

THE HOSPITALITY DECONSTRUCTION ADVANTAGE

HOSPITALITY PROPERTY DECONSTRUCTION CAN CUT COSTS, CREATE "FOUND MONEY," DRIVE VALUE, AND, AT THE SAME TIME, HELP SAVE THE PLANET!

YOU DECIDE:

DECONSTRUCT OR DEMOLISH?

SALVAGE OR TRASH?

RECOVER CAPITAL OR CAPITAL EXPENSE?

Capital recovered from deconstruction equals an expanded renovation scope. This can add property upgrades, moves the property up in the competitive set, improves your guest profile, increases cash flows, returns a higher ADR and IRR, and creates a higher property residual value. It is a "green-friendly" marketing opportunity!



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WHY CHOOSE DECONSTRUCTION?

Three great reasons:

1. Increases a project's long-term value.
2. Expands renovation options = higher ADR.
3. "Green" differentiation, PR, and marketing.

When you salvage materials, it reduces the cost of disposal, creates affordable building materials for the community, and extends the life of "sound" building materials. You accomplish this all while reducing the project's carbon footprint. It also creates a "green-friendly" differentiation and marketing opportunity.

Tax benefits, net/net, would add back capital to the project renovation budget. This can add "on-the-cusp" amenities or expand the renovation scope, improve the property profile, increase traffic, raise the ADR, and increase RevPAR over the project's life. Incrementally, this will result in increased cash flow for a higher net operating income and a higher internal rate of return, ultimately creating a higher residual value.

More than 90% of C&D debris comes from demolition projects, while new construction accounts for less than 10%.



BENEFITS OF DECONSTRUCTION

- Captures hidden value: tax benefits of donated salvageable materials.
- Opportunity to increase capital budgets for renovation.
- Through a relatively unknown differentiator, it promotes a "green project."
- Upgrades the property and tenant profile.
- Improves the project financial proforma & returns with "found money."

A CHANGE IN THINKING LEADING TO VIBRANT RESULTS.

In the past, new commercial real estate developments typically have been about creating a clean slate via demolition before developing. This tactic wasted hundreds of thousands of dollars. Realizing users appreciated and generally paid higher rents for unique properties that were re-zoned and repurposed, savvy developers capitalized on repurposing and renovation of existing structures. The overall value of a project increased and resulted in a vibrant finished product.

The next step is utilizing deconstruction and creating "found money." With the coming "green movement," end-users will increasingly endorse these projects and pay up to live, work, and play in these re-purposed development projects. Deconstruction creates significant public relations benefits, marketing value and creates extra capital as well. It is a green differentiator for developers who utilize deconstruction in their projects. Deconstruction also provides an opportunity to earn additional LEED points and creates a "green-friendly" developer image.

WHAT WE DO

Green Donation Consultants facilitates the whole deconstruction process. We coordinate the non-profit and the deconstruction contractors and work closely with the clients from the beginning inspection to deconstruction and the final donation process. Green Donation Consultants completes the appraisal process and provides all the necessary paperwork for your tax professionals for claiming the donation tax benefits.

We coordinate the various third parties throughout the process and do all the heavy lifting, so you have virtually no extra effort in the deconstruction and donation process. We ensure that the client receives the full appraised value of the donated items.

Empowered with the deconstruction option, savvy developers uncover unpolished real estate gems to re-develop. They capitalize on cutting-edge financial techniques to become true differentiated leaders in the future of real estate development.

Deconstruction + Donation = Greater Cash Flows

THE DECONSTRUCTION PROCESS: IT'S SIMPLE!

Deconstruction is a down-to-earth, economic, and environmentally-friendly alternative to traditional demolition that adds capital back to the project!



INSPECTION

Initial evaluation of the commercial property to get an estimated value range of salvageable materials determined by the work's anticipated renovation scope.



BENEFIT ANALYSIS

The client analyzes the potential tax benefits, utilizing their tax professionals to determine the capital value opportunity.



ENGAGE

Engage Green Donation Consultants to complete the appraisal and perform project coordination with the deconstruction contractor and the non-profit throughout the deconstruction and donation process.



DECONSTRUCTION

The deconstruction firm completes the dismantling process, and Green Donation Consultants coordinates and validates salvaged materials conveyed to the non-profit.



APPRAISAL DELIVERY

Green Donation Consultants completes the appraisal process and delivers the final appraisal to the client.

Sample Deconstruction Benefits

| Estimated Tax Rate* | Deconstructed Salvage Material Value Range | | | | CALCULATED TAX BENEFITS |
|------------------------|--|-----------|-----------|-------|----------------------------|
| | \$500,000 | \$750,000 | \$1M | \$10M | |
| 20% | \$100,000 | \$150,000 | \$200,000 | \$2M | |
| 30% | \$150,000 | \$225,000 | \$400,000 | \$3M | |
| 40% | \$200,000 | \$300,000 | \$400,000 | \$4M | |

*Up to and over \$1,000,000 in tax benefits depending on the value of salvageable materials and the client's tax rate. Green Donation Consultants has completed commercial projects where the final appraisal valuation of deconstructed and donated materials **exceeded \$8,000,000.**

HOSPITALITY PROPERTY DECONSTRUCTION

“What should we include in our scope of work that is affordable, can be renovated easily and efficiently, that will create higher traffic, higher occupancy, and a higher ADR?”



The hospitality property deconstruction tax benefit creates many opportunities to create additional value. It can significantly add capital back to a renovation budget to expand the renovation scope, adding additional amenities to improve the property profile and drive higher ADR, RevPAR, and cash flows over time.

Renovating to reposition or re-flag a hotel, resort, or motel property requires understanding the market and the potential amenity levers that increase traffic and RevPAR. This is completed by an efficient “facelift,” adding amenity packages that attract the right guest profiles to create the right cache for the property.

Whether it is a garden-style, low-rise, mid-rise, or high-rise tower project, it always boils down to the scope of renovations. For hospitality properties, it typically includes replacing the FFE, removing a wide variety of architectural components, and dismantling dated construction to meet a new franchise or custom hotel standards. Mid and high-rise hospitality projects offer additional deconstruction opportunities with commercial mechanical equipment, common areas, and floor lobbies/hallways. The “hidden value” is uncovered when completing deconstruction before renovating and re-flagging!


SAMPLE ITEMS THAT MAY BE INCLUDED IN A HOSPITALITY PROPERTY DECONSTRUCTION:

- Tables, countertops, desks
- Cabinets, book/display cases
- Appliances, television, safes
- Towels, linens, beds, comforters
- Plumbing, bath fixtures
- Mirrors, wall coverings, lamps
- Air handlers/package units
- Lighting, signage
- Lumber/brick/stone
- Architectural details
- Outdoor furniture/equipment
- Planters, decorative furnishings
- Pool equipment/structures
- Fitness equipment
- Doors and windows
- Common area furniture, art
- Artwork, fountains, sculpture
- Elevator lobby furnishings
- Portable beds, cribs
- Luggage racks, carts, stands
- Ice machines, vending

- Restaurant and bar furnishings
- Hostess, reception furnishings
- Bar stools, chairs, tables
- Table covering, linens
- Bar glassware, dishware
- POS systems, small appliances
- Beverage dispensing, sinks
- Conference room partitions
- Meeting room furniture
- Furnishings, art, sculpture
- Sofa chairs, couches, tables
- Stage, podium, portable floors
- Commercial kitchen equipment
- Buffet ware, room service
- Food/kitchen storage, shelving
- Flatware, cookware, server ware
- Cookware, utensils, cutlery
- Laundry room equipment
- Housekeeping carts, inventory
- Facilities, grounds equipment
- Maintenance tools, inventory



IT PAYS TO BE GREEN



Depending on the salvage value for the personal property, the amount for the rooms alone could easily range from \$3,500 to \$5,500, or more, per room. Multiplied by 200 rooms, is \$700,000 to \$1,100,000 in salvageable value. The common areas, lobby, bar and kitchen, back-of-house, and recreation areas deconstruction could range from \$1,000,000 to \$2,500,000 in salvageable value, depending on the property size and FFE salvaged.

This is a total salvageable value of \$1,700,000 to \$3,350,000.
Turnkey property acquisitions will yield more FFE, more donatable materials, and more "found money!"

At a 30% tax rate, this equals an extra **\$2,500+/room** of extra upgrades available, or, **\$510,000 to \$1,005,000** to add back into the overall capital upgrade budget

- What can that do for your positioning in the competitive set?
- Will \$2,500/room upgrades improve the client profile and ADR?

This is all created from "found money" through deconstruction!

According to the Construction & Demolition Recycling Association, recycling 538 million tons of C&D waste saves 4,300 acres of landfill space.

BENEFITS OF DECONSTRUCTION FOR HOSPITALITY PROPERTIES

- Upgrade your guest profile from added amenities.
- Move up a few "extra" notches in the competitive set.
- Increase ADR and improve cash flow and project residual value.
- Improve the property profile, increase traffic, and RevPAR.
- Use the deconstruction and donation process as a "differentiator."
- Create goodwill, PR, and add value to the local community by providing easier access to low-cost materials.
- Potentially speed up permitting approvals.

Ready to get started?
Call us to learn more!

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