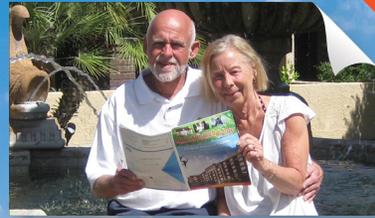


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Smart Renovations at Legacy Resorts

By Hatton Gravely

A timeshare resort faces a multitude of choices to stay current in today's market. The decisions for investing in the future can be overwhelming and expensive, whether they involve piecemeal improvements such as adding flat-screen televisions to all of the units, or completely gutting and rebuilding entire units.

Each such investment should do at least one of three things: reduce operating expenses, add value to the owners, and/or generate revenue for the resort.

This article describes several recent renovation projects at resorts managed by SPM Resorts, Inc., which is based in Myrtle Beach, SC, that have yielded successful results for the resorts, owners, and guests.

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*La Costa Beach Club in Pompano Beach,
FL. Credit: George Leposky*

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Sustainability on Cape Cod

Renovations at The Ocean Club on Smuggler's Beach in South Yarmouth, MA, have increased revenues and decreased expenses. The resort renovated all of its units in 2011. In addition to designing for style, SPM worked with The Ocean Club board of directors to find new technologies that would increase efficiency and reduce expenses.

Using new technologies and products may increase the upfront cost but achieve long-term cost savings. Paul Goodrich, regional vice president of operations for SPM, focuses on sustainability when looking at investing in new technology for the resorts he oversees.

"Focusing only on the short-term expenses can be detrimental to the long-term health of a resort," he says. "For example, investing in LED lights is one way a resort can save money long-term. The payback is usually around three years. All of the small savings can add up over time."

At The Ocean Club on Smuggler's Beach, the resort installed a \$900 salt chlorinator in the pool, saving about \$3,000 in chlorine expenses in 2013. "The chlorine vendor called, and thought we'd made a mistake on our order," Goodrich says.

Also in 2013, the resort installed a \$35,000 energy-efficiency system, which will reduce annual electricity costs by 20 percent. The resort paid just \$17,000 for the system. "With sustainability programs and grants researched by our team at SPM, we were able to secure more than half of the system's cost," Goodrich explains. "We expect to see a return on this investment after four years."

A vacation-rental program also turned unused inventory into income for this resort. Vacation rentals increased from \$390,927 in 2009 to \$554,703 in 2013. Despite the deferred usage of owners who couldn't use their weeks during the renovation, the resort still generated \$306,697 in vacation-rental income in 2012.

"The Ocean Club on Smuggler's Beach is a prime example of how a focus on sustainability can impact a resort's bottom line, generating revenues to offset potential maintenance-fee increases and re-invest in the resort," says Bill Young, SPM's president and chief executive officer.



Boosting Profitability

A smart renovation ongoing at Hollywood Beach Tower in Hollywood, FL, is designed to make its units more flexible, give owners more usage options, and generate more revenue with sales and vacation rentals.

Hollywood Beach Tower had not received a major renovation since it was converted to a timeshare property in 1981. In addition to a new, updated style, the owners now have many more ways to use their units. The design of the new lock-out units and their furnishings enables owners to use a lock-out as one large unit or split it into two fully functional stand-alone units to rent, exchange, or use.

"The team at Hospitality Resource Design Group, Inc., in Ft. Worth, TX, did a tremendous job with the design of the units at Hollywood Beach Tower, and found multi-use furniture like the sofa and Murphy-bed combination that add functionality to each unit," says Trish Docherty, SPM's Florida regional vice president of operations.

This renovation, scheduled for completion in 2014, is expected to boost both sales and vacation rentals for the resort.

Special Assessment

Owners at La Costa Beach Club in Pompano Beach, FL, face a special assessment to finance major property improvements totaling \$3.7 million. To enlist their support, the board of directors sent them a detailed explanation of what was needed and how they would benefit.

La Costa Beach Club's needs include roof, walkway, and balcony repairs; concrete restoration; and upgrades to Americans with Disabilities Act standards. Also included in the plan is a complete updating, renovation, and refurbishing of 63 units, following a prototype design that was funded from the resort's reserves to update 14 two-story townhouse units in 2012-13.

The board of directors determined that completing all of the proposed work at once would achieve economies of scale and reduce the cost by 35 percent, while exceeding the amount of the reserves. Hence, the board decided to seek outside financing for two-thirds of the project cost and repay the loan with a special assessment payable over three years.

To communicate the special assessment and renovation plan, the board mailed a package with a 52-page magazine-style report to each owner. This report contained all of the details about the property improvement plan, including an engineering report, photos, floor plans, Frequently Asked Questions, a letter from the board president, and a detailed budget.

"We always want to be transparent when making major changes to a resort, and giving the details to owners is an important part of the improvement-plan process," Docherty explains. "Sending a package with this detailed information rather than simply sending out an



Hollywood Beach Tower Before



Hollywood Beach Tower After

invoice gives owners the chance to plan for the additional fees and view all of the exciting changes happening to their resort.”

In addition to enjoying newly renovated units as well as property and amenity upgrades, owners will benefit from an increase in the resale value of their weeks and an increase in vacation-rental rates.

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Tips to Increase Renovation Investment Return

1. Start with a plan. Trish Docherty, Florida regional vice president of operations for SPM Resorts, Inc., has guided five SPM-managed resorts through extensive renovations in the past five years, including entire unit renovations at Hollywood Beach Towers and a new pool and water park at Vacation Villas at FantasyWorld in Kissimmee, FL.

To start the process, she uses these questions as a guideline to formulate the plan:

- What will give the owners the most value?
- What do the guests and owners want most in the units?
- What will help generate the most vacation-rental and sales revenues?
- What is the best way to finance the renovation projects that will have the least impact on the owners?
- What new technologies can we install to reduce expenses for the resort?

Answering these questions lays the foundation for the renovation plan, and helps the board of directors decide what projects are the most important investments.

2. Assess the longevity. Investing in the right products and vendors will save money long-term, and creating and sticking to a long-term plan can help reduce the need for a major special assessment.

This includes hiring professionals for major projects. They have the expertise in their field and will ensure the job is done correctly. “Hiring the right design team is critical to the success of a refurbishment for many reasons,” Docherty says.

“They will make sure the interior decor is fitting for the destination, and they also have the resources to find commercial-grade furniture that will be innovative, maintain wear and tear for extended use, and meet all safety standards.”

Assessing the longevity and refurbishment cycle of the proposed materials will ensure that the resort makes the wisest investment.

“Purchasing furniture from a local store may be the cheaper option,” adds Paul Goodrich, regional vice president of operations for SPM, “but furniture meant for a home will need to be replaced much sooner than commercial-grade furniture designed for a resort. We advise our resorts to compare the replacement cycles of the items they are considering.”

3. Share your story. Use renovations to promote the property for sales and vacation-rental income. Sharing the renovation story with your owners, past vacation-rental guests, and online is a great way to boost the property’s revenue potential.

“We’ve seen so many positive results for our resorts when we have properly communicated renovations, including renewed interest from owners and an increase in vacation-rental revenue generated from our marketing efforts,” notes Bill Young, SPM’s president and chief executive officer.

“Travelers look at many different sites before making their final decision,” adds Andrew Graziano, SPM’s director of revenue management. “Making sure new photos are updated on all of your social-media channels, your Web site, online listings, and online review sites such as Tripadvisor will help boost that incremental revenue.”

The bottom line: Making the right renovation investment choices can have a positive effect on your resort’s bottom line.