



# RHarper Consulting Update

## Got a Sick Project? -- Get a Second Opinion!

Over the past several months I have talked with many owners and developers who are in the midst of projects that started prior to the recession. Of course, many are in limbo, struggling to achieve marketing hurdles, unable to find financing, struggling with occupancy issues, or encountering any number of obstacles to success. Many are wondering if their project teams are doing all the right things all the right ways. For them, and others in their situation, it is probably time to get a second opinion.



Roger Harper, Principal of [RHarp Consulting Group](http://RHarp Consulting Group), provides development consulting services to the senior housing industry.

Most of my clients are not-for-profit groups engaged in senior housing projects. Generally, they have dedicated tremendous time and due diligence in selecting their project teams. However, an important fiduciary responsibility remains to make sure that project development team is delivering the services and performance for which they have been engaged. Third party audits and peer reviews are very appropriate tools many boards are using effectively.

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Defining the scope of the engagement should be tailored to meet the needs of your project. Many groups can perform broad, expert overviews of your development team's practices or specialists can focus on areas that may be underperforming. In my experience, judicious use of outside audits has always yielded valuable results and has been beneficial to the projects outcome.

Here are some considerations in seeking a second opinion:

- Project specific experience - make sure you engage an advisor with specific experience in the product type and market in which you are currently working.
- References - Check references provided by the prospective advisor. If possible, check with others with whom they have worked, but may not be on their reference list.
- Confidentiality Agreement - Have your selected advisor execute a comprehensive confidentiality agreement. Protecting proprietary information and controlling its distribution are of vital importance - and the provider will have access to private data about your project, its processes, its procedures and the development team's work product.
- Specific scope description - Crafting the engagement for the second opinion provider should be a joint effort where the sponsor and the second opinion provider determine the scope of the review, deliverables, timelines, access to information, reimbursables, pricing and not-to-exceed cost limits.
- Be cautious of "creeping commitment", where the advisor starts with a limited scope then seeks to expand into other areas. Often, this is a strategy to submit a "loss leader" proposal to get the engagement, then drive up the fee. Have proposals structured initially to address additional areas or provide some mechanism for controlling fees for additional services.

Of course, the next logical question is "what do we do with the results from the second opinion report?" If the second opinion indicates areas of concern or suggests corrective actions, you should initiate a meeting to discuss the findings with the members of the development team, determine their response, and develop a corrective action plan and monitoring program.

Bringing in an outside group to evaluate the efforts of your development team can certainly be uncomfortable for some of your team members. Professionals in the various development disciplines will invite third party reviews and will willingly participate in open and frank discussions about process and performance adjustments. However, if a third party review is met with strenuous resistance or defensiveness, then more extensive corrective measures may be necessary.

Whether you are a not-for-profit sponsor or for profit developer, good stewardship of the resources of the organization committed to the project is an important responsibility. Periodic audits and second opinions are a crucial element in executing those fiduciary responsibilities.

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*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 a listed mediator and arbitrator and provides dispute resolution services for the construction and real estate industries.*