

## Pre-Development Services: Checking All the Boxes

*Written by: Joseph Pooler and Luis Lugo, Hill International*

Groundbreaking ceremonies titter with excitement. This symbolic beginning of any construction endeavor is filled with great hopes and anticipation for what is to come. Of course, such a ceremony precedes years' worth of work; yet, years of labor-intensive efforts have, in almost every case, already gone into preparing for such a commencement ceremony. Before the ritual that officially kicks off a project, stakeholders and executives must carefully strategize.



The “pre-development” phase accounts for business vision, market opportunity, financial assessment, legal awareness, tax consideration, architectural design, scheduling, environmental impact, and the myriad of other things utterly necessary for generating a successful construction project. This germination process can be complex. In many cases, organizations that would develop a project of some kind are preoccupied with their primary organizational goals, with the result that their project’s pre-development considerations are left underdeveloped. Choosing to hire a professional advisory services firm can help to mitigate many of the obstacles that stand in the way of your own groundbreaking ceremony.

Often, by the time such a firm is awarded a contract to deliver a project, the project remains underdeveloped as a result of weak pre-development planning. When this is the case, money and time are wasted revisiting tasks that should have been completed prior to “starting” the project. This, in turn, can result in additional delays and costs through the construction phase.

“Many great clients have come to us with exceptional visions for construction projects. While they were incredibly eager to start their projects, we were realizing that there were usually holes in their pre-development considerations. In none of these cases was it the client’s fault,” says Luis Lugo, Hill International’s Senior Vice President and Southeast Regional Manager. “Construction is such a complex endeavor. Unless you have rigorous practice going through the pre-development of a construction project, how could you know all of the things you need to know?”

“In many cases, clients have one or two pieces of the puzzle from the outset,” Luis continues. “They may have a piece of land acquired and zoning permits. They may have the finances for a \$250 million project. Or they may have an in-house architect and complete drawings for what they want. But it is rare that any client has *all* the necessary pieces.”

To guide clients carefully and comprehensively through the process of planning for some construction endeavor well before any groundbreaking ceremony and, more importantly, well before any issues arise during construction—this is the ultimate goal of project advisory services. Two case studies help to illustrate this goal.

A successful international real estate development company decided to develop a large high-rise building in a city outside of its traditional market. The size and scope of the building demanded much in the way of talent and resources. Fortunately, the team realized it was going to need help early. But even so, they were not entirely sure of what they were missing.



“When the client came to us initially, it was only for a cost estimate. We could certainly have provided that service, but we realized that they were in need of much more,” Luis says.

“So we proposed a four-week pre-development study. The client was open to the idea and we carried out our comprehensive study of the local market and development environment, the zoning needs, the permitting process, the geotechnical characteristics, the costs, the schedule, the risk potential, the socio-political setting, the communication and public outreach plans, the contractual needs, the possible local consultants, and many other useful elements for their pre-development process,” he explains.

Beyond just alerting the client to these areas and their relevance to the project, the report, which Luis’ team produced, included a status update, potential trends, and practical recommendations to help guide the client to project success.

At the follow-up workshop, when the report was presented, the client was astounded at the length and detail of the pre-development report. The client also appreciated that Luis invited the external experts, with whom he had worked to collect the information, to present and explain their findings at the meeting.

“The pre-development services are never limited to our own firm,” says Luis. “We have certainly recommended that clients hire a project manager, when appropriate. But we’re just trying to provide as detailed a map as possible with the resources to which we have access. That includes inviting the right third parties to our discussions with the clients.” The whole team provided the client with a holistic vision, approach, and execution plan to build a successful project.

Finally, Luis provided a document to the client which summarized the pre-development study and workshop meeting. In addition to detailing all of the information which was found and presented, this document listed and provided answers to questions asked by the client during the workshop. The document offered many potential solutions in the form of options to the difficult choices that the client would have to face in their project. Several different local contractors and project delivery methods

were listed, for example. It highlighted sensitive issues such as communication and public outreach, which is not a priority in the client's traditional market area. In addition, it clearly explained the complex local permitting process, another new area for this particular client.

Now, with their map, the clients are moving along with their project much more confidently than they might have otherwise.

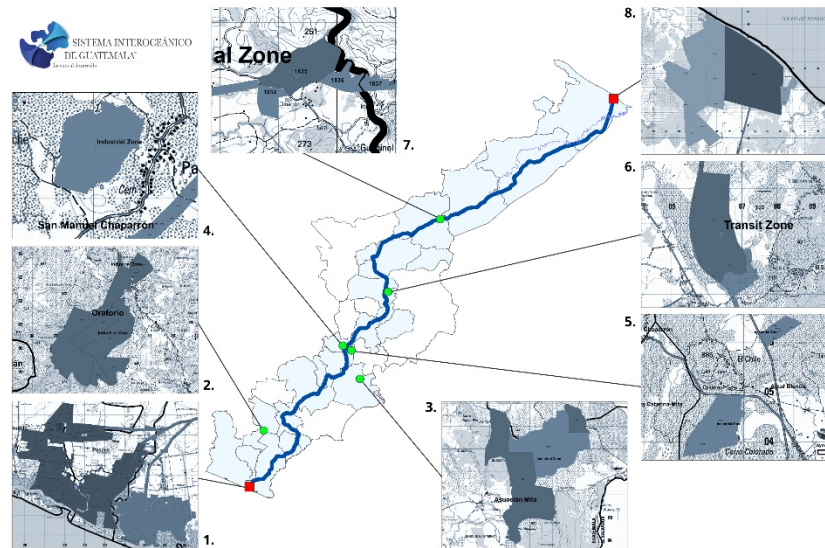
Elsewhere, Luis has helped a different client with altogether different needs find the same state of confidence.

Interoceanico de Guatemala is an organization that seeks to connect the Atlantic to the Pacific Ocean. As an alternative to the Panama Canal, their immensely high-visibility project would greatly facilitate the transportation of goods around the world. Being of such complexity, this project has a

very long gestation period. For nearly 20 years, Interoceanico has been planning its work. The intended project includes two container ports, a two-track heavy rail system, several pipelines, a road, industrial and free-trade zones, and all the necessary facilities and utilities.

In many ways, this organization was well prepared for their intended project. In this case, the client brought many of the assets necessary for their eventual project with them. They were acquiring land and people and developing detailed plans and technical awareness. Upon their discussions with Luis, Interoceanico had spent a long time reflecting upon and refining their assets. For instance, "The client had provided exceptional profiles of the rugged terrain through which they would have to carve their rail line," says Luis. "But even so, as soon as we started having conversations with them, we realized that augments to their highly detailed plans were needed."

Luis draws attention specifically to the business model which was associated with the interoceanic project. He says, "The main difficulty was Interoceanico wanted to sell the rights to build and operate different elements of the project





to different companies. Through our experience, we realized that on a project of such a scale, a strong, centralized, overseeing force was necessary to keep the whole thing interrelated.

“Every single project is only as strong as its weakest link,” Luis tells. “This cliché applies across the spectrum of projects. But the likelihood of a single link being weak is exponentially higher on a job so large. And you compound that chance by letting different organizations govern individual parts.”

To combat this, Luis advised the establishment of a consortium to manage the whole project. This consortium approach was adopted by Interoceanico. Subsequently, a different, more appropriate and holistic approach emerged to organizing the business. New investors and operators are being incorporated to meet the broad-sighted needs, the corporate structure was better defined to delegate responsibilities appropriately, and the philosophy of the organization was strengthened. Luis admits, with some pride, “We added quite a bit of value in regards to the business model.”

Such examples demonstrate two approaches to advisory services for widely different projects. Their commonality includes the use of a professional firm, a comprehensive and systematic methodology, flexibility (especially in conceptualizing and providing useful deliverables), and constant communication. Because of its adaptability, the pre-development approach can be useful for a wide variety of projects by helping to minimize risk, save time, and manage costs before groundbreaking.

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*For more information about other projects Hill has helped guide to their beginnings (and ends), visit [www.hillintl.com](http://www.hillintl.com) or call Hill's Miami office at 305-468-4900.*