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WE POWER PENNSYLVANIA
Just before the virus came to Allegheny County in March, I attended a press event that kicked off something called Pittsburgh Works Together. It was a perfectly typical event, and the message was one I’d heard many times before. Jobs for everybody. Pittsburgh is high-tech and blue collar. We’re fighting for the soul of the region. Okay, I hadn’t heard that one at many events before.

What was less typical was the participants in this coalition. Pittsburgh Works is a combination of labor, management, civic organizations, and corporations that reminded me of what Rich Barcaskey, executive director of the Constructors Association, called the “unholy coalition” of parties that pushed Act 89 through a very reluctant legislature in 2013. As of mid-October, you can add Republican state representatives to that unholy coalition.

One of the problems with these kinds of regional organizations is that they represent ideas rather than programs that can translate into action. The pandemic may have helped fix that. In June, Pittsburgh Works came out with a pretty specific agenda aimed at leading the way to recovery from the virus-induced recession. The objectives weren’t wishy-washy. The plan called for fully developing the region’s energy assets, providing vocational-technical education for those who choose not to attend college, a concentration of rebuilding the region’s infrastructure, reducing the regulatory and tax burden on employers, and creating financial incentives to using Pennsylvania companies and products.

That plan appears to have caught the attention of Republican lawmakers. Five pieces of legislation were announced by lawmakers on October 14 that mirror the goals of Pittsburgh Works. Dubbed the “Commonwealth’s COVID Comeback,” the bills are aimed at providing incentives for attracting new manufacturing to PA, streamlining DEP and other permitting, and providing liability protection to companies on the front lines involved in dealing with COVID-19.

The partisans will find things to fight about in these proposals. Democrats are going to hate the legislation because Republicans proposed it. And the Republicans are probably putting their thumbs on the scale in favor of corporations. Viewed through a partisan lens, even what Pittsburgh Works Together is trying to accomplish may be too polarizing to put into practice. But what if – and I’m just spit-balling here - we didn’t view it through a partisan lens? What if people did not assume the “other side” was acting in bad faith? What if we looked at the legislation as the means to reach the goals that were set? How different would that look?

That partisan divide is what the Builders Guild’s Jeff Nobers, who doubles as Pittsburgh Works Together’s executive director, says is the biggest obstacle to getting things accomplished. I echo his frustration, especially since that partisanship has colored almost every important debate we face in this country. More accurately put, partisan politics prevents the debate from happening.

These legislative proposals are tough to reconcile. Anyone who attended the Allegheny Conference’s annual meeting last December saw the tensions that can arise when you try to balance growth and sustainability. Achieving that balance requires making compromises, but it is compromising that seems to be the third rail of politics today. Few impactful pieces of legislation ever passed in Harrisburg or DC were written without compromise. Perhaps that’s why so little impactful legislation gets passed these days.

Conservatives and liberals have differing views on how things should work. When they work together to solve a problem, they are going to come at the solution from two different perspectives. Negotiating a solution means that one side or another – most likely both – will move away from its preferred solution. In an environment where every issue is a litmus test of party purity, moving away from a dogmatic position is seen as weakness. But by avoiding the perception of weakness, our representatives have instead embraced impotence.

Pittsburgh Works Together is proposing that we embrace compromise the way we once did. None of the interested parties involved in this debate will get everything they want. Manufacturing won’t go unregulated if, as Pittsburgh Works espouses, manufacturing is done in an environmentally responsible way. Corporate taxes can be cut, which will be a boost to business attraction, but the Commonwealth will need more revenue if the goal of boosting investment on infrastructure and workforce training is to be met. Businesses can be shielded from liability for the infection of front-line workers, but common-sense measures don’t mean allowing negligent or abusive employers to expose workers to COVID-19.

Do you see where this is going? The coalition that comprises Pittsburgh Works Together is made of organizations that routinely have opposing objectives. Just like the coalition that pushed the legislature to pass Act 89, this one will set aside competing objectives to meet common goals that lift all boats in Pennsylvania. If the goals of Pittsburgh Works are met, each of the participants will have to take a little less than it wants so that everyone can have a little more.

That’s how this country used to work. Perhaps because we haven’t faced an existential threat in a couple generations, we’ve lost the capacity to sacrifice individually for the common good. That capacity for self-sacrifice has facilitated the American dream as much as anything else. Let’s hope Pittsburgh Works Together works. If it does, its blueprint can work on most of our other problems too.
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Construction is beginning to trace a slightly upward trend line as the third quarter ends. Far from booming, construction is nonetheless seeing improvements in the bidding environment and more optimism about the prospects for 2021. Like with the national economy, the impact of the COVID-19 virus on the economy has shifted to the demand side of the equation, hitting various sectors of the construction market to varying degrees. Even within market sectors, recovery from the pandemic-induced recession will be uneven.

Unemployment fell to 8.2 percent in September in metropolitan Pittsburgh, a rate that was still more than two points higher than the average of Pittsburgh’s benchmark cities. Employers added 16,000 jobs in September, mostly in government services and healthcare. More than twice as many people remained unemployed in Pittsburgh as were out of work in February 2020, even with 67,000 fewer people in the labor force.

The impact of the virus on construction activity has been felt in the direct freeze on construction during half of the second quarter, and in the longer chilling effect on owners’ decisions to proceed with work that had been planned. For the most part, residential construction has recovered from the time lost and is struggling to keep up with demand, while nonresidential/commercial construction has been impacted dramatically.

For the latter, the direct impact has mostly been absorbed. Construction put-in-place restarted and most construction sites are nearly back on schedule or have adjusted schedules to account for the spring shutdown. That means that 2020 will likely be a successful year financially for contracting businesses and suppliers. Work starting and going under contract has fallen off significantly, meaning that construction put-in-place (and billed) in 2021 will be lower. Through the first nine months of 2020, starts and contract awards for nonresidential/commercial construction totaled $2.87 billion, down $860 million from the first three quarters of 2019.

The falling volume of contracting follows an extended period of strong construction activity, a fact that will cushion the blow of the recession in 2020. Construction companies have been right-sizing throughout 2020 after taking advantage of the Paycheck Protection Program (PPP) mid-year. That suggests that a slow 2021 should not result in a rise in business failures or defaults in Western PA.

“The PPP was a huge help to our contractors, most of which went into COVID with strength and will enjoy a decent 2020,” says Jay Black, principal and vice president of surety at Seubert & Associates. “Uncertainty remains high regarding work for 2021, but I’m optimistic for at least a modest level of post election prosperity. I also think contractors are in the correct mindset to not be caught off guard by a downturn.”

While the forecast for 2021 does not include a return to pre-pandemic levels of development and construction, it is becoming clearer that segments of the economy are faring better already.

<table>
<thead>
<tr>
<th>County</th>
<th>SFD</th>
<th>SFA</th>
<th>M/F</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allegheny</td>
<td>551</td>
<td>329</td>
<td>481</td>
<td>1361</td>
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<tr>
<td>Beaver</td>
<td>72</td>
<td>23</td>
<td>0</td>
<td>95</td>
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<td>Butler</td>
<td>421</td>
<td>196</td>
<td>304</td>
<td>921</td>
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<td>Fayette</td>
<td>29</td>
<td>2</td>
<td>0</td>
<td>31</td>
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<td>Washington</td>
<td>398</td>
<td>82</td>
<td>0</td>
<td>480</td>
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<tr>
<td>Westmoreland</td>
<td>192</td>
<td>87</td>
<td>0</td>
<td>279</td>
</tr>
<tr>
<td>Total Pittsburgh MSA 2020:3</td>
<td>1,663</td>
<td>719</td>
<td>785</td>
<td>3,167</td>
</tr>
<tr>
<td>Total Pittsburgh MSA 2019:3</td>
<td>1,609</td>
<td>557</td>
<td>1,459</td>
<td>3,625</td>
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<tr>
<td>% Change</td>
<td>3.4%</td>
<td>29.1%</td>
<td>-46.2%</td>
<td>-12.6%</td>
</tr>
</tbody>
</table>

Construction of new single-family homes jumped more than 27 percent during the first nine months of 2020. Source: Pittsburgh Homebuilding Report.
Housing is the brightest spot of the construction industry in Pittsburgh, as it is in the U.S. The Pittsburgh Homebuilding Report released the results of its municipal permit research for the first three quarters of 2020, which showed an increase of ten percent in construction of new single-family homes. Permits for additions, renovations, and swimming pools were up an even higher percentage, as homeowners sought to enhance the experience of being confined to their homes.

Construction of multi-family units was off by an even greater percentage than single-family permits increased. During the first nine months of 2020, permits for new apartment projects were issued in only two counties, Allegheny and Butler. In case of the latter, the multi-family construction was confined to the Wyatt by Watermark at Meeder Farms apartments. Permits were issued for only 785 units of multi-family through three quarters of 2020, down 46.2 percent from the same period in 2019. Demand for apartments has not declined so much as the pandemic has caused delays in the development and construction of new units. Reports from apartment owners and national research firms put apartment occupancy at roughly the same levels as one year ago, although rents have declined for the average two-bedroom apartment by 0.9 percent.

The outlook for apartment construction for the full year 2020 will depend upon the timing of the major projects in the pipeline. While the viability of the half-dozen suburban multi-family projects is being reconsidered, approximately 975 units of new construction are approved and financed for locations between Downtown and Shadyside. Whether these, and several others, get under construction by the end of 2020 remains an open question. It's more likely that the forecast of 1,040 units of new construction for the full year will be less than the actual units started.

Looking forward to 2021, there will be continued pain in the hospitality and office sectors of commercial real estate until an effective medical solution allows people to feel comfortable returning to work and play as they had in February 2020. The industrial market should remain solid, and new increased
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requirements for warehouse and manufacturing space in the market foreshadow growth in industrial construction.

September and October offered glimpses into the economic difficulties that will linger for commercial real estate into 2021. The pace of business closings accelerated, especially among retail and restaurant businesses. As expected, layoffs have increased as the Paycheck Protection Program expired. Global corporate downsizings have hit Pittsburgh, although thus far the shuttering of locations for companies like General Electric and IBM appear to have little to do with Pittsburgh as a strategic problem.

A smaller workforce will be a drag on office demand. That’s a headwind the Pittsburgh market doesn’t need. Beyond the downsizings and uncertainty about work-from-home, Pittsburgh’s office market is plagued by a glut of space available for sublease. According to JLL, the Pittsburgh urban market has 1.6 million square feet of sublease vacancy. With another 1.6 million square feet in the construction pipeline in the Strip District and Oakland, there will be an additional five percent more space to be absorbed in a market that was already soft. CBRE reported that the direct vacancy rate rose to 14.4 percent in the third quarter, while Newmark Knight Frank’s third quarter research showed vacancy at 18.5 percent with net absorption a negative 268,000 square feet.

The healthcare and higher education markets, both of which were hit hard by the virus outbreak, have shown resilience since the summer ended. Local universities saw enrollment levels that were fairly equal to fall 2019, which will help cushion the

<table>
<thead>
<tr>
<th>BENCHMARK</th>
<th>Jan-Sept 2020</th>
<th>Jan-Sept 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Single-family units</td>
<td>2,382</td>
<td>2,166</td>
</tr>
<tr>
<td>Total Multi-unit</td>
<td>785</td>
<td>1,459</td>
</tr>
<tr>
<td>Total residential $$</td>
<td>$787.4 million</td>
<td>$787.7 million</td>
</tr>
<tr>
<td>Total non-residential $$</td>
<td>$2.87 billion</td>
<td>$3.73 billion</td>
</tr>
<tr>
<td>K-12 additions/renovations</td>
<td>$136.9 million</td>
<td>$169.4 million</td>
</tr>
<tr>
<td>Higher Ed construction</td>
<td>$173 million</td>
<td>$166.5 million</td>
</tr>
<tr>
<td>Hospital construction</td>
<td>$79.3 million</td>
<td>$851.5 million</td>
</tr>
<tr>
<td>Retail construction</td>
<td>$114.5 million</td>
<td>$142.1 million</td>
</tr>
<tr>
<td>Industrial construction</td>
<td>$279.7 million</td>
<td>$310.6 million</td>
</tr>
<tr>
<td>Office construction</td>
<td>$407.9 million</td>
<td>$357.1 million</td>
</tr>
</tbody>
</table>
financial blow felt in the spring shutdown. Hospital procedures picked back up in the summer. Assuming that the surge in elective surgeries occurs as normal during the final months of 2020, healthcare construction should be higher in 2021.

Public construction will depend entirely on the outcome of the November 3 elections. The race for the White House and Senate will have drawn the most attention, but the more consequential elections for construction will be at the state level. K-12 construction remains depressed by the inaction on PlanCon reform. The strong housing market may give property tax receipts a boost; however, most school districts have structural budget issues that will distract from or constrain capital spending. Construction spending at the state level, either for long-deferred building improvements or infrastructure, is unlikely to increase unless there is a change in the political dynamics between the state house and the governor’s mansion.

Progress on the mega-projects in the region is the best source of optimism about 2021. COVID-19 halted every mega-project in its tracks, except for UPMC Mercy Vision and Rehabilitation Hospital. With the exception of the Pittsburgh International Airport’s Terminal Modernization Program, the other mega-projects in the region should see activity again before the end of 2021.

US Steel has continued to make progress in securing the final permits needed for its $1.5 billion upgrade to the Mon Valley Works. After some initial enabling projects at the

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**Total vacancy (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Vacancy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>12</td>
</tr>
<tr>
<td>2008</td>
<td>13</td>
</tr>
<tr>
<td>2010</td>
<td>14</td>
</tr>
<tr>
<td>2012</td>
<td>15</td>
</tr>
<tr>
<td>2014</td>
<td>16</td>
</tr>
<tr>
<td>2016</td>
<td>17</td>
</tr>
<tr>
<td>2018</td>
<td>18</td>
</tr>
<tr>
<td>2020</td>
<td>20</td>
</tr>
</tbody>
</table>

**Average asking rent ($ p.s.f.)**

- Direct: $10 - $30
- Sublease: $15 - $25

---

Total vacancy in the Pittsburgh office market has increased significantly since 2018, rising to levels above those seen in 2006. Source: JLL
Edgar Thompson Works, construction halted on the program; however, design and fabrication of the plant’s new mills continued and resumption of the construction is expected by early second quarter.

UPMC put its $900 million Heart and Transplant Hospital at UPMC Presbyterian on hold, along with the announced expansion of UPMC Shadyside and Hillman Cancer Institute. The latter project is not expected to re-start in 2021 but the UPMC Presbyterian Hospital replacement is tentatively scheduled to resume activity in fourth quarter 2021. Allegheny Health Network is expected to hire an architect for its $300 million cardiovascular tower at Allegheny General Hospital by the beginning of 2021 and choose a construction manager in the first quarter. Assuming the year-end revenue projections pan out as expected, 2021 should see the numerous $25 to $50 million hospital infrastructure projects that were put on hold come back to life.

The pandemic pushed the schedule for Shell’s cracker construction back three quarters of a year, extending the period of peak construction through most of 2021. Improvements in the energy sector are fueling expectations that PTT will make a positive final investment decision on the proposed $7 billion cracker at Dilles Bottom, OH by the end of the first quarter of 2021. That optimism has been present in the fourth quarter of the last two years as well, however.

University construction was frozen throughout the region. As much as 90 percent of the construction in the pipeline for 2020-2021 was put on hold in the spring of 2020. The better-than-feared enrollment picture brought some certainty back to the higher education market in September. The impending fall flu season presents another potential pitfall for colleges but, assuming infections remain controlled as they have thus far in the 2020-2021 school year, construction should begin on several of the major university projects on ice. Among those are Duquesne’s $45 million College of Osteopathic Medicine, the new $75 million Scaife Hall, $100 million Skibo Hall expansion, and $40 million Forbes/Beeler residence at Carnegie Mellon University. University of Pittsburgh is evaluating the priorities of its master plan but is expected to proceed with at least two of the $100 million-plus projects that had been through the design/construction manager procurement process in 2019-2020. At CMU, PJ Dick is expected to start construction on Scaife Hall in January 2021. Design is underway on the Skibo Hall/Highmark student wellness center, with Mascaro Construction anticipated to begin work in the third quarter of 2021.

Construction is reported to be imminent on the $200 million FNB Tower in the Lower Hill District revitalization. Developers Buccini Pollin Group recently announced approval of the final financing pieces for the mid-rise office building. The headquarters for First National Bank will be the kickoff for the long-awaited redevelopment of the former Civic Arena site.

The project that has been most damaged by the pandemic is the Terminal Modernization Program. Although the rationale for the project remains intact, the financial devastation for the airline industry caused by COVID-19 casts doubts over the near-term future of the airlines. Long-term bond rates will make for very favorable financing for the project and the bidding environment should be ideal until at least 2022; however, without a clear picture of air travel demand, the $1.1 billion expansion will remain on uncertain footing through 2021.

Renewed progress on the mega projects will provide a foundation from which the construction market can rebuild. The heavy utilization of labor will provide thousands of additional direct jobs and billions in indirect economic activity. It will take a medical solution to the COVID-19 outbreak to generate the full recovery to the regional economy. Political theater surrounding government mandates on business and school closings obscured the data that shows clearly that demand is off dramatically in all public gathering places, with or without government public health intervention. An effective vaccine or therapy will give the boost of confidence to the public that will restart normal levels of travel, dining, and entertainment. All signs point towards such a medical solution in the first quarter of 2021. Even without the full implementation of such a solution, the signs of recovery for construction have already reappeared heading into 2021.

Unemployment declines in Pittsburgh have been smaller than in most of the benchmark cities. Source: Pittsburgh Today, U.S. Department of Labor.
The first reading of 7.4 percent gross domestic product (GDP) growth during the third quarter of 2020 showed, as expected, a strong snap back from the pandemic-induced 9.0 percent decline in quarter two. This increase, along with measurable improvements in the outlook for the COVID-19 outbreak (increased infections notwithstanding), are prompting most economists to expect a return to the GDP output of January 2020 by the end of the third quarter of 2021. That forecast, if accurate, would mean a relatively quick recovery from the deepest recession of the last 100 years.

Third quarter GDP growth was driven primarily by a 12.2 percent increase in consumer spending and a 56 percent jump in residential investment. The importance of the recovery of the U.S. consumer is the main reason for concern about the passage of another stimulus package by the end of 2020. Data from the Federal Reserve Bank of New York shows how the $1,200 check from the CARES Act worked to solidify the floor under the economy: 29 percent spent the payment by June 2020; 36 percent saved the money; 35 percent used the check to pay down debt. As long-term unemployment benefits begin to expire for the first of the unemployed on December 31, further measures to boost the consumer will avoid a slowdown in the recovery. There were warning signs for the economy as the quarter wound down.

Total U.S. Gross Domestic Product (In $Bil)

Third quarter GDP recovered two-thirds of the decline in output that occurred during the second quarter. Source: Bureau of Economic Analysis.

The Census Bureau’s Household Pulse Survey reported that 16.2 percent of all adults had not yet caught up on rent as of the end of September and 14.9 percent reported that eviction was “very likely” in the next two months. The survey also found that 32 percent of adults were having difficulty paying usual living expenses.

Economic data from the beginning of October revealed the slowing momentum of the U.S. recovery, as an uptick in COVID-19 infections in Europe and Asia provided a warning about the coming of flu season. The reports highlighted a few key areas of weakness in the economy, showing that the end of the federal aid programs for businesses was leading to more layoffs and threatening a cascade of financial problems for unemployed workers.

The most widely awaited report, the September Employment Situation Summary, was the last jobs report before the November 3 election. As expected, the October 2 report reflected slowing job growth. Employers added 661,000 jobs in September, a decline of more than 800,000 from August’s number. Economists had widely varied expectations of job creation, with forecasts ranging from 400,000 to 1.2 million new jobs. Based upon the stubbornly high unemployment claims numbers – 837,000 people filed initial claims the week before the jobs report – most observers predicted that September’s job growth would not exceed 800,000.

Unemployment fell in September, but that was not good news. Headline unemployment fell from 8.4 percent in August to 7.9 percent in September; however, the decline was primarily a result of 1.08 million workers dropping out of the workforce. One especially concerning note in the workforce participation decline was the fact that 865,000 women left the workforce, an indication that the lack of childcare options and uneven school reopening forced working mothers to opt out of work. Other troubling signs were the 48 percent increase in those who have been jobless for 27 weeks or more and the slow decline (24.6 percent) in the number who have been unemployed between 15 and 26 weeks. As of September 26, 11.8 million workers had been unemployed at least
two consecutive weeks. Without further unemployment compensation adjustments, it is estimated that millions of workers will lose unemployment benefits each month beginning January 1.

In spite of the stalled economic recovery, there have been upside surprises that bode well for 2021. Unemployment, for example, has been lower than was feared at this point in the crisis. As documented above, it is still possible that the trend in hiring could reverse or slow further and unemployment could rise as companies shed workers kept on the payrolls by stimulus measures. In June, however, there were as many forecasts predicting double-digit unemployment by year’s end as were predicting unemployment at current levels.

Those higher unemployment forecasts were one of the main drivers of the predictions of skyrocketing evictions in the second half of 2020, forecasts which have happily been wrong. Forecasts from the latter part of the shelter-at-home period ran as high as 20- to 40 million renters being evicted this year. Instead, renters are on pace to experience a record low number of evictions in 2020. Eviction filings since mid-March have plunged 67 percent from normal levels in the 17 markets tracked by Princeton’s Eviction Lab, for example. Evictions plummeted even in cities without eviction bans. All reliable sources show renters are continuing to pay their monthly rent at near-normal levels.

Source: U.S. Department of Labor

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Another upside surprise was the early data on fall enrollment at colleges and universities. According to the National Student Clearinghouse Research Center, enrollment in higher education was off 2.5 percent for fall 2020. That's not far off the pace of structural decline that colleges and universities were experiencing pre-COVID-19 and far better than was feared just a few months ago. The data, which came from 22 percent of the institutions reporting by late September, found that the largest drop was in international students. Enrollment of foreign-born students had been slipping in recent years due to the anti-immigration shift in politics. The combination of travel restrictions and fears of infection accelerated the trend so that 17 percent fewer international students have enrolled in U.S. colleges. This trend has hit graduate enrollment hardest. Public four-year undergraduate enrollment saw the least impact, falling only 0.4 percent.

America’s higher education institutions continue to face financial stresses from the pandemic, which will have a dampening effect on capital spending in the short-term; however, upbeat news on enrollment is a welcome respite. Perhaps the best news for the construction industry remains...
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the nation’s housing market. Data on housing prices defies the overall downturn in the economy. While price appreciation has been driven by an ever-constricting supply of homes for sale, the rally is now being pushed higher by pent-up demand that is responding to record-low interest rates. Cautious Millennial renters have reached life events, like marriage and child rearing, that typically spark home ownership later than earlier generations and are seeing the low cost of borrowing make ownership cheaper than at any time in U.S. history.

One of the housing market’s leading indicators, the National Association of Realtors’ (NAR) Pending Home Sales Index, reflects this unleashed demand. The NAR’s September Pending Home Sales Index was 132.8, up 92.5 percent from the April low. That index bodes well for the market, as it tends to predict closed sales by 60 days. NAR’s most recent sales data showed that existing homes sold were up 10.4 percent in August year-over-year and sales prices were up 24.2 percent.

Residential construction is reflecting the increased demand. Housing starts in August were at a seasonally adjusted annual rate of 1,416,000 units, of which 1,021,000 were single-family homes. Total housing starts were slightly lower than the July

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** Pending sales of existing homes hit an all-time high in September. Source: National Association of REALTORS. ®**

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rate of construction, but 2.8 percent higher than the number of units started in August 2019. Multi-family starts totaled 375,000 units in August. That was a steep decline from the 503,000 units started in July, but right in line with the five-year average of 373,000 units.

Multi-family construction remains solid in the face of the pandemic because demand has persisted and the financial case for development has eroded very little. Rents have slipped but not so much as to make projects unfeasible. A national apartment rent report from Apartment List shows that rents declined in 41 of the top 100 markets in the country since the onset of the pandemic in March. San Francisco, New York and Seattle have seen the steepest decline in rental rates. Nationally, rents have decreased 1.4 percent in 2020. Evidence in September suggests that the rate of decline is slowing and 59 of the 100 largest markets saw slight increases. The September shift in trend does not appear to be significant enough to alter the course for the full year.

Total construction spending in August rose to $1.412 trillion, according to the October 1 report from the U.S. Census Bureau. That level of spending was 1.4 percent higher than in July and 2.5 percent higher than August 2019. Nonresidential construction accounted for $814 billion of the total activity, a decline of 0.7 percent from one year earlier. Variances in spending for private versus public construction remained insignificant year-over-year, suggesting that significant revisions may be forthcoming post-COVID. Estimates of new contracting were not available but anecdotal evidence suggests that backlogs are not being built to levels that will support the same levels of construction in the first half of 2021.

One of the more reliable leading indicators of construction activity is, of course, design activity. The best indicator of where design demand is going is the American Institute of Architects (AIA) Architectural Billings Index (ABI), a monthly survey of AIA member firms that is a binary check of whether several key metrics are increasing or declining. A reading
above 50 means more firms are seeing increased billing than declining. As could be expected, the ABI plunged in late spring, with the billings index falling from 54.3 in February to 29.5 in April. The ABI was stuck at 40 from June through August, although the index climbed to 47 in September. That’s a bad sign for contractors for 2021. Given the lead/lag relationship between design and construction, architects should be busy through the summer months if there is going to be an active bidding environment to build backlogs for the following year. Given the abrupt nature of the shutdown/slowdown that has followed the COVID-19 outbreak, it’s likely that many projects in the construction document stage in spring have not advanced.

On a positive note, the August and September ABI showed that project inquiries had increased above the breakeven point, with a reading of 51.6 and 57.2 respectively. Inquiries had fallen similarly in March through May. The rebound in inquiries sets the stage for what should be increased billings later this year. For those looking to read the tea leaves, it’s worth noting that the ABI for inquiries first recovered above 50 following the financial crisis in March 2009, which was the month generally regarded as the beginning of the ten-year-long expansion.

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President, Millcraft Hotel Division
Hilton Garden Inn Pittsburgh Area Beaver Valley
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The spread and nature of COVID-19 played out in erratic swings in prices as the third quarter wound down. While material prices overall have been pushed lower, the disruptions in the supply chain that resulted from pandemic-induced shutdowns in the spring resulted in sporadic shortages and prices that spiked upwards for brief periods. Overall, however, the steep decline in global demand for basic industrial commodities and consumer products has halved the rate of inflation since March 1.

Lumber and #2 diesel fuel are the best examples of how the chaos following the outbreak of COVID-19 roiled markets.

Lumber and plywood saw a decline in production during the spring shutdown. Sheltering at home produced a surprising increase in home improvements, pushing demand up as supply shrank. The result was month-to-month increases in prices in excess of 40 percent and year-over-year hikes of as much as 300 percent. By September, supply caught up and price increases compared to September 2019 were “only” 49.2 percent. Futures prices of lumber and plywood forecast prices to return to pre-COVID levels in early 2021.

Diesel fuel similarly saw a decline in price as the virus smothered demand for oil and industrial users of diesel – like the construction industry – needed less of the fuel. In contrast to lumber prices, the price of #2 diesel has fallen 14.4 percent since September 2019; however, the re-opening of the U.S. economy and the pullback in production led to a recovery in oil and diesel prices. September’s diesel fuel prices were 35.5 percent higher than the prices in June, but 2.7 percent lower than the price in August.

Demand for construction materials and building products has leveled off or rebounded, and supply chains have begun to catch up. As a result, prices for most materials fluctuated less than one percent from August to September and are only slightly more volatile since June. The exceptions are industrial metals. Copper, aluminum, and especially iron and steel scrap, have seen aggressive price hikes since summer began. Copper is up 14 percent. Prices for aluminum mill shapes have jumped 10.6 percent since June, and scrap prices have risen 11.2 percent in the same time period. Prices for steel and fabricated steel have stabilized, with fabricated steel edging up two percent in September compared to one month earlier.

Construction wages have remained stable, even rising 1.1 percent from June to September. As the number of COVID-19 infections increase as November begins, prices of construction materials will remain relatively stable unless an unexpected increase in hospitalizations and deaths occurs. Assuming the fall flu season does not result in a surprise that leads to global halts in production and troughs in demand, the volatility of COVID-19 should not drive prices as it did in mid-2020.

### PERCENTAGE CHANGES IN COSTS

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<th>Costs by Construction Types/Subcontractors</th>
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<td>PPI for new nonresidential buildings</td>
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<td>Iron and steel scrap</td>
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*Source: Bureau of Labor Statistics. Updated October 14, 2020
Compiled by Ken Simonson, AGC Chief Economist*
March 15, 2012 is likely to be the date that future Beaver County officials point to as the moment the county’s fortunes changed. On that Thursday afternoon, politicians from the region gathered to hear Dan Carlson, Shell’s general manager of business development, announce that the petrochemical giant had chosen the former Horsehead Corporation plant in Potter Township as the preferred site to build an ethane cracker.

Shell’s selection of the Potter Township site was the culmination of a multi-year, multi-state contest involving the civic leadership of Pennsylvania, Ohio, and West Virginia. The development of a petrochemical plant in the Appalachian Basin was also the fulfillment of the promise the oil and gas industry had made five years earlier when exploration of the Marcellus Shale formation began. It wasn’t about the natural gas, they said, it was the renewal of manufacturing that was going to be the real economic benefit of the fracking.

That message resonated especially well with the folks in Beaver County. The economic heartbeat of Beaver County had been manufacturing for almost a century. The manufacturing of steel and other heavy industrial products provided a livelihood for tens of thousands over many generations. Leaders in Beaver County strove for 30 years to replace the heavy industries that abandoned the riverfronts of the Ohio River and Beaver River, leaving communities like Ambridge, Aliquippa, Beaver Falls, and Monaca without an economic foundation.

Beaver County is cursed and blessed by its location. Linked by river and rail to Pittsburgh, Beaver County is also at the far northwestern corner of the metropolitan area. When the main linkage between Beaver County and the heart of the region was removed in the 1980s, the county was left more isolated. Even after the completion and designation of I-376, Beaver County remained linked to the region by infrastructure more than economic ties. The cracker is the catalyst to change that.

For nearly a decade now, that catalyst has been more promise than reality. An extended period of due diligence, lengthy construction timeline, and a pandemic meant that the economic rebirth that the petrochemical plant promised remained in the future, even to this day. As 2020 winds down, however, the finish line is in sight. Shell updated the market in late summer, announcing that the plant was 70 percent completed. No startup date was included in the update, but the math is easy enough to do: Shell should be producing polymers at the Franklin plant within the next two years.

Questions remain unanswered, however. When will Shell turn the lights on? What other businesses will move in behind Shell? When will that next wave begin to scout for locations? Will that wave settle in Beaver County or drive more development in Allegheny or Lawrence County? Is the county ready for an influx of new business? If not, what is missing to return Beaver County to its industrial roots?
Preparing for Success

“I don’t want to sound like a Creedence Clearwater song, but I left a good job in the city to move to Beaver County,” jokes Lew Villotti, president of Beaver County Corporation for Economic Development (CED).

Villotti spent 17 years with the Southwestern Pennsylvania Commission, leading the regional transportation planning and assisting hundreds of community organizations pursue state and federal funding for projects. He joined Beaver County CED in September 2019, following the retirement of Jim Palmer.

“The reason that I came to Beaver was that I worked with Jim and this organization over the years and I believe Beaver is a hidden gem. I talk to people who have been here their whole lives who tell me they are starting to see a difference that they haven’t felt in years,” says Villotti.

Beaver County CED is the lead economic development agency in the county. Like dozens of economic development groups that have tried to rejuvenate Beaver County or its communities over the past 40 years, the CED has always worked with fewer resources than needed. That competition for resources made it difficult to mount the kind of unified effort that may have been most effective in promoting the county.

Beaver County had a total population of around 165,000 as of the 2018 Census Bureau estimate. Of Pennsylvania’s 67 counties, 21 have a larger population than Beaver County. Its population size ranks fifth among the seven

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<td>169,785</td>
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Beaver County’s population has declined 8.8 percent since 1990. Source: U.S. Department of Census, Shelby Stewman Demographer.

Beaver County has a total population of around 165,000 as of the 2018 Census Bureau estimate. Of Pennsylvania's 67 counties, 21 have a larger population than Beaver County. Its population size ranks fifth among the seven...
counties in the Pittsburgh metropolitan statistical area (MSA). Beaver County’s population declined 3.5 percent from 2010 to 2018, still ranking it ahead of Armstrong, Fayette and Westmoreland in the MSA.

Beaver’s demographics are like most of the MSA’s outlying counties. In 1990, the population in Beaver County was spread fairly evenly between the five-year demographic breakdown cohorts from newborn to 50 years old, with between 10,000 and 15,000 people in each. Since then, that main demographic driver has become smaller and has moved up the aging scale. Beaver County’s largest demographic cohort is the 60-64 year-old group, and the only cohorts with at least 10,000 people are between 45 and 65 years old.

There are 52 municipalities in Beaver County, most of them townships, and two third-class cities, Beaver Falls and Aliquippa. The county is home to 14 public school districts and 16 non-public and private licensed schools, including the PA Cyber Charter School. Geneva College, Penn State-Beaver Campus, and Community College of Beaver County are the three higher educational institutions, along with the Trinity School for Ministry seminary in Ambridge.

The small towns of Beaver County operated almost self-sufficiently until the industrial exodus of the 1980s, although decline had begun to set in a decade earlier. That municipal independence, and the rural nature of large portions of the county, made it more difficult to mount a unified economic recovery. The loss of revenues from the departing industries left the small mill towns fiscally strapped. Towns struggled to fund their police and recreation programs, let alone invest the millions it would take to reclaim the former industrial sites and prepare them for new development. For the most part, that task fell to private industry.

Shell’s choice of the Horsehead plant provided a focus for county and regional leaders. Resources needed to be brought to bear to prepare for the cracker plant construction. The project’s demands for commercial support were quantifiable. Business attraction efforts could target a narrower band of industries, using resources more efficiently. The project also validated Beaver County’s continued emphasis on manufacturing as an economic heartbeat.

“Beaver County is so ideally suited for any manufacturing, distribution, or supply-chain industry,” says Helen Kissick, president and executive director of the Beaver County Chamber of Commerce. “Our access to bridges, rivers, highways, and airports, all converging in one area, make this a really good place to locate manufacturing businesses.”

“I think that while Allegheny County and some other communities are rejecting the idea of manufacturing and petrochemicals, Beaver County respects the historic legacy of manufacturing in our communities,” says Beaver County Commissioner Jack Manning, who was formerly...
the president of the Chamber of Commerce. “Part of our vision for the diversity of the economy is to continue to welcome small manufacturing.”

“Beaver County is not afraid to say that we are still a manufacturing and heavy industry location. We ask the people to do it as environmentally sensitive as possible but we are willing to listen,” agrees Villotti. “The ability for Shell to be there has told people that this is a county that will look at its riverfront property for industrial use.”

Those riverfront properties required considerable investment to be available for new use. While there have been millions in public subsidy to prepare former mill sites, much of the cost was borne by private developers that took the projects on. For the most part, those riverfront properties are now part of C. J. Better Enterprises portfolio. C. J. Betters, which owns businesses that could monetize the environmental cleanup, purchased the former mill sites in Aliquippa and Midland for pennies on the dollar before investing in them. In 2020, the firm controls about 225 acres of riverfront in Aliquippa. Beaver CED has 72 acres in the Aliquippa Industrial Park. Those properties will become available once construction of the Shell Franklin project wraps up.

Villotti says that the industrial sites on the Ohio are not a secret among manufacturing companies, many of which have no relation to the chemicals industry.

“They are the ultimate pad-ready sites. They have access to both river and rail that heavy industry will find attractive,” he says. “Almost as fast as Shell decommissions the properties, we are getting two or three offers on them.”

“The biggest thing that Shell did, outside of investing $6 billion or so in our community, is the fact that they put us on the map. That was the best advertisement for Beaver County we could possibly get,” Manning says. “People across the country, and even in Europe and Asia, knew where we were because of the plant. We are getting inquiries from around the world. That's been pretty exciting.”

Beaver County has an underestimated advantage with its rail service, according to Von Fisher, vice president of Ambridge Regional Distribution and Manufacturing Center.

“I am marketing from New York to Chicago right now for the manufacturing of polymers. We are also pushing the logistics side of the business because we are right in the middle of half of the demand in the United States,” Fisher explains. “Beaver County is the number one destination for products coming out of the ports of New York and New Jersey. Most of the freight moving on rail to the West comes through Pittsburgh. The Conway rail yard is still one of the largest classification yards in the United States. We can get things to port on the East Coast very easily. It is inevitable that we are going to be a major player in the polymers market and I think logistics will be a big part of that.”
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For all the excitement surrounding the Shell project and the potential manufacturing rebirth, there are still challenges facing Beaver County. For one, there is almost universal agreement among developers, users, county leaders, and real estate brokers that there aren’t nearly enough sites to meet demand. Beaver County’s small towns have also lagged behind in getting resources needed to revitalize, although a handful have reversed the course of decline. And the basic infrastructure is inadequate beyond the legacy highways and rivers.

“My biggest disappointment over the past couple years, especially with Congress, has been a lack of a true infrastructure bill that would allow expansion and updating, particularly for broadband and modernizing our grid,” says Manning. “The COVID-19 pandemic has really highlighted the deficiencies in our Internet and broadband network.”

“We want to make sure that there are good locations for new business, of course, but another important asset is a good workforce. We are working with educational institutions like CCBC Penn State-Beaver, and technical schools to help ensure there is a robust workforce for companies to tap into,” notes Kissick. “If we ask any employer in our region about their biggest concern, it is access to a skilled workforce. The demographics create a big challenge for Beaver County. The pandemic has hurt the workforce too. We’ll continue to work with those schools over the next year to see if we can help retool some of the folks that are laid off permanently.”

Meeting the challenges of modernizing broadband communications and adequate skilled workforce, though important, are secondary to the challenge of preparing places for new companies to locate. This is especially true since the growth in development is also occurring in logistics and distribution.

“Our biggest challenge is available pad-ready sites. Everybody in the region faces that challenge,” notes Villotti. “We’re pretty blessed to have property available along I-376 or the Ohio River but that won’t be sufficient. The big thing for companies looking at the area is the inventory of pad ready sites. Over the next year or two we’re hoping to change that discussion and have more sites available.”

**What Does the Market Want?**

That timing would be propitious. Although Shell has made no formal announcement of a startup, it’s generally expected that it will be by the end of 2022. There are general concerns that the pace of inquiries will escalate...
rapidly just ahead of that, creating a crunch on developers and property owners.

“We have had one potential tenant come through and tell us they don’t want to do anything for another 18 months, until the cracker is almost operational. They still think that they’re going to be able find a site with no problem,” says Fisher. “I think what is going to happen is in about 18 months we’re going to have many companies looking for space all at once.”

“The cracker has yet to begin to drive what it takes to make real estate work. I think that it will but Shell is not yet to the point of announcing when the keys will be turned on,” says Tony Rosenberger, president and chief operating officer of Chapman Properties. “That’s the real question. Where in Beaver County can I get a good foothold? It’s the reason that we are currently in Washington County. We can get things done now.”

Rosenberger is an Ambridge native whose first three real estate projects were in Beaver County. The question he asks illustrates where the Beaver County real estate market is in 2020, waiting for Shell Chemicals to announce when production will begin. Such an announcement should start the clock running on the next phase of development in Beaver County. Supply chain companies and, with luck, customers can begin counting backwards from the startup to the time when they should begin finding a place to land. It is fairly certain the startup should be within the next two years, give or take a quarter. Thus far, however, that isn’t close enough for the market to detect, although most of the landowners and brokers have seen an uptick in inquiries this fall.

“We are seeing an uptick in interest for sure. The interest is coming from people in and around the plastics industry or tertiary service industries related to it,” says Dave Laffey, vice president of Castlebrook Development Group. “There are a lot of the service type contractors looking for 10,000 square feet to 50,000 square feet, but we are seeing an uptick in the 100,000 to 250,000 square foot-range requirements.”
The latter are more likely to be the kinds of manufacturing or large-scale logistics operations that were hoped to be downstream from a cracker. A wave of those types of requirements would suggest that industry insiders have begun lining up in anticipation of Shell Franklin going operational. It’s possible that the timing is right for that activity to begin, but the COVID-19 pandemic has clouded that assessment.

“We started to see an uptick at the end of last year and then the pandemic came. That’s slowed down activity quite a bit,” observes Chuck Betters, CEO of C. J. Betters Enterprises. “Right now, I’m starting to see a small resurgence, but I think the pandemic has a lot of people spooked. What we need is to get this pandemic under control.”

“Unless you are any major distribution and warehousing market - and we are not - there isn’t a lot of great news for commercial real estate anywhere,” says Rick O’Brien, managing director of Industrial Brokerage Services for JLL. “We are in a general industrial market that is slow and steady. There is not a lot of foot traffic attributed to the cracker plant, but we expect to see a lot of activity once Shell has defined an opening date. There is a 37 percent glut in the plastic pellets market, which also does not help.”

C. J. Betters Enterprises has major land holdings on the Ohio River that are also served by rail. Along with the CED, Betters has had success leasing property in the Aliquippa Industrial Park to Shell or its contractors for storage facilities and lay-down to service the Franklin plant’s construction. Those properties will be prime targets for more permanent development once the plant opens. Thus far inquiries have not turned into agreements, limiting the benefits of Shell’s investment.

“What I have found very interesting about Beaver County is that there hasn’t been an increase in overall activity

Large tracts of pad-ready land, like this Beaver County CED parcel in Aliquippa Industrial Park, are available along the Ohio River for industrial development. Photo courtesy of Beaver County CED.
considering the size and scale of the project in Potter Township,” notes A.J. Pantoni, director of industrial brokerage for Hanna Langholz Wilson Ellis. “I have a property in Rochester that is older, and I did secure a company that is going to be working directly for Shell. Ambridge Regional has really been a winner in the Shell development because they were ready and willing to provide people with three- and five-year leases rather than the standard lease. But when I drive through Monaca or Ambridge, I still see store fronts that are shuttered. I still don’t see a lot of people asking to be in Beaver County.”

When those people begin to knock on the door, the relative lack of pad-ready land for large industrial users could be a drag on growth. Developers and brokers are concerned that the limited inventory of sites will come as a surprise to out-of-town companies scouting the area by looking at aerial maps or Google Earth, which don’t show the topography.

“The challenge in Southern Beaver County is that there are really no industrial development sites. If you look at an aerial view of Southern Beaver County, from the Parkway West extended to Monaca, the flat patches that you can work with are already developed,” says O’Brien. “When we did the cracker site selection, we had a lot of inquiries for construction support, warehousing, and such. People were down in Houston looking at the map and trying to find land as close to the plant as they could. They would look at the map and ask about a location, and we’d have to tell them that they were looking at a mountain.”

“There are a number of people out there that are looking at 100,000 square feet-plus. In our market we just don’t see that many of those. I am out with a logistics company and there’s nothing out there. Existing buildings that are there don’t work for the current requirements,” says Pantoni. “I think that’s where the developers should be focusing.
There are four or five other people with large requirements like these now. I think the folks in economic development are planning on waiting to have something that’s a bird in the hand, and we’re missing out on these opportunities. You don’t have to have something that’s ready to go, but at least have something with permitting in the works to the point where you could go to construction in six months.”

Assuming there is an influx of manufacturing over the next few years, the availability of riverfront sites with rail service should be adequate to meet the initial demand. Chuck Betters plans to add to the inventory by preparing roughly 100 acres of the former Allegheny Ludlum site in Midland for development in 2021. But the shortage of sites will be more critical to another growth sector of Beaver County’s real estate market, logistics and distribution.

“The interchange of I-376 and I-76 and the connection to the airport makes this a prime location. That’s especially true with the airport corridor starting to get built out,” says Dave Laffey. “It’s also closer to the Youngstown-Cleveland-Detroit corridor. That location is becoming attractive for logistics firms filling in their Columbus-to-East Coast distribution networks.”

Castlebrook Development, which is wrapping up a large mixed-use commercial project called The Bluffs at Glade Path behind Beaver Valley Mall, is doing site development on Turnpike Distribution Center II in Big Beaver near the Turnpike/I-376 interchange. Just off the Turnpike,
Last year, the Community College of Beaver County (CCBC) launched a new program aimed at educating the future construction industry workforce. The Mascaro Construction Technology and Management program is a marriage of local workforce education, the workforce development efforts of the construction industry at large, and a $500,000 gift from Mascaro Construction. The impetus of the program was the Shell Franklin plant project, on which Mascaro Construction was one of the early works contractors.

The program is a two-pronged approach that develops future construction talent from the ground up. The Mascaro Construction Academy offers a certification for high school students interested in a career in construction. CCBC offers a two-year associate degree in applied sciences under the Mascaro Construction Technology and Management program.

“We found certain careers that have good potential and career pathways and construction is one of them. We started out with the Mascaro Construction Academy, which allows juniors and seniors in high school to take college credit classes in those programs,” says Justin Brooks, director Mascaro Construction Technology and Management for CCBC. “What they can do from there, after graduating high school and receiving their certificate, is go towards the union trades or stay on with us and get their associate’s degree. I see three outcomes or pathways from the program. Students can go towards the union trades. They can get their associate’s degree and get into a technical role with a construction company, or go on to get a four-year degree in either engineering or construction management.”

High school students begin with the basics of construction, like safety, the project process, construction tools, and basic measurement. In the associate’s degree program, CCBC students receive some general college courses and then have an opportunity to take more technical and detailed courses that are specific to construction, like estimating, project management principles, building information modeling, green building, and construction methodology. In 2019, five high school students enrolled in the Mascaro Construction Academy. This year the number involved overall has doubled.

Michael Mascaro, executive vice president of Mascaro Construction explains that the investment in the CCBC program matched an industry need with a program trying to meet the need.

“There are a lot of young people coming out of the Beaver County area who are going into the construction industry,” Mascaro says. “The cracker is a major regional construction project that is bringing thousands of jobs. CCBC has been at the forefront of identifying potential candidates for the construction industry and they felt that the workforce development program that we introduced to them was a good idea.”

The Mascaro Construction Technology and Management school at CCBC is not an apprenticeship program, but rather aims to be a launching point for young people to enter the construction industry.

“What separates us from the technical schools or the unions is we are less hands-on. We try to give them an overview of what all of the trades are doing on the same site and work with them on the soft skills,” explains Brooks. “In every class we typically have them working on projects that get the team-building soft skills and build upon them.”

“I don’t know if the academy itself will have an impact on the economy, but every man and woman that goes into the construction industry has a positive impact on the economy,” says Mascaro.
one exit to the east, Crossgates Inc. is preparing for an expansion of the Westgate Business Park.

“We purchased the other building in that park two years ago. Our mind was on the cracker plant, but at the same time we saw a lot of industrial potential with I-376 and the Turnpike being right by the site,” says Ryan Schwotzer, president of Crossgates. “We saw the potential for logistics, and oil and gas was one component of the model.”

Crossgates completed a 105,000 square foot warehouse in October and is preparing to add more space to Westgate’s capacity, either by doubling the size of the new building or building another 105,000 square foot free-standing distribution center. The third phase of Crossgates’ activity will be a 75,000 square foot warehouse. Beaver County CED also recently completed a 30,000 square foot building to market to smaller firms.

At Turnpike Distribution Center II, Castlebrook has hit the reset button on what will be one million square feet of distribution space. Originally planned as a major logistics center, the property was identified as the site for the proposed Mount Airy Casino in 2018. When the Pennsylvania Gaming Control Board denied Mount Airy’s application for one of the mini-casinos in November 2019, Castlebrook revived its original plans.

“We finished the site work and roadway in late October and have started plans to do a 400,000 square foot spec distribution center in the spring,” says Laffey.

The Turnpike Distribution Center project was aided by a $6.9 million loan from the Power of 32 Site Development Fund. Power of 32 funds major commercial projects by providing patient, low-interest loans for site development. That’s the kind of public-private investment strategy that could be the key to helping Beaver County meet the potential demand for sites when Shell fully opens its polyethylene plant. All the evidence suggests that companies looking to

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locate in the region are waiting until much closer to plant startup than would be ideal for development. That may be particularly true if those selecting sites are unfamiliar with the trials of finding and entitling a site in Western PA.

Leaders in Beaver County have spent nearly 40 years boot-strapping solutions to the problems that came from lost industry. There are signs of a comeback throughout the county. As a key moment in Beaver County’s history approaches, it’s in the best interest of the larger Pittsburgh region to support the commercial demand that will arise. Beaver County is expecting the demand to come.

“I think what follows a cracker plant historically will lift this area,” predicts Chuck Betters.

“Our small towns are really making a comeback. There are tremendous opportunities for folks to start small businesses in meaningful ways that haven’t been here for a generation,” says Jack Manning. “To me, that’s an opportunity to drive resiliency in our small towns and small businesses. The other diverse part of our economy is the cracker plant and what it has done.”

Lew Villotti reports that he has seen a shift in the inquiries from companies since October 1, with people moving from kicking the tires to requesting quotes. He hopes the regional and state leaders will feel the urgency, especially with the new “Pittsburgh Next is Now” branding underway.

“I tell people if they really want to be a part of the change in Beaver County, now is the time to get involved,” Villotti says. “There are vibrant communities and downtowns that are redeveloping. We have blue collar work and you can be involved in the communities here. The major corporations here are tremendous in their support and how they have come to the support of other companies during the pandemic. There are a lot of opportunities here and we just need to collectively get behind them and understand what our play is.”

“I think we’re creating a very resilient economy that is diverse enough that we won’t be subject to the vagaries of Wall Street,” says Manning. “I think post-COVID we’re going to have an economy that will be as resilient as the people of Beaver County have been. We see the future as very bright.”
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In 2009, Monaca School District and Center Area School District voluntarily merged to form the Central Valley School District. The two rival districts had seen enrollments decline after the mills in the Beaver Valley closed in the 1980s. The merger was the first in Pennsylvania in 20 years. Merging gave Central Valley the chance to offer more educational opportunities to the students than either could offer separately; and the merger allowed the districts to save millions in annual budgets. One of the benefits of merging was that the districts could consolidate facilities and invest in schools that were in need of updating. The Todd Lane Elementary School in Center Township was one of those schools.

“What drove the project was the age of the building. It was in desperate need of renovation,” says Nick Perry, superintendent for Central Valley School District. “That being said, the design was driven by the program of the renovation. We created special spaces for the practical arts that did not really exist. The technology that was put into the building was strictly program related, things like a stage for the band to practice and upgraded special education facilities for children of need. There was also a learning stairs/large group instruction area that was put into the building that allowed for team teaching multiple classrooms at a single space.”

“They were in pretty good shape for the number of classrooms. It wasn’t an enrollment driven program; it was more of an education driven program,” notes Keith Karper, project architect for Crabtree Rohrbaugh & Associates. “They did not have the common spaces. They wanted a larger cafeteria space for large public gatherings. They also wanted a large group instruction area that could help tie all the students together into groups for break out instruction. That was one of the driving forces of the project.”

What emerged was a $15 million program that involved a major renovation of the 98,000 square foot existing Todd Lane Elementary and a small 4,600 square foot addition. Crabtree Rohrbaugh is a large architectural firm based in Mechanicsburg, with projects throughout Pennsylvania, Maryland, West Virginia, and Virginia. Central Valley School District was one of the firm’s first clients in Western PA. The firm had done the feasibility study for Central Valley, which gave them a view towards the overall needs of the district. That presented a challenge for the Todd Lane project, which was one of the first in Central Valley’s plans.

“One of the main challenges was keeping the budget under control. That was the number one challenge,” says Karper. “We had done the district-wide feasibility study and knew that they wanted to do other projects in the future; so, we wanted to keep..."
this slice of the pie under control.”

Construction documents were completed in spring of 2017 and the project bid in compliance with the Separations Act. The successful general construction contractor was G.E.M. Building Contractors & Developers, Inc. from New Castle, the holding company for E & G Development, Inc. E & G was founded by Gale and Evelyn Measel in 1947. Gale E. Measel Jr. reorganized the corporate structure of G.E.M., for which E & G Development continues to self-perform its trades and manage the construction labor. Geoff Measel, grandson of the founders, now manages day-to-day activities for G.E.M. and oversaw the Todd Lane Elementary School project.

“Todd Lane was a combination of major renovations and a few small additions to the building. It was a 1950s or 1960s building and it needed updating,” says Measel. “There was a lot of site work, a new parking lot, and handicap access. It was a very challenging project that was a huge benefit to the school district.”

“One of the biggest challenges was that it was one of the few projects that actually kept kids in school during construction,” Measel continues. “There were four major phases but within each phase there were sub-phases. Each step had to happen in sequence to move the kids into a new area and keep the project moving.”

Nick Perry explains that a lack of alternatives drove the decision to occupy the school during construction. “There was really no other place to put the kids. We didn’t have another facility to put the students,” he says. “The location to place temporary classroom trailers on the site did not exist and we still would have needed to run electric and water utilities. We felt with the phasing plan we were able to move the kids throughout the building into areas where the construction was not taking place in a safe manner.”

For G.E.M., which was responsible for coordination and scheduling of the project, working around the students elevated the level of stress. “We took a lot of questions about our OSHA procedures for dust and silica containment,” says Measel. “There were a lot of challenges related to having the building occupied. The teachers didn’t want to be in a building that was under construction and the parents didn’t want their kids to be in a building that was under construction, so we were under a microscope.”

Phasing was focused on the needs of the students, rather than the most efficient sequence for construction. The renovations took place in areas that were immediately adjacent to classrooms and active spaces, but not adjacent to other construction areas. The phasing relied heavily on a choreography of completing those nonadjacent spaces. That coordinated task became more difficult when unforeseen conditions were encountered.

“There were a lot of unforeseen conditions that we ran into, things that weren’t originally documented on the drawings that were given to us,” says Karper. “That created its own set of challenges.”
There was an undermined slab in the existing cafeteria, so we had to tear out the floor slab and rebuild all the sub grade structures,” Measel recalls. "The problem was that the cafeteria and kitchen were in phase one and we had to complete that phase to get to phase two. What ended up happening as a result of that change order was, we ended up doing three phases of the project over the summer. In three or four months we did probably 15 months’ work. It was utter chaos that summer. The goal was to get the kids in the school, and they didn’t have a Plan B, so we did what we had to.”

Measel explains that the challenge of accelerating the schedule was compounded because a structural staircase had to be removed that was originally planned for the next phase. An occupied classroom was directly above the stairwell, meaning the demolition of the structure wasn’t part of the phase one demolition. Reconstruction of the stairwell and classroom were part of phase three, which meant accelerating part of another future phase to meet the needs of phase one. Measel credits the willingness of the team for making the accelerated schedule work, including the other prime contractors that didn’t work for G.E.M.

“The primes on the job were all on board and we had constant meetings to plan the work. Everybody came together and basically worked six days a week, 50 or 60 hours per week,” he says. “It was a combination of everybody working together and everybody understanding that, even though there were going to be some stressful days, we had to make it work to get the kids in the school. That said, the last two weeks before the kids returned to school were absolute chaos.

“We threw a lot of labor at it, which was challenging because there was a shortage of labor at the time. It wasn’t like everybody had 30 extra workers to throw on the job.”

Perry points out that the region’s biggest construction project made finding extra workers that much more challenging.

“We have the Shell plant being built in our district and that created difficulty in finding workers,” he says. “I think that was a challenge for the contractors, competing with the work that was going on at Shell.”

“We also introduced a fire protection system into the building to bring it up to code. That created its own challenges in terms of phasing the project,” says Karper. “It was an ongoing issue during construction because certain areas of the building could not be completed, from a building code perspective, until the sprinkler system and fire-rated partitions were done in other areas.”

One of the more interesting aspects of the projects was the construction of an amphitheater-style instruction area that is connected to the cafeteria and accessed from the main entrance to the school. A two-story space, the stairs leading to the lower floor act as seating that can be used theater-style or as breakout instructional space.

“The amphitheater was one of the trickiest parts of the job because it was part of the central core of the building. There were two beams holding up the second floor that were torn out to make the two-story teaching space, which was a really cool element of the design,” says Measel.

Karper is pleased that the school district was able to get all the programmatic needs while staying within the budget resources allocated for the project.

“I would say as a group we work pretty well together. We did a complete renovation of the classrooms and public spaces, including the administration offices,” he says. “We completely revamped the entrance to the building. There are all new finishes and all new mechanical and electrical systems, so it is a much more energy efficient building. It will save the taxpayers quite a few dollars down the road.”

Even with the unforeseen conditions and change orders that arose, G.E.M. and the contracting team found ways to keep the project moving towards its opening in 2019. Measel says that Perry and the school board were the key to working through the challenges.
“No renovation is ever easy. They are the hardest of the jobs,” says Measel. “The school district understood that everything was not going to work out the way they wanted. They gave us the gym as our home base, and we manipulated the schedule to make it work. We prioritized the classrooms and the main corridor areas. There were areas that we had to leave before we were completed and returned later, but we kept the building functioning throughout.”

“I think both the architect and the contractors did a fabulous job,” concludes Perry. “There’s not a day that goes by that somebody doesn’t compliment the building. It was very well done.”

**PROJECT TEAM**

- G.E.M. Building Contractors & Developers Inc. . General Contractor
- Central Valley School District .........................................Owner
- Crabtree Rohrbach Architects ..........................................Architect
- Tower Engineering ..........................................................Mechanical/Electrical Consultant
- Atlantic Engineering Services ...........................................Structural Consultant
- Sleighter Engineering Inc. ..................................................Civil Consultant
- McFarland Kistler & Associates .........................................Food Service Consultant
- D & G Mechanical Inc. ............................................................Prime HVAC Contractor
- McCurley Houston Electric Inc. .........................................Prime Electrical Contractor
- Guys Mechanical Systems Inc. ........................................ Prime Plumbing Contractor
- Allegheny Installation ..................................................Epoxy & Polished Concrete Flooring
- Butler Floor & Carpet Co. Inc. .................................Carpeting
- Caruso Paving ..............................................................Asphalt Paving
- Fantin Flooring Inc. ........................................................Ceramic Tile
- LM Construction ..........................................................Interiors
- Masterpiece Painting ......................................................Painting
- Northeast Interior Systems ..............................................Casework
- Slippery Rock Roofing ..............................................Roofing
- Specified Systems Inc. ................................................Glass/Glazing
- Kusler Masonry .................................................................Masonry
- Tom Brown Contracting .............................................Waterproofing
John and Barbara Raught, the husband and wife team that runs Northstar Environmental, adopted a change to their compensation system ten years ago that was considered unorthodox but John thinks it has made all the difference in the company's success.

“We have a dedicated group of people who are well compensated. We have a profit-sharing program with them that is all based on their hours,” says John, who is the firm's treasurer and manages operations. “We give our mechanics a timecard each week with the jobs they’re working on, the total hours in the estimate, and the number of hours that remain. A lot of people in this business think that if you give your mechanics the number of hours that are left on a project, they will use them all. It's not worked that way. Since we started this program, I don’t have to police jobs; in fact, I’m more apt to get a call from one of my people asking me to get a lazy worker off the job site. That worker knows that at the end of the day if he beats the estimate by 10 hours, he’s getting five of them.”

Northstar Environmental is the largest testing and balancing contractor in Western PA. The company was founded in 1995. Northstar has a crew of eight mechanics who are members of Sheet Metal Workers Local 12. Along with the Raughts, Northstar has two administrators in their Bridgewater office who are responsible for writing their client's reports and filing the voluminous regulatory and certification paperwork.

The work involves testing, adjusting, and balancing the HVAC systems in new construction and existing buildings. Northstar does about 40 percent of its volume working directly for building owners and 55 percent of its work comes from mechanical contractors involved in construction projects. Although Northstar also performs leakage testing for ductwork, along with some other HVAC and building systems testing, no other services make up more than three percent of its volume.

Testing and balancing is a relatively small, but growing, industry segment. Northstar's services were often done by the HVAC contractor on the project. Owners found it beneficial to engage a third party to ensure that the final adjustments to the HVAC systems controls and distribution worked as designed. The growth in the business is in part due to the increase in complexity of building systems; but, Raught sees the changes in construction administration as an important driver of his services.

“When I started in the business in the 1980s, there was an engineer on site for a project of any size,” Raught recalls.
“Basically, everything has to be working before we can do our job. Invariably, people make mistakes and we find problems. If we found an issue years ago, we would go to the trailer and work it out with the engineer. Somewhere along the way professionals got their fees cut and, in turn, they cut their services. I think there is more demand for our services because there is heightened knowledge of what we do and what we provide. And, to put it simply, we are pretty cheap in the overall picture. Our services are roughly two percent of the mechanical contract. The reality is that we are the cleaners on the project. Nobody gets paid until we are done, and the system works.”

The Raughts followed an unconventional path to business ownership, although John jokes that he has been a contractor of some sort since he was about 12 years old.

John was born in Aliquippa and moved with his family to Morgantown and then to Sewickley, where he graduated from Quaker Valley High School. Barbara earned a Bachelor of Science in Nursing and worked as an operating room nurse in the early years of marriage. John’s plans did not involve the HVAC industry.

“When I got out of high school, I was supposed to be a professional baseball player but that didn’t work out,” Raught laughs. “So I followed the other family tradition of joining the Marine Corps. When I completed my service, I moved to Florida because I had good times there. I worked as an auto mechanic there, but I knew I was never going to make a ton of money as a mechanic, even if I had my own shop. When I was working down there, I met a man who did testing and balancing work and he offered me a job. It was a bit of a pay cut but I saw a future in it. I did that for a few years and decided to come back home to Western Pennsylvania.”

Demand for testing and balancing was growing faster than the workforce. Raught found there were plenty of offers when he returned to Pittsburgh. Working for a New York-based contractor, he was responsible for landing work, performing it, and certifying it. After a few years, Raught decided to establish his own testing and balancing firm. Barbara was the principal owner of Northstar Environmental when it was incorporated in 1995, although she did not join the company until 1998. John asserts that Northstar couldn’t operate the way it does without the administration that Barbara oversees.

“It would be tough to start this kind of business again today,” he says. “I don’t have the time to run the company from a technical perspective and take care of the certified payroll and the regulations and requirements that expand all the time. The insurance requirements are constantly changing.”

On the operations side of the business, Northstar is one of the last specialty contractors on the project. Its work involves testing the airflow throughout the HVAC system, as well as the hydronic flow of the piping for hot and chilled water. Each diffuser, VAV box, thermostat, damper, and device needs to be adjusted to meet the design specifications. Done properly, testing and balancing...
ensures that the occupant on the sunny side of the building is as comfortable year round as the occupant in the basement. In theory, a system that is balanced shouldn’t require further adjustments. Buildings don’t operate theoretically, however, so systems need routine testing and balancing.

“Everything on a commercial project has a designed flow. That’s the value we are trying to attain. Those designs come from the mechanical engineer,” explains Raught. “We balance the hydronics and the air side equipment. We set the individual diffusers. We don’t need to do it every year, unless there’s a malfunction of some sort. But sometimes people make changes unbeknownst to anyone else who manages the system. Maintenance people in buildings can get pretty creative. They can just add or delete things even if it’s not on a drawing.”

Regulations also help drive the testing and balancing market, especially in the healthcare industry. The Joint Commission (formerly the Joint Commission on Accreditation of Healthcare Organizations or JCAHO) sets standards for hospitals across many functions, including how the building operates.

“Hospitals have to comply with JCAHO and JCAHO requires them to have air changes calculated for procedural spaces like operating rooms,” Raught explains. “Things happen in systems and sometimes systems aren’t maintained, which is why I think it’s regulated closely. On a recurring basis hospitals have to have those rooms tested to ensure that they are still in compliance.”

Hospital demand has skyrocketed as a result of the increased oversight and the heightened awareness of infection control, even before the COVID-19 pandemic. Institutions are testing many more rooms than were tested in past years. Raught mentions, for example, that Northstar’s annual contract with Allegheny General Hospital used to require about 60 hours per year. In 2020 the work required 400 hours.

The final deliverable in Northstar’s services is a voluminous report on the complete system. The size of these reports was such that it drove Northstar to embrace technology much earlier than the industry as a whole.

“With the exception of our blueprints we are practically paperless. That was something I started to do around 2002 because the cost of our customer reports was reaching $70,000 per year for paper and postage,” Raught says. “Our customers all wanted paper reports and wanted as many as six copies of each. I started emailing all our reports and I got a lot of push back on it at first. Back then, before firms in this region caught up with digital technology, I would spend 20 to 30 hours a week going around to contractors’ offices doing take offs. I asked them to email me drawings and a lot of them didn’t know how.”

Approaching 60 years old, John Raught tries to stay ahead of changes in technology and keeps up with best practices in other markets through his involvement in national industry boards. He sits on the Sheet Metal Air-Conditioning Contractors National Association national board of directors and also

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serves on the board of trustees for the National Energy Management Institute funds. His attitude about Northstar’s role in the marketplace is a bit more old school.

“At the end of the day, we’re mechanics. I don’t care if we’re colonizing the moon in ten years, we’re still going to need mechanics with tools to take things apart and put them back together,” Raught says. “Machines break and don’t do what they were intended to do. So our involvement in this industry is only going to grow.”

That growth has shown up in Northstar’s sales. In what has been a difficult year for the economy and construction, Northstar Environmental’s biggest concern has been keeping up with the work. Raught says he doesn’t see 2021 as being a slower year, and is bullish on the long-term prospects for the business.

“I don’t think our volume is going to fall off; in fact, I think we will be doing more work. We are at the UPMC Mercy project and won’t be on that project until the end of next year. I have a backlog of several large projects like that,” Raught says. “The private contracts I have seemed to be increasing in scope of work. We’re in Beaver County, even though most of our work is in Pittsburgh. My prediction is that there will be a tremendous amount of construction along this I-376 corridor in the next five to ten years. I think that there will be all kinds of work to do.”

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The COVID-19 pandemic has upended the often predictable dispute resolution procedures litigants and practitioners take for granted. While state courts, federal courts, and arbitration administrators employ different rules to shepherd disputes to resolution, their procedures are properly understood at the outset of a case and can be planned and managed. Mediations will be scheduled. Discovery deadlines will be set. Trial or hearing dates will be calendared and so forth.

At the outset of the COVID-19 pandemic, however, many of these otherwise reliable tools were rendered impracticable as case milestones were postponed, sometimes indefinitely. How, for example, can parties convene in person to mediate or arbitrate disputes at the contractually specified location with governmental-mandated social distancing, quarantines, and travel restrictions? Likewise, trials by jury are rendered even more difficult, if not impossible, as they require large pools of potential jurors to gather indoors for selection. Even some of the necessary precursors to case investigation – such as witness interviews, site inspections, document review, and forensic data collection are complicated by shutdowns and social distancing.

Faced with these obstacles, federal and state courts quickly moved to protect the health and safety of litigants and the public. On March 13, 2020, the United States District Court for the Western District of Pennsylvania continued all jury trials until further notice, which, as of the date of this writing, have yet to recommence. The Court of Common Pleas of Allegheny County similarly suspended all jury trials around that time. It was not until September 15, 2020 that the Allegheny County court announced its plan to recommence jury trials starting on October 19, 2020. Rather than taking place in the usual venue (the Allegheny County City-County Building), trials will be conducted at the David L. Lawrence Convention Center, with all persons being subject to temperature checks and COVID-19 screening.

While encouraging, it remains to be seen whether the changing conditions will permit Allegheny County’s jury trials to continue as planned. In June 2020, the United States District Court for the Northern District of Texas – Dallas Division successfully held jury trials after a temporary closure. Due to a significant increase in reported COVID-19 cases in that location, however, the court was forced to postpone further jury trials on July 8, 2020. Moreover, as the Western District of Pennsylvania recently observed, health and safety circumstances caused by COVID-19, as well as the health and safety directives from local, state and federal authorities, make it “highly unlikely” that a jury can be impaneled in any case in person.

The challenges faced with resumption of jury trials are not necessarily shared with other court proceedings. Motion arguments, conciliations, and pre-trial/scheduling conferences are all well-suited for telephone or video conference platforms. As with most industries, the courts have rapidly evolved to adopt video conference technology to handle these procedures where feasible. For example, the Western District of Pennsylvania has “encouraged” all judicial officers to conduct non-jury trial proceedings by telephone or video conference, including non-jury trials themselves, and to take reasonable measures to avoid the necessity of out-of-town travel for counsel and participants. The Allegheny County court has gone one step further and mandated that most civil court proceedings be conducted via Microsoft Teams, including non-jury trials “where appropriate and feasible.” Thus, under current rules and procedures, proceeding with a virtual non-jury trial may be an option to progress a dispute despite COVID-19 restrictions.

There is, however, one critical precondition to conducting a non-jury trial in either federal or state court: all parties must waive their right to a trial by jury. If time is critical, and if both parties agree to waive any previously asserted jury trial demands, consideration should be given to this option. Otherwise, given the growing jury trial backlog created by the pandemic, trial may be postponed far into the future. Also to consider in construction and commercial disputes, the guarantee to speedy criminal trials by the Sixth Amendment of the U.S. Constitution will give those cases priority when jury trials resume.

Virtual Arbitration Hearings

Given the uncertainty surrounding traditional, in-person court proceedings, the more flexible approach afforded by arbitration may be a faster way to resolve disputes. Under most circumstances, standard arbitration rules and agreements contemplate the parties meeting at a pre-determined location to conduct the arbitration hearing. Arbitration, by its nature, involves an agreement by the parties to resolve their dispute outside of court using pre-selected rules or procedures. The parties are, therefore, free to convert an arbitration hearing from in-person to video conference by mutual agreement.

Difficulties arise, however, if one party refuses to conduct an arbitration hearing virtually. A recent opinion issued by the National Academy of Arbitrators suggests that an arbitrator may order video arbitration over the objection of a party but only if the arbitrator can provide “effective service” in “a fair and adequate hearing.” Before compelling arbitration, the National Academy of Arbitrators advises balancing whether “the global pandemic makes it virtually impossible for an in-person hearing to be safely conducted” with countervailing factors, such as “difficulty in preparing and marshalling witnesses.”

By Haig M. Sakoian

BreakingGround November/December 2020
The American Arbitration Association (AAA) recently issued a Model Order and Procedures for a Virtual Hearing via Videoconference which also contemplates ordering a video arbitration hearing over the objection of a party. The AAA Model Order, similar to the National Academy of Arbitrators opinion, permits a remote arbitration hearing if “conducting the hearing via videoconference is a reasonable alternative to an in-person hearing in light of the COVID-19 pandemic, stay-at-home orders, and travel limitations” and that arbitration by video conference “will provide the parties a fair and reasonable opportunity to present their case” without postponement.

Whether an arbitrator ultimately has authority to compel virtual arbitration hearings will depend on the circumstances of the case, the terms of the parties’ arbitration agreement, and the arbitration rules incorporated therein. For existing contracts and disputes, parties may have little control over whether or not arbitration will be heard virtually during the pandemic. For future agreements, however, parties should give serious consideration to whether arbitration provisions should incorporate, or expressly reject, rules and procedures for video conference arbitration hearings. In doing so, parties should carefully weigh the relative merits of such a selection.

Weighing the Benefits of Virtual Dispute Resolution

Even if available, litigants should consider the relative advantages and disadvantages before committing to video conference litigation proceedings or incorporating video arbitration rules into future construction or commercial agreements. Some of the advantages of conducting a virtual trial or arbitration hearing are fairly obvious. Operating remotely protects participants from contracting or spreading COVID-19. Video conference proceedings are likely more convenient for parties, witnesses, and counsel. The cost of the technology involved may also be less expensive than the travel costs traditionally incurred. Perhaps most importantly, virtual dispute resolution proceedings can be conducted safely without waiting for the pandemic and related risks and restrictions to break.

Despite the benefits, there are disadvantages to virtual dispute resolution proceedings. Foremost, the experiences offered by video conference platforms are not the same as litigating in person. Participants are deprived of the opportunity to observe everyone in the hearing room in person. It is therefore more difficult to read visual cues, to gauge the credibility of a witness or to judge how the factfinder is reacting to testimony or a line of questioning. Also, party representatives, counsel, and expert witnesses may be separated, requiring technological, rather than in-person, means to discuss real time developments and strategy.

Trials or arbitration hearings by video conference raise additional logistical questions litigants must address. With respect to arbitration hearings, the parties must evaluate, select, and agree on the video conference
platform - e.g., Microsoft Teams, Zoom, Cisco WebEx, etc. – that will be used for the hearing, creating a potential area of dispute should the parties fail to reach an agreement. Each platform will also have its own associated costs, and security issues, which the parties will need to discuss and allocate.

The participants’ proficiency with the selected video conference platform is also important to ensure a smooth and productive proceeding. While most are now familiar with the basic video conference platform functions, multiparty arbitration will require use of additional features such as screen sharing, passing control, and breakout rooms. Parties should consider training sessions for all participants, as well as their witnesses, in advance of the hearing to better understand the platform being used. Indeed, as one recent video conference scheduling order issued in the Western District of Pennsylvania cautioned, the party calling a witness “shall be responsible” for making necessary arrangements for its witnesses to participate remotely. Serious consideration should, therefore, be given to the technology and training provided to witnesses to ensure effective participation and avoid potential sanctions for preventable errors.

There may also be additional costs for equipment to be used during the hearing, including providing witnesses with the devices needed to participate in the video conference and view exhibits simultaneously. While counsel may show exhibits to witnesses using the video conference platform’s screen sharing function, witnesses are entitled to review each exhibit in full at their own pace.

Many of these considerations can and should be formalized in the parties’ agreement to conduct a virtual arbitration hearing or other procedural order issued by the arbitrators. Standard procedural orders offered by the various arbitration administrators, such as the Model Order recently published by the AAA, may be fully adopted or tailored to suit the needs of the parties. Consideration should be given to selecting the video conference platform, hearing schedule and logistics, instructions for witness examinations and exhibits, and procedures in the event of technical failures. In contrast to arbitration hearings, the logistical details of a virtual trial may be dictated by the court rather than subject to party negotiation. Nonetheless, the court may still look to the parties for guidance on crafting a procedural order for the conduct of a virtual trial. The parties should, therefore, be prepared to address any and all attendant logistical details.

The shift from in-person to virtual dispute resolution has been rapid and represents a significant learning process for all involved. What was first done out of necessity may indeed become a preferred and customary method for certain cases going forward. Mediation was one of the first dispute resolution tools to go virtual during the early stages of the pandemic, and practitioners expect these to continue even after the pandemic breaks. It will be interesting to see in the coming months and years the extent to which parties, courts, and arbitration administrators permanently adopt and continue to use virtual trials and arbitration hearings as well.

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Imagine that you are just starting your own construction company and someone tells you that you will work harder than you ever did and make less money. Plus, all of your company and personal assets will be at risk everyday.

According to a national contractors confidence index, that is the reality construction company owners face today. In a September survey, 64.3 percent of respondents said they expect sales to increase or be unchanged, yet 76.6 percent expect profit margins to decrease or be unchanged. That contrasts with the September 2019 survey, where 47.1 percent of respondents expected flat or decreasing profit margins. Increasing revenues while decreasing profit is a treacherous path that can lead to catastrophic results. The outlook for profitability promises to impact the industry for well into 2021 and beyond. The time to take aggressive, proactive measures to counteract that trend is now.

Avoiding the more-work, less-profit scenario is a challenge, but it is one that can be accomplished through an active, aggressive approach to enhancing your company’s ability to reach peak financial performance, maximize company value and optimize financial returns to shareholders. You can take calculated, strategic steps to ensure your company will outperform your competition.

Assess where you stand compared to your peers. You should know where you stand in your marketplace and be able to identify your areas of strength and weakness. Identifying your strengths will help you find areas where you hold competitive advantages you can use to outperform your competition. It may be as simple as a working capital position that keeps you from having to cover the cost of borrowing against a line of credit, or a leverage model that provides cost savings. Identifying weaknesses could result in productivity even greater than knowing your strengths. Taking proactive steps to improve processes and controls can be the key to improving your bottom line. For example, if your benchmarking study shows your company lags your competition in return on assets, maybe you have too much invested in assets, like equipment, and should be shedding some of that. You can identify where you can make improvements by monitoring these areas and implementing new procedures to improve these measurements. Organizations do better and generate higher margins when they focus on the areas they need to improve while they use their strengths as a competitive advantage.

Know your sweet spot. Identify the characteristics of your work that most effectively use your assets to create the most profitable returns. You might perform well on jobs that price out at over $5 million but not so well in jobs where the estimate is for less. You might do well in Ohio but you haven’t been profitable in West Virginia. One crew might prove profitable and another not. Your analysis will help you identify the type of customer, size and locations of jobs, and project managers that will produce the most profitable results. This step could be the most vital of all of the proactive procedures your company can put into place. The wrong type of work can produce deceptive results: top-line growth while the bottom line slowly erodes. Monitoring your projects regularly and using the information to identify the jobs that deliver maximum returns will help you find more of the work your company performs profitably. As well, the more focused you are on your sweet spot, the better you’ll be at pricing and estimating. Every company has a “sweet spot” and knowing yours is vital to your success. It is particularly critical in times of increasing sales volume to ensure you are focusing on your most profitable jobs.

Train your project management team. Construction companies spend more money than companies in any other industry training their employees. They focus on skills and safety. But training doesn’t end there. The project management team controls your jobs and plays a large role in their success or failure. Investing time into this type of training will produce a project management team that not only knows how to get a job done, but also knows how to do so in a manner that maximizes return. Scope creep is a common problem, where additional work and materials requested at the worksite get done but don’t get billed. Companies benefit substantially by investing in training that teaches project management how to deal with such issues as scope creep, that gives them the tools they need to drive the activities that improve return margins.

“In a September survey, 64.3 percent of respondents said they expect sales to increase or be unchanged, yet 76.6 percent expect profit margins to decrease or be unchanged. That contrasts with the September 2019 survey, where 47.1 percent of respondents expected flat or decreasing profit margins.”
on the jobs they are responsible for managing. Your project management team, the people most responsible for the success or failure of a project, should be trained to execute their work in a way that will maximize company profits.

Analyze your overhead costs. Overhead is a large part of your costs. All successful contractors have a firm grasp on their direct costs: materials, subcontractors and labor hours. But what about insurance, equipment repairs and maintenance, depreciation and other overhead costs that can be the difference between profit and loss? One bad job can cancel out a year of hard work. If you devote time to fully understanding the costs that make up your overhead, you will be able to bid jobs more effectively, thereby increasing profits.

Know how your general and administrative costs are trending and why. What are your office expenses? Many are fixed costs and more predictable and constant, but even small upward trends in these costs over the years can erode razor-thin profits. This section of a contractor’s income statement is an area where many contractors believe spending to be out of their control. Identifying the areas of concern—Are the office wages you pay consistent with your current needs? Do you review employee benefits costs at renewal times?—is the first step in taking action to control these costs. Once these areas are identified, specific plans can be put into place that will allow a company to regain control and ensure that the expenses are necessary and helping to promote profitability. Successful contractors keep their eye on these costs and understand how small changes in those areas can affect their bottom lines.

Align your culture with your company goals. It is critical to allocate resources to ensuring your company has a culture that promotes the activities that will produce successful results. The culture of an organization has a deep, lasting impact on their success. Is communication open and honest, and does it encourage good relationships between management and field personnel? Have you considered sharing financial information with employees that might encourage them to be more concerned about profitability and efficiency? Devoting time and energy to ensuring your company has the right culture in place is a necessary step to profitability and one that many times is overlooked. Companies that take the time to focus on enhancing their culture have greater success and less turnover than those that don’t.

These are challenging times. Construction companies are facing more obstacles to their success than ever. Be aggressive. Attack the status quo. Solidify the financial standing of your company. And buck the trend of working harder for less money.

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MANAGEMENT PERSPECTIVE

PENNSYLVANIA NOW IMPOSES NEW EMPLOYEE ELIGIBILITY REQUIREMENTS FOR CONSTRUCTION-INDUSTRY

BY LISA M. WAMPLER

Since the enactment of the Immigration Reform and Control Act of 1986, every employer in the country has been required to complete and retain a Form I-9 for every employee hired after November 6, 1986 to confirm an employee’s citizenship/immigration status. With respect to construction employers on public projects in Pennsylvania, similar eligibility requirements have existed since the Commonwealth’s passage of the Public Works Employment Verification Act, 43 P.S. § 167.1, et seq., in 2013.

Under this piece of legislation, a construction employer is required to use the E-Verify Program to verify the employment eligibility of each new employee hired after January 1, 2013 within five business days of the hire. E-Verify is a web-based program administered by the U.S. Citizenship and Immigration Services and the Social Security Administration that allows employers to electronically check an employee’s work authorization.

Starting on October 7, 2020, all construction-industry employers in the Commonwealth are now required to utilize the E-Verify system to confirm that new hires are eligible for employment in the United States regardless of project sector. The Pennsylvania Construction Industry Employee Verification Act (Act 75) applies to all construction industry employers who conduct business in the Commonwealth of Pennsylvania and employ at least one employee in the Commonwealth. This requirement applies to subcontractors at all tiers, as well as staffing agencies that supply workers to the construction industry.

Act 75 defines the construction industry as those who:

Engage in the erection, reconstruction, demolition, alteration, modification, custom fabrication, building, assembling, site preparation, and repair work or maintenance work done on real property or premises under a contract, including work for a public body or paid for from public funds.

If an employer falls under the purview of Act 75, said employer is required to match the information from the employee’s Form I-9 with that on the E-Verify system. Once verified, the employer is required to maintain a record of such verification for the duration of the employee’s employment, or three years, whichever is longer.

The Department of Labor & Industry’s Bureau of Labor Law Compliance is responsible for enforcing the provisions of Act 75. The Department has the authority to:

1. Enter and inspect the place of business or place of employment at any reasonable time for the purpose of examining and inspecting records of the employer that in any way relate to compliance with the Act;
2. Copy any and all records as Labor & Industry may deem necessary or appropriate;
3. Require from the employer a full and accurate statement, in writing, of the employer’s work verification process; and
4. Interrogate persons to determine whether the employer is in compliance with the Act.

A violation of Act 75 carries with it a number of penalties. First-time offenders will receive a warning and be required to terminate all unauthorized workers. Second and subsequent violations will result in prosecution by the Pennsylvania Attorney General’s office. Such employers may be put on probation for three years and will be required to file quarterly reports confirming the verification of all new hires. If the employer fails to comply with the terms of probation, the employer’s license(s) to do business (which by definition includes articles of incorporation) can be suspended through the Attorney General until the employer complies. For repeat violators, the court can order the suspension of licenses to do business for at least a year and up to permanent revocation.

Contractors and subcontractors may be able to avoid these penalties if they establish that they used the E-Verify system in good faith. In addition, under Act 75’s “safe harbor” provision, a contractor can avoid secondary liability for its subcontractors’ violations if the contractor requires compliance with Act 75 in its subcontracts. In addition to including a provision that terminates the subcontract if a court orders sanctions against the subcontractor for an Act 75 violation, a contractor must also obtain written verification from the subcontractor that it is aware of the provisions of Act 75 and is responsible for compliance.

Lastly, the Act provides protections for employees who have been involved in an Act 75 inquiry. Specifically, the Act prohibits a construction industry employer from discharging, threatening, or otherwise retaliating or discriminating against an employee because the employee participated in an investigation, hearing, or other inquiry under the Act, or made reports or complaints regarding violations of the Act to the employer or a governmental authority. Employers should take note that an employee who believes they have been a target of retaliation or discrimination has three years to seek redress, which includes filing an action in the Court of Common Pleas for reinstatement or restitution.

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Introduction: Property Assessed Clean Energy (PACE)

PACE is a proven financing mechanism that provides owners of large buildings with a flexible, user-friendly tool for maintaining and improving their property’s energy and water infrastructure. According to the Department of Energy’s Better Building Initiative, the top two roadblocks that property owners face when addressing these systems are not having the funding to pay for these projects and the long payback period. PACE eliminates these barriers by offering a financing solution that preserves owners’ equity while keeping tenants comfortable and happy.

When property owners are budgeting an energy and/or water project, they’re using PACE to finance the design, materials, and labor for the elevators, lighting, controls, air handlers, and other infrastructure because PACE safeguards equity and stabilizes cash flow during and after construction. The same benefits apply to retrofit, gut-rehabilitation, rebuild, and everything else on the spectrum. Now, PACE is open for business in Pennsylvania and lawmakers incorporated best practices from other PACE states to offer a flexible, owner-friendly program that meets the diverse needs of Pennsylvania’s building owners.

Pennsylvania PACE: Setting the Scene

In June of 2018, Governor Wolf signed Senate Bill 234 into law, amending Title 12 (Commerce and Trade) of Pennsylvania’s Consolidated Statutes to add Chapter 43, a Property Assessed Clean Energy Program, or PACE. The bipartisan support of Pennsylvania’s legislature, along with Governor Wolf’s signature, enabled local governments across Pennsylvania to establish PACE Districts to, “ensure owners of agricultural, commercial and industrial properties can obtain low-cost, long-term financing for energy efficiency, water conservation and renewable energy projects.”

PACE may be new to Pennsylvania, but it’s not new in real estate markets across the nation. According to PACENation, a national nonprofit that advocates for PACE financing, PACE is active in 22 states plus D.C. where thousands of projects have invested over a billion dollars in properties across the U.S. In nearby Columbus, OH, $100 million has been invested with PACE, boasting the largest concentration of PACE financing of any region in the country.

PACE financing is widely recognized as a game changer in the commercial real estate community. Commercial property experts see PACE as a financing program that removes many of the hurdles faced when addressing a property’s energy and water infrastructure. Local governments see PACE as a job creator and economic development tool. But what is PACE and how does it work?

“One misconception is that PACE-financed improvements must conform to a specific performance standard, such as the US Green Building Council’s LEED Standard or the Department of Energy’s EnergyStar standard. While projects that are LEED- or EnergyStar-certified qualify for PACE, the certifications are not a prerequisite for the financing.”

What is PACE Financing?

PACE is a public-private partnership between local governments and commercial-scale property owners. In this partnership, a private owner agrees to voluntarily place a special assessment on their property. In return, the property owner can access up to 100 percent of the financing for improvements to their property’s energy and water systems at a fixed rate over a term lasting up to 30 years. The government entity then enforces and collects the special assessment as they would a typical real estate tax, and passes the PACE payments through to the capital provider.

PACE effectively leverages the same system used to improve public infrastructure with private property owners, such as sewage or water assessments. The local government issues a special assessment to a property owner that needs to improve the infrastructure serving their property which also benefits the public.

PACE Eligible Investments

PACE can be used to finance the energy and water infrastructure needs of a ground up construction to a retrofit of an existing building and everything in between. PACE financing funds projects that demonstrate a savings to investment (SIR) ratio greater than 1, meaning the PACE financed improvement should be cash flow positive and self-finance through the savings created.

One misconception is that PACE-financed improvements must conform to a specific performance standard, such as the US Green Building Council’s LEED Standard or the Department of Energy’s EnergyStar standard. While projects that are LEED- or EnergyStar-certified qualify for PACE, the certifications are not a prerequisite for the financing.

PACE supports public policy goals designed to drive higher efficiency, however, PACE is more often used to replace an
aging boiler that is nearing the end of its useful life. If a new boiler is more efficient than an old boiler, it can qualify for PACE. Taking it one step further, if that boiler requires a new pipe or piece of supportive infrastructure, that qualifies, too. In fact, all of the design costs, underwriting, and other soft costs are financeable through PACE, often providing owners 18-to-24 months until the first PACE payments are due.

Pennsylvania PACE Restrictions

There are restrictions to Pennsylvania’s PACE program. Multifamily and residential properties are currently prohibited from using PACE. Also, government owned properties cannot use PACE because the government entities establishing PACE programs are the same entities collecting and disbursing PACE payments. Fortunately, government entities have access to Pennsylvania’s Guaranteed Energy Savings Program which replicates many of the same benefits as PACE.

Additionally, because PACE is special assessment and not a conventional loan, the PACE capital provider cannot accelerate if the property owner faces financial hardship. If an owner is facing foreclosure, PACE capital providers must wait through the same process as the government when seeking unpaid taxes.

Pennsylvania PACE Requirements

When compared to other debt financing, PACE only has a few additional requirements. First, PACE requires a professional engineering report to determine baseline energy use and to verify energy/water savings. This report, when completed properly, provides property owners with information that will help maximize resource allocation and provides assurance to the private PACE underwriters that the investment is sound and secure. Second, PACE requires written consent from existing lenders on the property. This is required because PACE is treated as a tax, and therefore has the same priority level as a tax. Currently, there are hundreds of capital providers across the U.S. that have consented to authorizing PACE financing on a property where they have a lien. Third, PACE assessments must be recorded on the property’s title so PACE payments can be transferred to a new owner when ownership changes.

PACE Benefits

Aside from the benefits of financing a capital improvement project over its estimated useful life with zero capital outlay, PACE has other benefits that are built into the program, including:

1. PACE is a tax and can be recorded on an income statement instead of the balance sheet.
2. PACE can be included as a CAM charge under certain lease structures.
3. Pennsylvania PACE financing is available from a variety of sources.
4. Pennsylvania PACE can refinance qualified projects.
5. PACE works hand-in-hand with tax incentive and rebate programs.

The PACE Process

The PACE process can be broken down into four easy steps.

Step 1 – PACE Assessment: Hire a professional to conduct an engineering audit to identify a portfolio of eligible energy projects and establish energy/water baselines.

Step 2 – PACE Financing and Compliance: obtain lender consent and authorization from the county

Step 3 – Design and Build: PACE disburses directly to construction partners based on project progress and property owner decisions

Step 4 – Measure and Verify: work with a contractor or self-perform in some cases to verify energy savings

Summary

PACE gives commercial-scale owners a better choice for financing energy and water savings projects, allowing owners and tenants to realize benefits immediately. Commercial real estate markets across the U.S. have been leveraging PACE to finance projects that self-fund from the utility, operations and maintenance savings they create. PACE is shifting the budgeting conversation from seeking a better ROI to immediately improving NOI, all while strengthening equity partners’ positions and configuring operational line items to ensure owners share the benefits of their investment with their tenants.

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These are the hallmarks the region’s union construction trades and contractors bring to the jobsite everyday. Our professional tradespeople and contractors bring the dreams and visions of our fast-growing region to life with a dedication that only those who live here, work here, and raise their families here can commit to. It is, after all, our home, our legacy.

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Mobile Medical, a certified Women Business Enterprise based in Pittsburgh, Pa., has been partnering with builder organizations, labor unions, building contractors, and large industrial clients nationwide for more than 30 years to ensure the safety, health and well-being of their workers.
The Mascaro team was able to stay safe while participating in the 13th Annual DVE Rocks Children’s Radiothon on September 25, 2020. Mascaro team members manned the phones at a remote location, receiving calls from Pittsburgh and beyond. Pittsburgh responded by raising $821,213 for Children’s Hospital during the two-day event. Pictured (from left) are Mascaro participants Corey Watts, Holly Lippert, Morgan Covey, and Dianne Spisak.

(From left) Brandon Snyder from Al. Neyer, PJ Dick’s Cliff Rowe Jr. and John Robinson, and Bill Krahe from Grand View Development.

PA State Representative Josh Kail announces a package of five bills, dubbed the “Commonwealth COVID Comeback” initiative at the Steamfitters Local #449 Technology Center in Harmony, PA on October 14.

Builders Guild Executive Director Jeff Nobers addresses the attendees at the Steamfitters Local #449 Technology Center during the announcement of the “Commonwealth COVID Comeback” initiative.
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Facebook selected Burchick Construction to build out 10,600 square feet of space for its Oculus facilities in Schenley Place. The architect for the $3 million renovation is Gensler.

DiMarco Construction completed work on the $1.18 million general construction portion of the Butler Area School District Senior High Library/Administration Offices. IKM Inc. was the architect for the $2 million renovation.

Robinson Township Supervisors awarded DiMarco Construction the general contract for its new $3.8 million police station. The architect is Hayes Design Group.

Landau Building Company has started the phase four renovations of WVU Medicine’s perioperative department. The project is 12,000 square feet and includes demolition, nurses’ stations, staff lounge, multiple locker rooms, PACU and recovery areas. The project is expected to be completed in December. IKM is the architect.

Marks-Landau was awarded the contract for a $14 million, six-story addition to the United Hospital Center in Bridgeport, WV. The architect for the 40,023 square foot addition is Gresham Smith. The project will be substantially completed in March 2022.


Allegheny Health Network awarded AIMS Construction a contract for Operating Room Central Sterile Cart Wash at Jefferson Hospital LGA Partners is the architect for the $500,000 renovation.

AIMS Construction is the contractor for UPMC St. Margaret Hospital Radiography/Fluoroscopy Room renovations. Cannon Design is the architect.

Facility Support Services was awarded contracts by the Department of Energy for $2.67 million in renovations to the National Energy Testing Laboratory in South Park Township. The projects are Switchgear Replacement and R &D Plateau Fire/Potable Line Replacement.

University of Pittsburgh selected Facility Support Services as general contractor for Forbes Pavilion Exterior Upgrades Phase 1.

Facility Support Services was awarded a contract by Allegheny Health Network for BH Toilet Rooms Anti-ligature 2E and 2F at AHN Allegheny Valley Hospital in Harrison Township, Natrona Heights, PA. The architect is DRS Architects.

Penn State University awarded a contract to Facility Support Services for the $500,000 renovation to Engineering Building 008 Electronics Lab at its New Kensington Campus in Upper Burrell Township, Westmoreland County. Renaissance 3 Architects is the architect.

Mascaro’s Client Services group received several contract awards from Allegheny Health Network (AHN). They include emergency room helipad deck repairs at AGH, office fitout at AHN Wexford, and design-build installation of water filling stations at six area hospitals.

Mascaro’s heavy/highway group was selected by AHN for two projects. The Wexford Roadway Modification project involves road work, driveway modifications, and signal installation for the AHN Hospital entrance located in Wexford. Mascaro is also doing road work for the installation of a bus shelter at AHN Forbes.

PJ Dick, in joint venture with Fidelis Design & Construction LLC, is providing general contractor services to the U.S. Department of Veterans Affairs for the VAMC Coatesville Building 4A and 4B Renovation project. Work includes the total demolition and renovation of approximately 38,000 square feet of existing space into a new Out-Patient Clinic for the Mental Health Department. This project represents our fifth project in association with Fidelis Design and Construction.

PJ Dick has been selected to provide CM at Risk services for the Alpas Wellness Campus, a new $60 million, 90,000 square foot state-of-the-art wellness retreat in Quakertown, PA. The campus will include 40 residential rooms and 14 detoxification rooms. In addition to the living area, the wellness campus will include a spa, dining area, pool, courtyards, gardens and recreation space. The Alpas corporate office will also be located on site.

PJ Dick is part of a public-private collaboration and will manage construction for a new $21 million, 45,000 square foot facility that will provide shelter and comprehensive wrap-around services for homeless adults in downtown Pittsburgh. The five-story facility, which will be located on Second Avenue adjacent to the Liberty Bridge, will operate as a year-round, low-barrier shelter for adults and their pets. Its wrap-around services will aim to address the complex issues confronting people experiencing homelessness, including addiction, unemployment and physical and behavioral health.

PJ Dick is providing CM at Risk services to Walnut Capital for the Bakery Square Refresh project. Updates include a conservatory, outdoor cafe seating, public plaza, event space, outdoor work spaces, lounge seating, public pathways, connections to shopping and restaurants, and accessible gathering space.

PJ Dick is providing CM at Risk services for the 5,000 square foot fit-out for Tako at Bakery Square. The space includes indoor seating and a covered outdoor patio.

Rycon’s Building Group is working on the construction of a new, $22 million office building for Harrison County Commission. Located in Clarksburg, WV, the three-story office spans 72,000 square feet.
In Clinton, PA, Rycon’s Building Group was selected to build a 44,000 square foot warehouse and a 3,200 square foot power storage building at Lot #91 within Clinton Commerce Park. Rycon is self-performing concrete, drywall, and general trades work. LGA Partners is the architect.

Rycon’s Building Group is providing preconstruction and construction management services for a $6.5 million adaptive reuse project in the Strip District. The project consists of converting a former 27,600 square foot historic warehouse built in the 1800s into a new recreation complex holding a unique mixture of venues such as a bicycle shop, fitness center, brewpub, and café.

Rycon’s Special Projects Group was selected by Children’s Hospital of Pittsburgh to replace windows in the “D” wing of the medical facility. Rycon will be working with DRS Architects on the $1 million project.

The University of Pittsburgh selected Rycon’s Special Projects Group as construction manager for a laboratory renovation in Langley Hall. The BSL-1 and BSL-2 lab spaces will be used for microbiology research and include upgrades to an existing PI office, a new tissue culture room, and microscopy room.

Rycon’s Special Projects Group is working on renovations at the Hillman Cancer Center at St. Clair Hospital. This project includes modifying existing rooms within the hospital to accommodate the installation of a new linear accelerator (LINAC) located on the fourth floor of the Hillman Cancer Center.

Starbucks awarded Rycon’s Special Projects Group a $275,000 project in Uniontown, PA. The interior fit-out encompasses 2,200 square feet and includes concrete, rough carpentry, plumbing, HVAC, and electrical work.

In Moultrie, GA, Colquitt Regional Medical Center selected Rycon for a $1.9 million, 6,500 square foot conversion of a former dialysis unit on the second floor of the hospital into a new behavioral unit.

Rycon continues renovations at PNC Bank Operations Center in Cleveland, OH. The $19.2 million project is currently undergoing work on the building’s automated control system.
Rycon was awarded the construction of a new Firestone Complete Auto Care in Knightdale, NC. The $1.8 million project covers over 7,000 square feet of space. Within the last year, Rycon was chosen to construct five other Firestone Complete Auto Care projects in FL, GA, and NC.

Work has begun on the Ashley HomeStore at Richmond Plaza in Augusta, GA. Rycon is completing $1.2 million worth of renovations in the 46,000 square foot store for Owner Phillips Edison.

In Margate, FL, work is underway by Rycon on the 9,000 square foot Humana Conviva medical office. This $1.1 million renovation includes demolition, rough and finished carpentry, interior framing, flooring, and ceiling installment.

Rycon is working on a $1.9 million Fresenius Kidney Medical Care Center in Tallahassee, FL. Within the last year, Rycon was chosen to complete renovation work for repeat client, Fresenius Medical Care facilities, in FL and NC.

Rycon was awarded the contract for a new, $8.2 million U-Haul storage facility. Located in West Palm Beach, FL, the facility will cover 107,000 square feet.

VA Pittsburgh Healthcare System awarded a $1.2 million contract to Rocky Bleier Construction Group for Upgrades to the ROB Basement Renovations & Air Handling Unit. The engineer is Miller-Remick, LLC. PF&A Architects is the architectural consultant.

Rocky Bleier Construction Group is the general contractor for the Hybrid Operating Room at the VA Pittsburgh Healthcare System. The architecture/engineering team is Miller-Remick, LLC and PF&A Architects.

VA Erie Healthcare System selected Rocky Bleier Construction Group for replacement/upgrades to its IT Dry Cooler System. The $900,000 project was designed by AE Works.

Rocky Bleier Construction Group is the general contractor for the PAW & ORDER Dog Training Facility in Findlay Township. The architect is Avon Design Group.

A. Martini & Co. was awarded the expansion project for Royal Bank of Canada’s commercial offices in One PPG Place. This project consists of
A. Martini is working with Nelson, as the architect, and Turner & Townsend, as the owner’s representative on this project. A. Martini & Co. was selected by Tom & Chee to construct their first location in the Pittsburgh region. The 2,500 square foot restaurant will be located in 4 PPG Place, directly adjacent the PPG Place ice skating rink, but will be open year round. QK Architecture is the architect for this project.

A. Martini & Co. was selected by Excela Health as the general contractor for the renovation of approximately 7,000 square feet of space to MRI, CT, OR departments and Support Areas within Westmoreland Hospital. The project is being phased and construction is occurring while the hospital remains open and operational.

Turner Construction is providing preconstruction services for Allegheny Health Network’s $35 million Neurology Center of Excellence at Allegheny General Hospital. IKM Inc. is the architect.

Turner Construction Co. was awarded contracts by the University of Pittsburgh Health Sciences to build out research facilities at Bridgeside Point 1 for Dr. Aravind Parthasarathy, the Aging Institute, and the Center for Craniofacial and Dental Genetics. Bohlin Cywinski Jackson is the architect.

UPMC Hamot awarded a contract to Turner Construction Co. for MRI Renovations at its facilities in Erie, PA. Bostwick Design Group is the architect.

Allegheny Health Network selected Allegheny Construction Group as construction manager for the $4 million Jefferson Memorial Hospital chiller replacement in Jefferson Hills, PA. The project was designed by Stantec.

Yarborough Development Inc. is the successful general contractor on the Port Authority of Allegheny County’s Manchester Garage Engine Testing Facility renovations. The architect is Whitman Requardt & Associates.

Economic Growth Connection of Westmoreland County and Penn State New Kensington selected Mosites Construction to build the $5 million Digital Foundry in New Kensington. The architect is Renaissance 3 Architects.
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FACES & NEW PLACES

Rycon’s Philadelphia office welcomes Ryan Bird for his co-op this fall. Ryan is pursuing a bachelor’s degree in civil and architectural engineering from Drexel University.

In Rycon’s Casework & Millwork Division, Kevin Burke has been hired as a draftsman. Kevin has over 30 years’ experience in architecture, CAD, and commercial building.

Rycon announced the opening of its sixth office, Washington, DC. Stephen Conley has joined the company as executive vice president of this new office. Stephen brings over 41 years’ experience to the company.

Gilbert DiCenzo joins Rycon’s Building Group as a senior project manager. Over his 39-year career, Gilbert has helped develop over $2.5 billion in construction projects.

Rycon welcomes Heather Flaherty as a payroll staff accountant. A graduate of the University of Pittsburgh, Heather brings two years’ experience in AP/AR and lender/investor reporting.

Rycon’s Building Group welcomes Tom Hacke as project executive. A University of Pittsburgh graduate, Tom comes to the company with over 35 years’ experience in construction management.

Alyssa Mayorga joins Rycon’s Building Group as a project engineer intern this fall. Alyssa is a current student at Carnegie Mellon University and is also working on Rycon’s Carnegie Mellon University Fifth & Clyde Residence Hall & Hub project.

Rycon’s Fort Lauderdale office welcomes Robert (Chris) Moore as a project manager. A retired army officer, Chris brings over 17 years’ experience to the company.

Melissa Nahrstedt joins Rycon’s Cleveland office as a project engineering assistant. She brings four years’ experience to the company.

Stefanie Stanziano joins Rycon’s accounting department as a compliance staff accountant. She comes to the company with 16 years’ experience.

Within Rycon’s Building Group, promotions include Vincent DiCarolis, Kenya Finn, and Dylan Margolis as project engineers, and Tyler Symanski as assistant project manager.

Carl Borgman joined AIMS Construction as senior project executive.

Lynne Dye has been promoted to vice president and director of office operations at Jendoco Construction Corporation. Dye has been an employee of Jendoco’s for more than 20 years.

Dan Then has been promoted to senior project manager and director of special projects at Jendoco Construction Corporation. Then has been employed by Jendoco for 18 years.

Jendoco also welcomed Meredith Calfe as senior manager of real estate operations. Calfe graduated with honors from Bucknell University with a B.A. in Economics, and earned her J.D. from the University of Pittsburgh School of Law. Prior to joining Jendoco, she was a shareholder at the Pittsburgh based law firm, Babst Calland.

Master Builders’ Association (MBA) is pleased to announce the appointment of John Paul Busse to its Board of Directors. The MBA Board of Directors unanimously approved Mr. Busse to fill the term of his father, John C. Busse, who passed in August of this year, having served as a member of the MBA Board of Directors since 1997.

Mascaro welcomed Mike Adams on September 2, 2020. Mike will utilize his 40 years of engineering and project management experience on the Carolina Panthers Rock Hill Development project in the role of project manager for electrical/low voltage services.

Nicole Bell, a Mascaro project engineer, earned LEED Green Associate certification.

Engineering News-Record ranked Mascaro as number 72 of the 100 Top Green Contractors. Mascaro has been recognized as a Top 100 Green Contractor, consecutively, for the past 14 years.

The Green Building Alliance (GBA) recognized John C. (Jack) Mascaro’s lifetime of leadership by posthumously awarding him with the 2020 Legacy Award at the GBA Emerald Evening Virtual Event on September 24, 2020.

Project manager Sean Docket has joined PJ Dick’s MidAtlantic office in Exton, PA. He brings 16 years of construction experience and is assigned to the Alpas Wellness Campus project, a $60 million, 90,000 square foot state-of-the-art facility.

PJ Dick welcomed Superintendent Chris Insogna to its Saratoga Springs, NY office. Chris brings 26 years of industry experience and has worked at both Nuclear Navy Laboratories in the New York market.

Selma Voljevica has joined PJ Dick as a Special Projects Group assistant project manager. She previously worked for Landau Building Company and Enertiv Energy. Selma is a graduate of The Pennsylvania State University and is a certified LEED Green Associate.

Anthony Kelly joins PJ Dick as a project engineer. Previously, he worked an engineering intern with PJ Dick at Muskingum Valley Health Center’s VHC Cambridge Medical Office Building in Ohio. Anthony attended Kent State University, majoring in construction management.

Turner Construction Co. hired Jillian Foster as field engineer. Foster holds a Bachelor of Architectural Engineering degree from Penn State University.

Rachael Kovach joined Turner Construction Co. as field engineer. Kovach holds a bachelor’s degree in project and supply chain management from Penn State-Behrend.

Heath Barkley joined Turner Construction Co. as superintendent. Barkley has 16 years experience in the field.

Will King started as engineering assistant at Turner Construction Co. King holds a Bachelor of Science in mechanical engineering from Virginia Tech University.

Jason Cycak was hired by Turner Construction Co. to be Self Perform Operations foreman. Cycak has 10 years field experience as a carpenter.

Sean Williams also joined Turner Construction Co. as Self Perform Operations foreman. Williams owned a construction business for 13 years prior to returning to the field as a carpenter in 2017.

Turner Construction Co. announced that Derek Miller joined the company as field engineer. Miller holds a Bachelor of Science in civil engineering from the University of Pittsburgh, Swanson School of Engineering.

Cameron Wilson joined Turner Construction Co. as estimating assistant. Wilson holds a civil engineering degree from Penn State University.
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BreakingGround November/December 2020
For Beaver County, it came as no surprise that a $6 billion ethane cracker plant and a recharged plastics industry created an industrial boom. The American Chemistry Council has reported the regional petrochemical sector could result in economic expansion of $28 billion and the creation of more than 100,000 jobs.

As we look to the region’s future and reflect on the elements needed to ensure a prosperous path forward, it’s essential to recognize the resources required to close the gap within workforce needs.

While we are experiencing changing tides within a path to a broad economic recovery, some signs point in a positive direction, with Shell announcing in October that it remains on track to complete its petrochemical complex and ramp up activity – and workers on-site – to pre-pandemic levels. It is still difficult to rule out the impacts of the COVID-19 pandemic and the current political landscape.

Such indicators make it a critical point to refocus on the region’s economic possibilities and train the candidates necessary to fill the talent pipeline and sustain the potential in and outside of the petrochemical sector.

At the Community College of Beaver County (CCBC), we acknowledge higher-education institutions’ responsibility in ensuring a highly-trained workforce. CCBC has experienced first-hand the success factors in building curriculum and programming that directly focuses our local talent on current and upcoming employment drivers. And we have done it in record time, pivoting quicker than any sector of higher education and under cost.

CCBC stands ready to foster the skillsets required by the future-forward, technology-driven fields of our region. For example, we have developed a new construction technology and management program, with $500,000 in funding support from Mascaro Construction Company. Course work includes project management, estimating, surveying, building information modeling, and other hands-on tools of the trade. The program works hand-in-hand with industry partners, providing an educational structure that funnels directly to the workplace, or continued educational opportunities.

To satisfy an unmet industry need, we have also worked with the local industry, government, and the philanthropic community to develop a regionally specific Process Technology program at the Shell Center for Process Technology Education. What is a Process Technician? Process technicians are responsible for essential roles within today’s advanced manufacturing facilities and processes. Graduates from the program are equipped to fill critical positions for high-demand, high-earning careers in many industries, including not only the petrochemical sector but food and beverage, wastewater, and others.

Long-standing and highly respected CCBC programs like nursing and aviation continue to provide essential career paths for residents and exceed industry partners’ employment needs like Heritage Valley Health System and American Airlines.

Of equal importance, addressing workforce gaps requires us to address how affordability and access remain barriers to enrollment and retention.

Parents and students are now aggressively looking for ways to avoid debt while seeking higher education institutions that address affordability, access, and acceleration as transformational priorities. Community colleges offer the best return on investment, graduating students with job-ready skills and the potential to earn starting salaries up to the mid-‘60s with tuition costs as low as $15K.

Ready to make changes in how we serve students, CCBC knows that a more flexible approach allows them to “move quickly or more slowly” through the training to accommodate work and life schedules. That’s why CCBC offers a variety of instructional formats such as hybrid, flexible entry/flexible exit, and “mini-mesters,” and recently became the first college in PA to adopt a $180 annual fee for digital textbooks helping to reduce yearly textbook costs by several hundred dollars.

On the employers’ side, industrial companies across the tristate region continue to experience significant challenges in attracting and retaining a skilled and reliable talent pipeline. To fully invest in the future workforce and the economic qualms created by talent shortages, industry partners must also commit to practices that make a larger talent pool. Their opportunity is twofold.

First, there is an excellent opportunity to provide training environments where companies and their employees can grow and thrive. In 2019, Ergon-West Virginia, a subsidiary of Jackson, Miss.-based Ergon Inc., turned to CCBC’s School of Industrial Technology and Continuing Education in hopes of customizing the school’s growing, hands-on process technology education program to better prepare new employees for the technical requirements of their future jobs. Ergon came to CCBC because of the intensive and industry-supported process technology degree.

Employers and talent alike also find success when companies are willing to hire employees aged 55+ and those with non-violent criminal backgrounds. If they are serious about their workforce shortage, employers must put a candidate’s merit in the forefront as the primary hiring decision factor to avoid losing qualified talent.

Today’s skilled talent shortage is a national issue and can be met with higher education requests throughout the region. How can community colleges assist with a regional labor shortage? We have done things the same way for over 50 years, whether it is CCBC, Community College of Alleghany County, Butler Community College, or Westmoreland Community College. We continue to serve as the workforce backbone of the ‘Burgh.

Together, higher education and employers must adapt and commit to solutions that overcome the talent shortage. We believe that Beaver County is on track for economic resiliency.

Dr. Roger W. Davis is president of the Community College of Beaver County, located in Monaca, PA.
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