensation associated with the impact.
- ▶ Have open and honest discussions with the project contractor, architect, designer and other team members to plan the details of the work stoppage and eventual resumption of the work. Project team members may likely be agreeable to resume work with a modest remobilization charge in lieu of a more aggressive posture regarding work stoppage costs.

Property Issues and Considerations

- ▶ Walk the active or completed construction areas with the contractor supervisor and assess what work or punch list items can be quickly and easily completed prior to demobilization.
- ▶ Ensure all building services (electric, water, sewer) are fully functional or shut down, as necessitated by the situation, prior to demobilization.
- ▶ Ensure all fire/life safety and other protective systems are fully functional if work was done on these systems.
- ▶ Ensure elevator(s) are closed to general use if the work stoppage interrupts work on the elevator system and the cars cannot be safely put back into service. Ensure that the dedicated fire department access cab is in service. Work on such designated elevator(s) may need to proceed for code compliance reasons, regardless of a shutdown situation.
- ▶ Ensure that fire extinguishers are present in designated locations.

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Additional Property Issues and Considerations

- ▶ Ensure that any open façade or roof work is completed or temporary measures are taken to provide a watertight condition.
- ▶ Ensure that a general work area cleanup has been completed and that all temporary construction materials and equipment have been removed as appropriate. Agree on specific secured storage areas with the contractor if building materials and equipment are to remain on site.
- ▶ Ensure that any electrical, gas and plumbing work is “stubbed-in” to prevent potential injury or damage.
- ▶ Ensure that enclosed spaces (e.g.: areas with drywall or wall coverings) are climate-controlled to the extent feasible to prevent mold and mildew.
- ▶ Ensure that copies of all permits and city approval documents for all completed work are stored in a secure location.
- ▶ Ensure that all renovated guest rooms are locked and all construction keys have been collected.
- ▶ Ensure that current contact information is collected for key contractor personnel in the event a construction related issue arises prior to remobilization.

We hope this information is helpful to your hotel or resort renovation and construction project decision-making and planning as we deal with the impact of COVID-19. If The Plasencia Group's Development Management Consulting team may be of assistance in any way, don't hesitate to contact us.



Local knowledge. National Presence. Exclusively Hospitality.

Contact us today if our experienced advisory team can assist you in evaluating your hotel's operations reduction process or to help you navigate a complete shut-down or closure of your property.

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