



RHarper Consulting Update

Program Management: Why it Makes Sense



We're seeing an increasing number of owners using third-party specialists to provide program management services, and it only makes sense – you engage professional advice and assistance when you're buying an existing property, so why not get that same level of support when you're building or remodeling one?

Program management, for those not familiar with the concept, is essentially owner representation on steroids. The program manager is involved in all aspects of the project from the very beginning - design, entitlements, contracting, budgeting, scheduling, construction, and finally, commissioning.

Program managers take on several different incarnations, from large professional engineering firms to sole practitioners providing program management services to owners. There are three main reasons why outsourcing program management can be a good idea:

Access to high levels of expertise in several disciplines — Program management firms can do much more than just manage construction, and each has its own specific strengths. Look for the corporate, or individual, skill set that best matches your project goals; integration of these services provides more cost-effective and seamless execution, and helps add value to the project.

Reduction of overhead — Outsourcing program management to a third party eliminates the expense of maintaining a development department between projects. It is much easier to ramp up and ramp down as your needs change.

Greater accountability — A third party has a degree of separation and objectivity that a legacy employee does not, making it much easier for that firm or individual to be objective about establishing metrics and maintaining accountability.

Program managers achieve results in various ways, and there are several common elements among the most successful ones:

Collaboration — Integrated Project Delivery (IPD), where the Owner, Architect and Contractor "partner" the project, is being applied in the vast majority of projects currently underway, even in the public sector.

Having a full design and construction management team at the table from conception through final completion has demonstrated value, and Owners are looking for teams with a track record of successful cooperation

In addition to the typical Owner/Architect/Contractor model, projects today are more likely to include other stakeholders in the process, including management, operations and equity partners.

Technology Rules — The question, for both architects and contractors, has quickly shifted from "have you used BIM (Building Information Modeling)?" to "How large is your BIM department?" Expertise in BIM and integration into the estimating and construction process is essential.

Owners Still Want a Good Deal — Project budgets are running extremely tight, and while financing is more readily available, both lenders and equity sources remain quite cautious and committed to an extremely high level of due diligence. The use of third-party experts to provide peer review and input is the new normal. Most projects are experiencing a longer development cycle prior to financing, and Owners are taking advantage of the time to develop documents more fully, price a wider range of alternatives, and generally use every means available to get the best value with the least amount of risk.

Redistributing Liability — In general, not only are Owners pushing towards greater value, they are also shifting more liability to design and construction service providers. Greater use of dispute review boards or other forms of imbedded neutrals is quickly gaining ground as a means of minimizing costs and delay from claims. Quickly determining the cost of a potential claim and immediately developing practical alternatives is much more common than long post-construction litigations. Owners are more sensitive to the hidden costs of a construction project, and are addressing those risks by shifting them to other project participants.

Today, most Owners, even those with years of experience, understand the value of engaging a dedicated third party program manager to assist in the development of new projects. Those Owners not in the day-to-day business of project development must certainly engage a knowledgeable, experienced professional to provide program management services. It is the most effective tool to mitigate risk available, and provides a means of connection to specialized expertise which would otherwise be unavailable.

Roger Harper, Principal of RHarper Consulting Group, provides development consulting services to the senior housing industry.

For more information on RHarper Consulting Group please call 615-218-4102 Or rharper@rharperconsulting.com

For more information please contact:

Roger Harper

615-218-4102

rharper@rharperconsulting.com

www.rharperconsulting.com

RHarper Consulting Group provides development consulting, program management, and owner representation services focused on the senior living and mixed use sectors. In addition, Mr. Harper is also a listed mediator and arbitrator providing dispute resolution services for the construction and real estate industries.