

Global Career Hinged on Settling Disputes

Irvin E. Richter earns ENR MidAtlantic's Legacy Award for innovation in resolving construction claims and advancing global project management

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PHOTOS BY GARY JACKSON
PHOTOGRAPHY

Working from his home in 1976 to start what became global claims consultant and project management giant Hill International Inc., Irvin E. Richter boosted revenue by offering seminars on construction disputes. But one seminar in the early 1980s led to the creation of a concept that became central to Hill's

approach to construction dispute resolution and a staple of industry contract language.

After Richter's presentation, he was approached by a contractor who said he had lost an arbitration decision because the owner of the Houston shopping mall he was building didn't believe that a roof leak was caused by a design flaw but by construction error. Richter helped the contractor appeal that decision, and soon heard from the owner. Both parties wanted to hire him to resolve the claim. If the two sides paid him equally, he said he'd settle the dispute as an impartial party, "and thus was born the concept of the 'project neutral,'" Hill's chairman emeritus recalled in his Nov. 1 acceptance speech for ENR MidAtlantic's 2016 Legacy Award.



Ultimately, hurricane winds blew the roof off the mall and the insurance company paid for the new roof. Nevertheless, the project neutral concept stuck and became widely used, as the American Institute of Architects began to include it in its standard contract documents 10 or 15 years ago.

Unlike mediation, in which opposing sides are separated after making their

presentations, the two parties remain in the same room during project neutral cases. “I’ll go out on a limb saying I believe Hill International, under Irv’s leadership, was the first one to come up with that idea, at least in the U.S.,” says James G. Zack, executive director for the Navigant Construction Forum. Hill’s project management services were also launched in the early 1980s. As Richter says he told clients: “We already know everything that can go wrong, so if you hire us to manage the project from the beginning, we can stop those things from going wrong.”

Bruce D’Agostino, president and CEO of the Construction Management Association of America, says Hill was one of the first firms to perform constructibility reviews to determine design completeness during predesign and preconstruction phases. “He was a pioneer for sure,” D’Agostino notes.

On Dec. 20, Hill announced in a press release that it entered into a definitive stock purchase agreement to sell its construction claims business to Bridgepoint Development Capital—which is part of international private equity group Bridgepoint. The \$147 million all-cash transaction is expected to close in approximately 60 days, according to the press release.

The construction claims group reported \$163.1 million in revenue for the 12-month period ending Sept. 30, representing 26.3% of Hill's consolidated consulting fee revenue during that period, according to the press release. The claims group provides claims consulting, management consulting, litigation support, expert witness testimony, cost and damages assessment, delay and disruption analysis, adjudication, lender advisory, risk management, forensic accounting, fraud investigation, project neutral and international arbitration services.

“Our construction claims group was the original business that began Hill more than four decades ago,” David L. Richter, Hill's current chief executive officer and the son of Irv Richter, said in a statement. “We will miss our friends and colleagues in that business but we know that each of us will be in a better position to grow our two distinct businesses as independent and separate companies.

“This transaction transforms Hill into a pure-play project management firm with a significantly stronger balance sheet.”

The elder Richter cut his teeth on disputes and claims in the early 1970s working for a firm that installed gymnasium floors. He constantly handled issues over floors that buckled if they were not installed or maintained correctly. Eventually, he worked for a construction scheduling firm, where he was asked to write a claim his first day. A contractor was looking for more money after a project ran into delays. There was no manual for claim writing so Richter included the three issues crucial to any lawsuit: liability, causation and damages. He used scheduling to show what caused the delays, and how the delays, in turn, caused damages.

Armed with construction and engineering dictionaries, he wrote claims in lay language and drew diagrams of complicated systems such as flocculation tanks so that mediators, arbiters, judges and jurors could comprehend the dispute. Richter says his wife reviewed his work because “if she couldn’t understand the claim, I had to rewrite it.”

As demand for his services grew, Richter's employer boosted Richter's hourly billing rate. But Richter, knowing that he didn't have the credentials to testify in court, enrolled in Rutgers University Law School at night. After one semester, his employer said he would fire him if he didn't quit school because he was too valuable. Richter took a leave of absence from school—but he also asked a friend for \$60,000 to help start their own construction claims business. Eventually, he quit his job and commandeered his son's bedroom for an office and managed to graduate from law school shortly after Hill International officially launched.

Today, the Philadelphia-based firm's business is 80% project management, with 76% of its revenue outside the U.S. The firm provides program management, construction management and other consulting services in building, transportation, environmental, energy and industrial sectors.

With \$720.6 million in 2015 revenue, Hill ranked ninth on ENR's 2016 list of the Top 100 Construction Management-for-Fee firms. It has about 4,500 employees in more than 100 offices worldwide and has worked on significant projects such as the Channel Tunnel and the Palm and World Islands in Dubai. The firm provided risk assessment and construction assurance services to the Inspector General of the Panama Canal Authority during the canal's mammoth expansion.

"What amazes me about his mark is his global experience," D'Agostino says. "There was no place he was unwilling to go to build projects. It took guts when you think about what the world was like when they were expanding globally."

Richter, 72, served as CEO from 1976 to 2014, during which time he took the firm public. He was chairman until August 2016. Being succeeded as CEO by his son was something the elder Richter called "every father's dream who starts a business." The younger Richter says his father is "hands-on without being a micromanager."

Irv Richter has mentored other entrepreneurs along the way. He began guest-lecturing at the University of Pennsylvania's Wharton School of Business while his son attended the school and for a decade beyond. The elder Richter's most famous student was Elon Musk.

Richter authored or co-authored several books on construction claims and law, including the *Handbook of Construction Law and Claims* in 1982—which Zack says was widely used in the industry for years. He also is a past CMAA national president and founded the Camden, N.J., chapter of the ACE Mentor program. He has been cited by that group and numerous others for his contributions.

Richter still fields some 200 emails a day but says he's "pretty happy with what I'm doing, which is very little." He says that if he gets an itch to go back into business, "I know how to scratch it."