CASE 4

Reviving the Dead Boss

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While having coffee on that Saturday afternoon of 1st April 2017, Mr. X, Mr. Y and Ms. Z, all directors of KPMG, a newly established property developer, had a recollection of what they did with The Boss two years ago. The Boss was a dream project, envisioned to be the first and most prestigious hotel and retail building in Klang, Selangor. "Killing" it was an expensive risk that had to be paid as a result of carelessness in project planning, especially in estimating the investment cost and analysing the investment feasibility. Before the decision to stop the project was made, it was reported that 80% of the units were already sold. Wrong estimation appeared as the main causal factor of the over-budget project. Three hundred seventy-seven hotel suites and 62 retail units were already constructed, and now they lay wasted and abandoned. This landed the directors with a problem: closing the project would give bad reputation but continuing or redeveloping the project without proper calculation and planning would drain their resources. Meanwhile, as most buyers conveyed their protests to the

media, KPMG was getting ready to liquidate the failed project, whilst three other developers were willing to take over. The directors were faced with the dilemma, whether to revive The Boss or not.

The Old Boss

Hotwer Development was establised in the year 2008, and their core businesses include property development and investment. Mr X, Mr Y, and Ms Z were then serving as directors of the company. Although all three did not have direct experience in property development, they have extensive experience in business management. Their first project was indeed The Boss Service Suites, as illustrated in Appendix, which was the first planned project for them. The Boss was going to be the most futuristic, iconic and tallest building in laid-back Klang. It was constructed in 2 acres vacant land in Jalan Batu Tiga Lama, Klang, Selangor. The Boss also carried the tag of being a mixed-use building, which again, was the first of its kind in Klang. It was intended to be a residential hotel, where unit owners may receive income from renting the unit under the hotel management. It was planned to have 28 levels with maximum 18 units in each floor (388 – 496 sf). There were two types of units, type 1 with 388 sf and type 2 with 496 sf with launch price from RM240,000 per unit. In total, there will be 377 units. Hilton, Novotel and Best Western have been shortlisted as candidates for management of the hotel. It was supposed to be completed in 2014, but the project was delayed and subsequently terminated in 2015.

The mixed-use development was chosen to attract the potential buyers. The units can be owned for residential purpose or as an opportunity to generate income from the lease for the hotel. The Boss was designed to be the first four-star hotel in Klang, with business-oriented and recreational facilities. From the design, it can be identified that there are three commercial storeys (ground floor until third floor). Ground floor alone has 15 units stores, the other floors have more. The largest space/unit for the commercial is 2,730 sf. Apart from the commercial units, there were various facilities to support the hotel, such as multipurpose halls, function rooms, café, gymnasium, swimming pool, steam bath, sauna and spa. Apart from the promising facilities and commercial units, the developer also offered leaseback program in which returns would be guaranteed for 7.5% for 18 years contract