

“Extreme Makeover: Resort Edition”

BY TARA GRAVISS, CMCA, RRP



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How do you transform a financially unstable resort property with high delinquency rates into a thriving, revenue-generating property with a long term maintenance plan and high customer satisfaction? It's all about the management.

Park Plaza Resort in Park City, Utah (known for its skiing, snowboarding, and the Sundance Film Festival), was once a property in need of just such a “makeover.” Built in 1981, the three-story sold-out timeshare resort features 63 rooms, a mix of studios, mini-suites, and one- and two-bedroom units, serving 3,213 owners and guests. The problem was that not much had changed or been updated at the resort since it was built. Moreover, the property had deferred maintenance for several years, due to high delinquency rates, and thus was financially unstable.

In 2002, the home owners association's Board of Directors hired ResortCom International (now Tapestry Resorts) as the new management company. Tapestry Resorts' goal was to return Park Plaza Resort to its original welcoming condition. The main priorities were to increase cash flow, cash generation, and cash management, but they took the opportunity to turnaround the property in other ways as well.

The strategic plan for the resort included budget, property upgrades, technology and green updates, owner communications, and a new rental program. For any hospitality property, these are key components that can save a deteriorating hotel or resort. Over the last nine years, Park Plaza Resort had extensive renovations, and upgrades were rolled out in a manner that minimized inconvenience and maximized revenue.

The Financial Framework

First, the management team assessed the property's budget for short- and long-term investment planning opportunities. The team created and enforced a collections

“With the right strategy, old resorts can become “new” again—it's all about management.”

and investments policy with approval from the Board. Tapestry Resorts took action on long-term delinquent owners with lien and foreclosure processes to create resale opportunities, allowing them to bring active owners on board and bring accounts current. These efforts helped the property become solvent within the first few years.

The management company continues to find new ways to increase revenue opportunities. For example, in 2010, the property achieved gross revenue that was 129 percent of the budgeted amount, primarily due to increases in rental occupancies and other controllable revenues sources. Additionally, operating expenses were decreased by 9.26 percent, compared to the budget, for positive net revenue of nearly \$121,000, which was allocated into the reserves.

Maintenance

During the first renovation phase, the resort spent 75 percent of its time completing structural repairs and ensuring asset protection and safety, while 25 percent of its efforts were spent upgrading and beautifying the property for owners and guests. Throughout this process, the Board emphasized to the owners its commitment to safety and energy efficiency.

Critical structural repairs included concrete reinforcement and corrosion prevention for the building's tension cables, a new driveway and retaining wall, and the cleaning, repairing, and sealing of the property's exterior brick. Because of the extreme weather in Park City, most exterior repairs

had to be completed during the summer months. Per fire codes, maintenance staff also installed fire doors and upgraded the resort's fire sprinkler system and ventilation system.

Tapestry Resorts also established a proactive preventative maintenance program to make sure that repairs were not postponed. The program helped reduce equipment failure and the need for corrective maintenance, and targeted wasteful energy consumption. For example, the program required a log of all machinery, so that proper maintenance was tracked and equipment was replaced in a timely manner. This program is still in place.

Interior Upgrades

After the major structural and maintenance issues were addressed, the Board oversaw the creation of a model room, unveiled at the 2009 annual homeowners meeting, allowing Park Plaza owners to see potential room improvements. The Board elected to supply new beds, bedding, and amenities. Kitchen sets were upgraded with items, such



as new dishware, glassware, and small appliances. Most recently, the rooms received a full art package with canvases showcasing the Park City area, new cornice boxes on all sliding doors and new balcony chairs. All of these small improvements greatly impacted owner satisfaction and increased interest in booking timeshare weeks and renting units.

The management team also re-evaluated Park Plaza's common areas and services. The business center, lobby bathrooms and elevator were remodeled, and the shuttle

van was replaced. The game and movie room was upgraded with theatre seating and flat screen TV stations with video game consoles.

Technology Improvements

Technology is one element that undeniably needs regular updating. For Park Plaza, this meant installing a new telephone system, a new lobby sound system, and wireless Internet throughout the property. The management team also oversaw upgrading the



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MANAGEMENT

property Web site, www.parkplazaresort.com, which now includes weather updates, season-specific activity suggestions, special owner access sections, and more. With the individualized access, owners can quickly review their billing statements and pay maintenance fees online. From here, they can also bank their vacation weeks and become a member of the owner rental program.

Energy Efficiency

Tapestry Resorts oversaw a full energy audit to determine the best ways for the property to reduce energy consumption and costs. All of the energy consumption program components were completed over the course of one year.

The atrium that greeted guests at the front of the resort needed major repairs. When the management team first took over the property, they found icicles hanging from the inside ceiling. It was crucial to replace the three-story atrium windows on both sides of the building with dual-paned glass and repair the atrium's ventilation system.



The most innovative feature was the installation of infrared energy sensors, which track body heat and reduce the use of electricity and heat in unoccupied rooms. Because Park Plaza had some long-standing hot water issues, the Board also elected to install a state-of-the-art boiler system, which qualified for government rebates. This boiler system is a technologically advanced prototype for the region. It features an Internet protocol (IP)

infrastructure that helps monitor the system remotely for maximum performance.

Green initiatives also included low impact and biodegradable laundry and cleaning products, renewable fiber source paper products, and energy-efficient lighting throughout the resort. In addition, the pool was re-plastered and drainage was brought to code. Combined, these measures are expected to achieve a 30-percent savings in energy consumption and have already improved the property's energy efficiency by 15 percent.

Owner Communications

The management team developed a newsletter distributed twice each year that provides resort/renovation updates, on-site activities, upcoming board and owner meeting dates, and personal messages from the board president, Tapestry Resorts' chairman and CEO, the GM, and the director of resort ops. These communications help owners understand what is happening at the resort, why the improvements are needed, and how their maintenance and reserve funds are being used. It also serves as a reminder to owners about the importance of paying dues. Currently, the resort is transitioning to electronic correspondence via the Web site for more eco-friendly and timely communication.

New Rental Program

An integral component of the management team's efforts included creating a rental program with delinquent inventory to offset uncollectible maintenance fees with rental income for the HOA. The management company's sales and marketing team regularly forecasts the timeshare usage of the property over a two-year period and determines rental options. No listing fees

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are charged until a rental guest is secured. Park Plaza began with \$30,000 worth of rental revenue and with its new program and grew that revenue to \$300,000—which has been reinvested back into the property.

To ensure maintenance fee payments, the property began offering bulk sale blocks of inventory to vacation clubs. These efforts were carefully balanced to make sure that that individual ownership remained represented. Overall, the rental program has become a robust asset that enables the property to continue to build its reserve accounts and thereby fund necessary expenditures.

Up Next?

Based on the Board commissioned model room, a new series of improvements will soon begin. Longer term investment upgrades will include a full remodel of every unit, with new tiling, cabinetry, fireplaces, TVs, lighting fixtures, interior doors, and shower accessories. In addition, the lobby/reception area and barbecue area

will be fully remodeled, and a deck area will be added.

With all these changes, Park Plaza was awarded RCI's most prestigious designation, Gold Crown, in 2009 and 2010. For 2010, Quality Assurance survey results also reported a 91 percent rating. The HOA Board of Directors, owners, rental guests, staff, and community regularly report high satisfaction levels in all areas. And through it all, Park Plaza has become a model and case study of sorts for managing resorts and making them financially solvent. It takes time and commitment, but older resorts can become "new" again and thrive with the right strategies and management. ■

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