

DISTRESSED PROJECTS CONSULTING

MAST Construction Services has found a niche service in helping turn distressed projects around.

Nicole Thompson

Four years ago, when Ted Domuracki began Little Falls, New Jersey-based MAST Construction Services, he was looking for a way to implement his construction experience, employed most recently as the president of a large construction management firm. He began by calling contacts from more than 25 years in the industry.

"As I called up my relationships — architects, engineers, and people I worked with over the years — people started giving me consulting work," says Domuracki. One specialized service that MAST provided was guiding distressed construction projects to completion. In addition to a portfolio of dated telecommunication facilities that Domuracki was hired on to complete, he was consulting almost full time for a Fortune 500 company that had acquired a mechanical contracting company with a \$315 million portfolio of 42 projects that needed to be completed as soon as possible. "As this Fortune 500 company was responsible for all the bondhold obligations, they needed an assurance that someone could come in and represent them as the new owners to complete the work," he says.

Distressed projects consulting quickly became a specialty of MAST, representing 50 percent of the com-

pany's business last year, and an estimated 20 percent this year. The firm also has service groups focusing on owner's representation, construction management and project/program management. Distressed projects are often in various stages of completion, and are often troubled by cost overruns, defaults and inability to complete. "Typically what happens is bonding companies or bond attorneys call in contractors or estimators to do cost-complete on contracts, or to give them an estimate to take over projects," Domuracki. "What I did was work as an extension of them to complete the work as part of their team in-house. Basically I was furnishing senior management expertise and project management expertise to get them organized so that they can get out and get finished with the projects."

Domuracki notes that typically, by the time projects get to him, clients have waited too long to solve the problem, partially because they don't know where to find help and who to ask. "Stop the bleeding is what I call it. First you have to stop the bleeding, then you can operate and fix," Domuracki says. Recognition of how much trouble a project is in from a financial standpoint and how much it's going to take to get finished and get out is

another factor affecting the delay in seeking help. Domuracki has found that one of the biggest problems he has noticed driving these distressed projects is companies self-performing the work. "Companies are performing the work with their own staff instead of subcontracting it for a lump-sum price," Domuracki says. "Basically you have a massive payroll of people working on the project, but you don't necessarily have control or the ability to monitor how much you're getting out of that profit. There's no top-end closure to the risk."

MAST has also provided similar services to companies that are trying to avoid having their projects become distressed when those projects are a different type of construction than the expertise of the in-house team. His distressed projects group, which he heads in addition to his role as president of MAST, offers wide-ranging services, even as far as claims and litigation support. When he took over one of the large portfolios, he felt that there was an opportunity to recover some of the cost overruns because of the high level of them. "I put a team together of claims consultants and claims attorneys to compile claims on projects to recover some of the cost overruns," he says.

The fundamental underlying issue that Domuracki saw in his experience with distressed projects goes back several years, to when the bond environment was more flexible. "Companies had the ability to be the low bidder on a great deal of work—they weren't really limited by the bond capacity," he says. "So they ended up with enormous growth and a very large amount of work that they then could not process."

Other trends in the construction industry that Domuracki has seen lately are commissioning and in New Jersey, the beginnings of a move away from multiple prime contractors. "One trend I see in New Jersey is moving away from multiple primes to a single prime in public work," he notes.

Commissioning involves a consultant on the owner's side that has criteria to commission equipment and make sure that it works properly before it's accepted, adding another layer of accountability. "Commissioning is basically validating that the equipment works right and that the equipment is what was designed. It certifies that it's all working before they say 'OK, you're done,'" Domuracki says. "It's essentially an up-and-coming industry that's gaining very wide acceptance. It started in the public sector in New York. It is now showing up in other arenas as well." Domuracki has reached out to these type of consultants to help him in the completion of his projects.

Services like distressed projects consulting and commissioning have

developed as the need for them has become apparent. "With the distressed projects consulting, there was no clear consultant or industry for people to go to that offered this service specifically," Domuracki says. "What they had were systems that didn't work. They would ask a mechanical engineer, or say the mechanical contractor, to tell them what's wrong, but there was really no process or protocol to validate or confirm how things should work. And there was no process to go through to prove that it works. So, who would you call to do it? So it basically invented itself as an industry, out of necessity, but much later than sooner." □

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