

## Project Turnaround – A 2-Step Approach

Projects are an iterative process of planning, doing and reviewing. From time to time despite the best intentions projects get into trouble and you have to step in to review what is going wrong and put a new plan in place to deliver (do) the project.

The following outlines a 2-step process to strategically review a real estate project and then once the review is complete to create a turnaround plan to deliver the project.

The approach can of course be used as a checklist at the beginning of a project to make sure that all resources are in place to deliver a project and that a robust plan is in place to deliver certainty.



Figure 1 - The Project Cycle

### Step 1 – Real Estate Project Review Process

The Project Review is a 4-6 week exercise depending on the size of a project and will examine the status of the following areas; these are set out in more detail in Appendix A.

- Management Structures and Procurement (appropriate, sufficient, clear responsibility etc.)
- Development Budget (documented, gaps, overruns etc.)
- Contractors (other projects, suitable, performance etc.)
- Design Team (other projects, suitability, performance etc.)
- Contract (executed, in-dispute, appropriate etc.)
- Creditors (status, valid, age profile etc.)
- Designer and Contractors' Warranties (validity, status, available?)
- Insurance (in place? gaps, duty to existing funders etc.)
- Professional Fees (budget in place, creditors, performance etc.)
- Physical Works (defective, compliant etc.)
- Building Regulations (compliant, fire, energy etc.)
- Planning Status (ABP, contributions, compliance etc.)
- Facility Agreement (compliance, sufficient etc.)
- Development Agreements (long stop dates, back to back?)
- Cost to Complete (construction and indirect)
- Utility Status (power, gas, water, drainage etc.)
- Programme (achievable, phasing etc.)
- Design (marketability, sustainability, planning etc.)
- Risk Register
- Added Value (highlight areas, introduce options for further consideration – change of use)
- Problem areas to be addressed and Workout Strategy.

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The Project Review Report will set out its findings and conclude with an outline Project Turnaround Plan (Step 2) for a development, in effect, setting out the roadmap for the development. Typically, these may include recommendations regarding the determination of certain sub-contracts or professional appointments or indeed the borrower.

## Step 2 – The Project Turnaround Plan

As the Project Review Report sets out to investigate the problems within the development the turnaround plan seeks to fix these problems. Some schemes may not meet the current markets requirements – in this case a solution will have to be proposed that satisfies both the planning and current market needs in the area. In other cases the solution may indeed be not to go ahead with the current procurement and development plan but rather adopt a JV / SPV approach with a new party.

It is not possible to cover all bases, which is the reason for a two-step approach to arriving at the optimal solution. Once the Turnaround Plan outlined in the Project Review Report has been discussed it, or a version of it, adopted, the development can then move to Delivery Stage.

From our experience it is clear that in order to achieve successful project turnaround the professional roles should be carried out by those with the relevant experience. These roles fall into three main headings:

1. Revenue – valuers, agent etc.
2. Cost / Workout / Management – project manager, engineers, QS etc.
3. Finance / legal – funders, investors, accountants, solicitors, insurance cos.

Keogh Consulting can act as a single point of contact and retain responsibility for a scheme to ensure that all parties act as one towards the common goal; a straw model for a turnaround plan is contained as Appendix B.

## APPENDIX A – Project Review Report

The initial Project Review would address and set out the following data and issues related to a project, which would form the basic information to make decisions to progress the development to a work out stage and identify problem areas for action. It is probable that a multi discipline team will be required to cover the broad scope of the report – Keogh Consulting can assist selection, onboarding and management of such a team.

### **Technical Data – Design Documentation**

- Architectural Design and Specification for the building
- Structural Design and Specification for the building
- M & E Design and Specification for the building
- Detail Cost Plan/Bill of Quantities for the building
- Non-construction costs for the project
- Planning Supervisor Design Stage Report
- Planning Supervisor Construction Stage Report
- BCAR Plan etc.
- Fire Strategy for the building
- Fire Certificate
- Commencement Notice
- Site investigation report
- Archaeological Report
- Contamination Report
- Disposal of Contamination reports and certificates

### **Technical Data – Planning Documentation**

- Planning Design Documentation
- Grant of Permission
- Planning Conditions
- Part 5 - conditions
- Part 5 - agreements
- Part L Status

### **Technical Data – Utilities Status**

- Engineer’s documentation in respect of Water. Drainage, Gas, Power, Public lighting, Telecoms, data, TV.
- Establish current status of installations and or diversions. Establish agreements in place / required.

### **Design Team Appointments**

- Architect
- Structural Engineer
- M and E Engineer
- Quantity Surveyor
- Project Manager
- Planning Supervisor Design Process
- Planning Supervisor Construction Stage
- BCAR
- Site Investigation company
- Archaeologist
- Planning Consultant
- Fire Consultant
- Waste Management Consultant
- Traffic Management Consultant

**Main Contract – review of conditions and status**

- Main Contract
- Bond details

**Sub-Contracts - Review of conditions and status**

- Excavation
- Contamination Removal
- Piling
- Structure Sub-contractor steel or concrete
- Cladding
- Windows
- Roof
- Mechanical
- Electrical
- Sprinkler
- Lifts
- Finishes and Decoration
- Landscaping
- Review Bond details of all sub-contractors

**Payment Status**

Review and assess status of payments and outstanding monies due to

- Main Contractor
- Subcontractors
- Design Team members
- Local Authority Planning levies
- Utilities Capital contributions
- Others

**Warranties**

These would need to warrant that all that had been built to date is in accordance with the Planning Permission, Building Regulations and the Design and Specification. In a partially built project these would certainly not be executed. => Seek clarification on status / availability of warranties from:

- Design Team members
- Main Contractor
- Subcontractors with design content.

**Insurances**

Establish and verify that appropriate insurances are in place and identify cover levels and policy expiry dates. Establish with relevant parties if there are any emergency works required to safeguard the works from dilapidation or security requirements. Establish any action required to ensure observance of Health and Safety requirements.

**Site Inspection**

A detailed site inspection and record of progress and status of the works. BCAR inspection plan and any reports issued. There may be a requirement also for specialist technical assessment of progress particularly in respect of infrastructural works below ground and the serviceability of same. Engineer's site surveys may be required also to assess integrity of existing installations. Architect's site surveys may also be required to assess planning and building regulation compliance and the presence of any defective works.

**Updated Project Feasibility Assessment**

Where considered appropriate it may be feasible to develop with a client and their agents, an updated indicative development budget to establish potential contribution based on current scheme. This would require:

- Providing indicative Cost to Complete in respect of the existing scheme
- Liaise with agents to establish potential market value.
- Establish estimated fees and charges to be incurred.
- Prepare an indicative development budget for consideration, review and further discussion.

## APPENDIX B – Project Turnaround Plan

Following the Project Review Report which sets out the basic information and status of the project the next phase would be to establish a Project Turnaround Plan which would cover, where appropriate, the following key activities.

### **Project Feasibility Analysis**

- Analysis of the cost to date of the existing works
- Establish the additional cost to complete the works including any inflation provision
- Review with Valuer's and Client's Property Experts the current sales/rental level that may be achieved.
- Run an updated feasibility appraisal
- Value Engineering of the existing scheme
- Revisions in design or specification to achieve savings
- Revisions to design to give different market options/accommodation mix, this could be extra cost.
- Consider programme and phasing options.
- Refine optimum scheme and development budget
- Progress to decision to proceed.

### **Development Company**

- Check status of the existing Development Company and if they can proceed – going concern test.
- If not establish the status of receiver/liquidator and /or set up a SPV or JV to carry the development forward.
- A SPV may be needed to facilitate disposal at a future date.
- Set up a full Project Management Team to manage the design and construction.

### **Design Team**

- Use of the Existing Design Team would be the usual choice
- Some Developers use in-house design – these disciplines may have to be replaced
- Obtain competitive quotes from suitable candidates
- Novate the other Design team appointments to the new SPV.

### **Procurement - Building Contractor and Sub-Contractors**

- Review status of original Contractor and if they can proceed.
- With some developers the Contractor may be in-house or a joint venture – It may not be feasible to continue with the original contractor
- Seek competitive bids from a selected list of competent contractors
- Assess the bids and programmes and appoint the new main contractor
- Ideally obtain competitive bids for the main sub contracts e.g. M&E, cladding, transport
- This may not be easy as there may be partial work done and materials manufactured
- Negotiate with the existing committed main sub-contractors if required.

### **Funding**

- Review with institution the status of funding in respect of completion activities.
- Provide indicative development cash flow reflecting proposed programmed and phasing intent.

### **Complete the Development**

- Conclude contracts and proceed to build out the Development

## About Keogh Consulting

Individuals and organisations delivering projects face complex challenges from concept development, through feasibility assessment, delivery, to operation. Keogh Consulting provide specialist resources to assist and improve the development and delivery of capital projects, specialising in the real estate sector. Through use of agile and lean approaches we ensure that the right projects are done in the right way on time and within budget.

Our consultants have practical industry experience in a range of sectors gained over 25 years in nearly every aspect of a projects life cycle and have advanced degrees in engineering, business administration, finance and corporate governance. We provide a broad range of integrated services touching upon almost every aspect of a project from idea generation to operation. We have advised on projects ranging from business start-ups to major public capital projects and programmes.

Should you require further information on how Keogh Consulting can help your project please contact Barry Keogh at [barry@keoconsult.com](mailto:barry@keoconsult.com).