

How to get the right hotel operator: Part 2 - By Jim Butler, author of www.HotelLawBlog.com 2008-04-30

Hotel Attorney on Hotel Management Agreements . How to get the right brand and operator for your hotel project and a deal you can live with - The Hotel RFP Process.

Recently, I talked about some important lessons our hotel attorneys in the Global Hospitality Group(R) have learned about hotel management agreements -- lessons learned in the course of working on more than \$50 billion of hotel transactions involving more than 1,000 properties all over the world. Specifically, we looked at

* How the terms of your hotel management agreement can easily raise or lower the nominal value of your hotel by 25% or more

* The 5 biggest mistakes owners make in pursuing hotel management agreements (and how to avoid them)

In case you missed our earlier discussion, please see "[How to get the right hotel operator - part 1](#)".

One of the keys we discussed to maximize the value (and avoid the common pitfalls) is the Hotel RFP Process. What is it? What are the steps that should be included in every RFP? Where do you get the form or checklist? What kind of assistance do you need? Here are the answers that may save you a lot of money!

What is an RFP? What critical steps should be included in every RFP? How does the process work and what do the documents look like? Isn't there just some form we can see?

These are the questions many developers and owners ask me when I suggest the Hotel RFP process. I usually spend quite a bit of time making sure they understand how the process works and how it can make a huge difference in the success of their project. (They usually sit up and pay attention, because this is the kind of information that can make them money!)

Here we go...

What is an RFP?

Many government bodies and private companies use an RFP or Request for Proposal to solicit interest in providing goods or services to the party issuing the RFP. It is often a good way to find the best qualified providers of the goods or services at a fair price. But like many other things, the RFP takes its own form when successfully adopted for use in the hospitality industry -- particularly in selecting a hotel brand or operator. In fact, it is a much more interactive process with more dialog when used properly for this purpose.

We are sometimes asked by well-meaning friends or clients if we can just give them the RFP form or checklist. That is the tip off that someone needs some more background information to understand what an RFP for a hotel operator really is and how to make it work.

First, the RFP Process is a "process" and involves some important documents. Both the process and the documents should be carefully integrated to address all the relevant business, legal and hotel industry issues. It needs to be customized to your situation. We don't pull it off the shelf, but after doing more than a hundred of these, the documents are the easiest part of the exercise, once the all-critical business judgments are formed.

The process and documents can look very different from deal to deal, and combine or separate important steps. This is not something a typical lawyer does, but JMBM's team is known for being more than "just" great lawyers . . . we bring the business, legal and hotel aspects all into focus. We don't just document the deal, we work to get you the best deal. And the Hotel RFP process is a great strategy for positioning your project to get the best terms possible.

For example . . .

What is the RFP Process? What are the steps?

Let's begin by talking about what your RFP process might be like, and how we might help you with it. Your RFP can take many forms. It could be a very short letter inviting proposals. More often, it is a longer document that lays out certain important business points or considerations that you hope to accomplish. And in some cases, it may be desirable to prepare a very comprehensive document with numerous exhibits that describes the subject project in considerable detail, includes market and feasibility reports, projections, specifications, and may discuss the desired terms and conditions, or even attach a proposed form of documentation to be used, and require all material requests for changes to the document be submitted as part of the "bid" process.

The RFP can be presented in many different successive steps, such as:

Soliciting an indication of interest in participating in the RFP or discussions with the owner/developer

Requesting a confidentiality agreement in order to receive further information

Providing different levels of information to RFP candidates in two or more stages

Granting access to a "due diligence room" or providing a "book" of information and exhibits

Marketing to potential RFP bidders to whet their appetites, create excitement for the project, and show them how much there is to gain if they reach to get the deal

Collecting, reviewing and analyzing proposals

Requesting clarifications of proposal deal points

Running an interview process with selected finalists leading to a "best and final" proposal process

Ultimately, negotiating and preparing final documentation with a selected candidate or two

5 Factors that determine what your RFP looks like. Is it just a notice to take bids? (NO!)

How the RFP is shaped -- i.e. how many steps, how much information is provided when, and whether the party conducting the RFP "sells" the deal first to raise enthusiasm, and other elements -- depends on unique considerations in each deal.

In my next blog, I will cover 5 Factors that determine what your RFP looks like, and The 16 Step Program -- steps to a successful RFP Process. Hotel developers and owners -- and mixed-use developers with hotels in their projects -- will not want to miss this valuable information.

Check back later this week for How to get the right hotel operator, part 3.

About the Author



Jim Butler is recognized as one of the top hotel lawyers in the world. He devotes 100% of his practice to hospitality, representing hotel owners, developers and lenders. Jim leads JMBM's Global Hospitality Group(R) -- a team of 50 seasoned professionals with more than \$40 billion of hotel transactional experience, involving more than 1,000 properties located around the globe. In the last 5 years alone, they have brought their practical advice to more than 80 "hotel-enhanced mixed-use" projects, a term Jim coined to fill a void in industry lexicon. This term describes one of the hottest developments in real estate-where hotels work together with shopping center, residential, office, retail, spa and sports facility components to mutually enhance the entire project's excitement and success.

Jim and his team are more than "just" great hotel lawyers. They are also hospitality consultants and business advisors. They are deal makers. They can help find the right operator or capital provider. They know who to call and how to reach them. They are a major gateway of hotel finance, facilitating the flow of capital with their legal skill, hospitality industry knowledge and ability to find the right "fit" for all parts of the capital stack. Because they are part of the very fabric of the hotel industry, they are able to help clients identify key business goals, assemble the right team, strategize the approach to optimize value and then get the deal done.

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