4.2 Recommendations for hotel owners and developers

Background and key arguments
Sustainability directly impacts the asset value for building owners because investments in efficiency create rapid payback and go straight to the asset’s bottom line. This improves both Gross Operating Profit (GOP) for the operator and Net Operating Income (NOI) for the owner.

The environmental performance of buildings is key to:
• overall risk management of the property
• retaining asset value and improving financial performance through low operational costs and increased asset life
• securing access to preferential green finance opportunities
• meeting client demands and regulatory standards
• relationship management with operator brands and protecting their reputation and competitiveness as a business.

Key recommendations for hotel owners and developers

1. **Integrate sustainability from design phase for best cost efficiency**
   Appropriate site planning at the development stage offers enormous opportunity to utilise the local environment and climate to maximise resource efficiency, including passive design, building orientation and landscape treatment.

2. **Evaluate and enhance your environmental efficiency**
   Benchmark your portfolio to estimate future energy usage per occupied room and compare potential options for carbon emissions and water-use reduction to determine where to make investments.

3. **Invest in sustainable building certification**
   Certification will increase asset value and support ongoing compliance with social and environmental regulations. They can also unlock finance and assist in securitising the loan portfolio, as well as enhancing the company’s reputation. EDGE, LEED, BREEAM and DGNB are globally recognised schemes.

How to do this:

- Use the free EDGE software to evaluate the performance of an existing building or the design of a new building. ¹²²
- Use reports such as ITP’s *Destination Water Risk Index* for new and existing developments to better understand the financial implications of local water risk. ¹²³
- Engage with networks such as ITP and Hotel Owners for Tomorrow to learn best practice from peers in the sector.
- Use tools such as the CHSB Index, ¹²⁴ the GRESB Portfolio Analysis Tool, ¹²⁵ or Nearly Zero Energy Hotels e-toolkit ¹²⁶ to carry out a hotel feasibility study.
- Engage hotel operators using IFC’s research on ROI for green buildings. ¹²⁷
- Use software such as IFC’s EDGE to understand which resource improvements yield the best ROI. ¹²⁸
- Use certifications as guidelines from the planning phase to reach higher environmental and social standards.
- Review existing certifications in your portfolio, and set your own baseline and targets to identify which properties will need certification.
4 Use green financing for new builds and retrofits

Green financing opportunities provide lower interest rates as incentives from commercial banks towards increased sustainability. Owners should also check for local tax deductions and government incentive schemes to benefit from corporate green bonds or green bonds issued by local financial institutions.

How to do this:

- Find local incentives from IFC’s information on Green Buildings Banking or contact edge@ifc.org.\(^{129}\)
- Aggregate projects at portfolio level to increase eligibility for green finance. See UN Principles for Responsible Investment for more information.\(^{130}\)
- See UN Principles for Responsible Investment for information on raising green bonds.\(^{131}\)

5 Use sustainable clauses with hotel operators

Green leases can help to share the costs and responsibilities of sustainable design between owners and operators and align the financial and energy benefits. These agreements can be legally binding or non-legally binding, providing a framework to operate within sustainable standards, and saving money for operators and owners while increasing property value.

- Use the UK Better Building Partnership’s green lease toolkit for guidance to help owners and occupiers work together to reduce environmental impact.\(^{132}\)
- Take inspiration from the UK Soft Landings scheme to support the transition from construction to occupation, and manage the gap in performance that can occur between the design plans and operation.\(^{133}\)

Case study – Courtyard by Marriott San Diego Downtown, California, USA

The Courtyard by Marriott San Diego, an adaptive reuse of a former bank, is one of Hersha Hospitality Trust’s 48 hotels utilising EarthView®, Hersha’s sustainability platform. EarthView initiatives are aligned with eight of the 17 UN Sustainable Development Goals (SDGs).

Since inception, Hersha’s hotels have reduced greenhouse gas emissions by 41 per cent per square foot and energy usage by 15 per cent through the implementation of energy efficiency initiatives – translating into over USD 14 million in cumulative savings and EBITDA margin improvement. Including topline impact, the platform has created USD 100 million in value across Hersha’s portfolio.

Sustainability measures

Hersha’s first laundry water reuse system was installed at the Courtyard San Diego in 2018. The hotel washes over 1 million pounds (lbs) of laundry each year and by utilising a series of filters and ozone treatment it is able to reuse 80 per cent of its laundry water for future laundry cycles.

Return on investment

This system has reduced total hotel water usage by nearly 20 per cent. With annual savings in water and natural gas of USD 25,000 and a net investment of USD 80,000 after incentives, this initiative has a 3.2 year payback period and is being expanded to additional hotels across Hersha’s portfolio.