BreakingGround

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

JANUARY/FEBRUARY 2008

The State of Public Construction

Mt. Lebanon's Art Deco Restoration

2008 Regional and National Forecasts

Looking at the Second Wave of New Student Housing

MBA MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA, INC.

The Construction Industry Evening of Excellence

"During the storied history of Pittsburgh, our region built this country from coast to coast. Our region has drastically changed since its inception…Today, Pittsburgh is in the midst of a massive economic and demographic change and now we are ready to awaken to change and tell the world about it."
BreakingGround, September/October 2006

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BreakingGround

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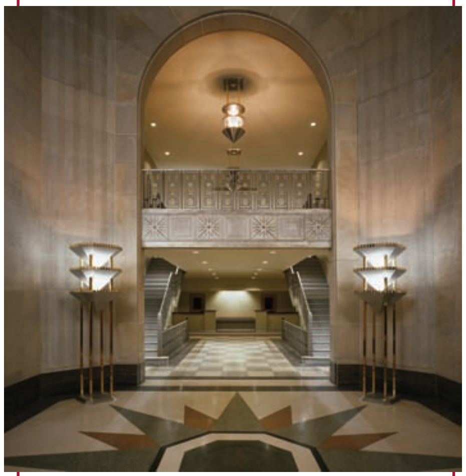


Cover

Mt. Lebanon's Municipal Building Lobby
Nello Construction, Contractor
Rothschild Doyno Architects, Architect
Photo by Ed Massery

Features & Departments

Publisher's Note

Looking ahead at the 2008 Editorial Calendar last summer, I remember wondering what there would be to write about public construction. The public construction market in Western PA has been one tough arena for the past two decades, and I never think of that sector as a particularly innovative one. On top of that, the construction boom we've been experiencing in the region during the past couple years has been fueled by private money rather than public funds.

As it turned out, there's much more going on in the public market than I thought. In part, that's been the result of some coincidental court decisions that will effect public contracting significantly, and in part because the public sector is in the stressful position of having the same pile of money to do less and less work. The public sector's conditions actually made for an edition that was as tough to close out editorially as any BreakingGround. Like the 'green building' edition from fall 2006, this edition was one that just kept unfolding the deeper we looked.

For one thing, several interesting legal decisions, which have impact on public construction, coincided with the preparation of this edition. The state's Supreme Court ruled on November 21 that local school districts had the right to decide to waive the Separation Acts by reinstating the Mandate Waiver Program, which will affect projects running through June 2010. On November 7, the state's Superior Court upheld the appeal of Columbia Gas, setting aside a lower court's expansion of the Bilt-Rite decision that compensated an excavator for mistakes in marking utility lines by a PA One Call contractor. Both these decisions move legal standards closer to common sense, and should keep construction costs lower.

Another trend that elevates the significance of public construction is that the private sector engine, which has driven the boom of the last couple years, is starting to lose some steam. For the non-residential construction cycle to continue its strength, many of the public projects being planned for 2008 will have to come to fruition. While the demand for student housing at state universities, for new school space, or additional prison beds, justifies more than $500 million in 2008 projects, the pace of inflation of construction costs threatens the viability of the jobs.

This year will mark a turning point for the regional and national construction and real estate markets. The long-suffering housing market should reverse its decline in 2008, although not until some more pain is felt by all of us to bail out those holding failing mortgages. On the other hand, less available financing and lower demand from key sectors like retail and entertainment will impact the non-residential market. We'll forecast how these national trends will be reflected or avoided in the regional market.

The examination of public construction, particularly in light of the funding stresses being felt, sheds light on how civic pride has faded as an influence on design. Once a driving force in the architecture of public buildings, civic pride has given way to fiscal responsibility, which looks an awful lot like being cheap. In focusing on new public construction I was struck by the incredible difference between the public schools and municipal buildings built by past generations, and the ones we Baby Boomers have erected. Do a drive-by of the suburban schools or township buildings of the suburbs that have grown up in the past two or three decades, and then contrast them with the Allegheny County morgue or Westinghouse High School. It's obvious that the unprecedented wealth created since the 1980's hasn't been used to create the civic monuments of the past.

In the realm of public construction the owners of a project are we taxpayers. The buildings that our school district or municipal government build during our lifetime reflect our priorities and our sense of pride in community. I can't remember the last time I thought I wasn't paying enough taxes, so I have no argument for those who would choose austere designs over an increased burden on the taxpayer; yet, I have a hard time reconciling the beauty of the buildings constructed during the Great Depression with the economic hardship of the times. Clearly, the size and breadth of government is what consumes the difference. As taxpayers, though, we need to treat decisions about our public facilities as we would our own houses. It's time to demand that our leaders (and that is their role, like it or not) find ways to pay for public buildings we can have pride in and use for generations, rather than to find the cheapest square feet in which we can meet or educate our kids.

Sincerely,

Jeff Burd

News From The Street

Separate Prime Mandate Waiver Reaffirmed

On November 21, 2007, the Supreme Court of Pennsylvania ruled to reinstate the Mandate Waiver Program in which PA school boards may apply for a waiver of multi-prime contracting in construction of public schools. The Supreme Court ruled that "to build school projects under single-prime contracting favors the public interest by contributing to efficient and economical public school construction." The program that permits multi-prime waivers on school construction will be in effect until June 30, 2010.

A diverse, state-wide coalition including several other school districts, school officials' organizations, the Pennsylvania Council of Carpenters, the Laborers District Council, General Contractors Association of Pennsylvania, Master Builders Association, and AIA Pennsylvania, initiated this litigation to enforce a state law passed in 2000 to permit public schools to choose the option of using single-prime contracting.

In Pennsylvania, under the Separations Act of 1913, all public works construction projects must be let to separate prime contractors for general construction, plumbing, heating, ventilating, and electrical work. However, between 1919 and 1951, and again from 1957 to 1959, the School Code governing public school construction permitted single-prime contracting. The School Code was changed in 1959 to require multiple-prime contracting. As school construction became more complex over time, proponents of a single-prime delivery method have asserted that the multi-prime system was less efficient and contributed to rising change orders and claims. In 2000 the General Assembly in Harrisburg passed legislation that permitted schools to obtain waivers from the Department of Education from the mandate under the School Code for multiple-prime contracting.

Between 2001 and 2003, the PA Department of Education granted such waivers to dozens of schools. Then in January 2003, a lawsuit was filed against the waiver system, and the Commonwealth Court ruled that the waiver program could not proceed because schools were also subject to the aforementioned Separations Act. In May 2004, the statewide coalition filed suit in the Commonwealth Court. Initially, the Commonwealth Court ruled against the coalition. But the November 21, 2007, ruling of the Pennsylvania Supreme Court reversed the Commonwealth Court's decision, holding that the School Code can be waived pursuant to the Mandate Waiver Program. As such, schools across the Commonwealth are now able to apply for waivers from the multiple-prime system of construction.

Supreme Court Overturns Best Value Ban

The state Supreme Court ruled on October 17 that the PA Commonwealth Court had incorrectly ruled that construction contracts were not covered by the terms of Section 513 of the Procurement Code, which provides exceptions to contracting rules and allows competitive sealed proposals. The ruling opens the door for the Department of General Services (DGS) to pursue the best value contracting method on selective projects.

In 2005 and 2006 DGS had used the best value method to award contracts on eight projects, including the $100 million-plus Pennsylvania Judicial Center in Harrisburg. The process required sealed proposals for separate prime contracts, and the proposals were evaluated based on price (60%), technical factors (30%) and compliance with MBE/DBE goals (10%). The Associated Builders & Contractors of PA had challenged best value contracting on the grounds that it conflicted with the state's low bidder regulations and in May 2006 the Commonwealth Court ruled that DGS could not use best value on future projects.

AIA Design Awards winner Collaborative Innovation Center, dggp Architects, P. J. Dick Inc.

DGS Secretary James Creedon applauded the Supreme Court ruling. "We're very pleased that the court saw our position," said Creedon. "We worked hard to craft a method that met all the requirements of the procurement code, and the Separations Act." Creedon said that DGS was still refining the process to respond to suggestions made during the first eight projects, and to respond to the court's comments. "We've stepped back to see what is in the queue that fits the process," explained Creedon. "There will probably be three or four jobs in the next six months or so that will go the best value route."

AIA Announces Design Pittsburgh Awards

AIA Pittsburgh announced the winners of its 2007 Design Pittsburgh competition at its awards ceremony on October 25. This year's jurors included a group of architects from the Boston area. The lead juror, Carol Burns, AIA, is principal of Taylor & Burns Architects. She was joined by Mary-Ann Agresti, AIA, principal of The Design Initiative, Inc. and Matthew Littell, principal of Utile, Inc.

Honor Awards went to the Collaborative Innovation Center, designed by dggp Architecture for the Panther Hollow Development Corporation, Regional Industrial Development Corporation of Southwestern PA, Carnegie Mellon University, and J.J. Gumberg Company, and built by P. J. Dick Inc.; Carnegie Museums of Pittsburgh Service Enclosure, designed by EDGE studio for Carnegie Museums of Pittsburgh, constructed by Jendoco Construction Corp.; the Carnegie Library of Pittsburgh/Squirrel Hill Branch, designed by Lubetz Architects for Carnegie Library of Pittsburgh with contractor A. Martini & Company; and the Mifflin School of the Pittsburgh Public Schools, designed by Strada Architecture and built by Yarborough Development, Inc. Certificate of Merit was given for the Old Dairy at Homestead Preserve (architect was Urban Design Associates / Frazier Associates for client Celebration Associates, LLC). The Green Design Citation was awarded for the Phipps Conservatory and Botanical Gardens Tropical Forest,designed by IKM Incorporated for Phipps Conservatory and Botanical Gardens.

For interior architecture AIA awarded the Honor Award to New Hazlett Theater and architect EDGE studio; and for architectural detail and craftsmanship gave the Award of Excellence to the Visitors Center Security Desk, Software Engineering Institute, Carnegie Mellon University, designed by Pfaffmann + Associates PC, with contractors F. J. Busse Company and Mock Woodworking.

Regional and Urban Design Awards were given for two projects not yet constructed. Honor Award went to The River's Edge of Oakmont, architect Rothschild Doyno Architects for client Brooks and Blair Waterfront Properties. Certificate of Merit was awarded for the Hermitage Master Plan, Strada Architecture and client Mercer County Regional Planning Commission.

AIA Design Awards Carnegie Library Squirrel Hill branch, Lubetz Architects, A. Martini & Co.

OCIP Gets Further Definition

The Appellate Division of the Supreme Court (trial court) of New York has issued a decision ruling against KSW Mechanical Services, Inc. in a case impacting the ability of subcontractors to recover damages under an Owner Controlled Insurance Policy (OCIP). KSW Mechanical's equipment was damaged by another subcontractor on a project covered by an OCIP. The trial court ruled that KSW did not have the right to file a damages claim against the OCIP insurer, because KSW was a named insured under the program and could not be a third-party claimant at the same time.

KSW appealed the decision seeking compensatory and punitive damages. KSW's position was that its status under the OCIP policy should not affect its eligibility for damages. In its decision in KSW Mechanical Services, Inc. v. American Protection Insurance Co., the Appellate Division affirmed the trial court decision. The Appellate Division ruled that KSW had failed to establish any egregious or fraudulent conduct on the part of American Protection that would warrant punitive damages. According to the court, the case presented "nothing more than a private breach of contract dispute between the insurer and its insured." With respect to compensatory damages, the court ruled that the policy does not specifically permit the recovery of consequential damages in the event of a breach by the carrier, and KSW failed to establish that its damages were reasonably certain and directly traceable to American Protection's alleged untimely processing of claims.

Green Building News

Allegheny County Projects Receive Energy Grants

Five projects located in Allegheny County were awarded grants totaling $1,830,000 for the development of alternative energy systems. The grants were part of Gov. Rendell's $11 million program to invest in 24 innovative alternative and renewable energy projects. The program is expected to attract $122 million in private economic growth, and create more than 730 permanent jobs.

AIA Design Awards Carnegie Museum Service Enclosure, EDGE Studio, Jendoco Construction.

The projects in Allegheny County were HydroGen LLC received $500,000 to design and install modules to clean hydrogen rich gas from U. S. Steel's coke operations at the Mon Valley Works plant.

Phipps Conservatory and Pittsburgh Botanical Gardens were awarded $250,000 towards the development of its planned education, research and administration buildings. The buildings will use a variety of alternative energy methods to create net zero energy use.

PFBC Environmental Energy South Park Technology received $600,000 to develop a pressurized, fluidized-bed combined cycle technology, in conjunction with CONSOL Energy and Sargas AS, to use wet coal waste for power generation. PFBC expects to generate 2.8 million kilowatt hours of electricity annually. The project will result in 1,000 construction jobs over three years.

Carnegie Mellon University will use $80,000 to partially fund a prototype hybrid ventilation and window opening system, which is designed to reduce energy consumption by 10 percent.

Walnut Capital Acquisitions received $400,000 to install a 100 kW solar system to test the viability of third-party ownership of commercial solar projects for distributed generation in the redevelopment of old industrial sites.

Pittsburgh OKs Density Incentive for LEED-Certified Buildings

Pittsburgh City Council has approved an incentive introduced by Council Member Bill Peduto to allow structures certified by the U.S. Green Building Council's LEED rating system to be 20% taller than others in their zoning districts. Various local organizations testified in support of the legislation, including the Soffer Organization, Sota Construction Company, Astorino, The Rubinoff Company, Pittsburgh NAIOP, and the Mayor's Office. The city is also looking at requiring large city-owned building projects to get a LEED Silver rating from the USGBC, as well as private developments backed by any city-subsidized tax increment financing.

AGC Develops LEED for Contractors Education

The Association of General Contractors has hired Steven Winter Associates to develop curriculum for a full-day course for construction professionals that identifies the contractor's role in projects seeking Leadership in Energy and Environmental Design (LEED) certification. The AGC expects to roll out the course at its annual convention in Las Vegas in March 2008.

AGC intends the course to help construction professionals prepare for LEED accreditation, and more fully understand the contractor's role on a LEED project. The course will explain how working with the LEED certification process will effect estimating decisions and project cost, scheduling activities, project administration and documentation, contracts, field operations and subcontractor management.

The course will be based on the results of an AGC-funded project done by the Michigan State University, which studied the impact of LEED-NC projects on construction management practices.

GBA Receives $750,000 Grant for Green Building Products

The Green Building Alliance was awarded a second year Ben Franklin Technology grant of $750,000 to continue its Green Building Products Initiative. The initiative educates and assists Pennsylvania manufacturers of building products to develop green products and market existing green product lines. The program is aimed at the more than 1,800 building product manufacturers based in PA to increase their market share in green building products, which is expected to be a $30-$40 billion market by 2010.

"This grant from the Ben Franklin Technology Development Authority is rewarding for two reasons," says GBA's Executive Director, Rebecca Flora. "First, it recognizes the progress made during the inaugural year of the Green Building Products Initiative; and second, it allows GBA to continue with a program that positions Pennsylvania and Pittsburgh as a leader in the green building market." BG

REGIONAL MARKET UPDATE

Like the rest of the nation, construction and real estate performance in Western PA was schizophrenic in 2007. The Dr. Jekyl of the market was the nonresidential sector, with unprecedented large project work, and a contracting volume approaching the high water mark of the last two decades. On the residential side of the ledger, there was little to cheer about, other than the halt to the slide in new construction.

With the foundation work on the Majestic Star Casino getting underway in early December, the year 2007 saw six projects contracted for more than $100 million. Not included in that total were the first phases of two other projects, Westinghouse Nuclear and Bakery Square, which will total more than $100 million when completed. All told, an even dozen projects started that had construction costs of $50 million or more.

At year's end the contracting total exceeded $3.5 billion for non-residential building construction, the second highest total contracting volume in more than two decades. What makes the total even more remarkable is the minor contribution of the public sector. This is in stark contrast to the publicly fed Plan B peak of $3.9 billion in 2000. The construction this year was distributed across every major building sector. Industrial and distribution projects were up, corporate office and tenant fit-out work increased, institutional contracting remained high, and even retail construction added more square feet than 2006. Only the K-12 and public building market remained slow.

Commercial Highlights

Two sub-markets within the region that were noteworthy in an overall strong market were the Central Business District and Cranberry. After years of negative absorption or break-even deals the downtown market experienced a significant decline in vacancy in 2007 that will carry into 2008, and portends well for the end of the decade. UPMC's migration to headquarters in the USS Tower, a lease that may eventually reach 500,000 square feet, was one of several tenant improvement projects that started in the second half of 2007. In addition to UPMC, a number of law firms made deals that will expand their presence in new or existing digs. Construction will get underway of most of this space in 2008. BONY/Mellon renovated more than 60,000 square feet of space in One Mellon to accommodate jobs related to the merger. One indication of the improved prospects for the health of the office market downtown is the quick rebound of the sale of the Union Trust Building. The 600,000 square foot landmark lost its buyers, Houlihan-Parnes and J.J. Operating Corp., to the credit crunch this fall, but Los Angeles-based Mika Realty Group quickly scooped up the building, and plans to maintain it as offices.

The adaptive re-use of older buildings downtown, both to develop private residential units and to support the growth of Point Park University, continues to reduce the vacancy rate of downtown buildings. Millcraft's Piatt Place and MarketPlace, both adaptive re-uses of vacant department stores into mixed residential and retail buildings, were the most visible, but not the only projects of this sort.

The net effect of this increased activity is the prospect of vacancy rates approaching 15% or lower by late 2008.

The Cranberry market, including northern Allegheny County, was already healthy and its office and industrial buildings were largely occupied. The announcement by Westinghouse Nuclear of its Cranberry Woods campus, however, was a catalyst for even more interest in the area. By spring 2008, occupancy of flex space will be above 95% (which is to all intents and purposes fully occupied), and a flurry of projects is being proposed to meet demand. The office demand from vendors serving Westinghouse is driving rents higher in Cranberry, and vacancies should be well under 10% by early 2008.

Residential Slides Comes to a Halt

It can be hard to remember that the housing market in Western PA stabilized in 2007, given the tidal wave of bad news about the national housing decline that seemed to wash in every few weeks. For homebuilders in the region the market is still difficult, but construction of new houses was at or above the volume in 2006 for six of the last eight months. For the full year, housing starts declined 6% in the metropolitan Pittsburgh market, compared with 2006 levels. While that activity level compares favorably with the national decline of more than 25%, it is worth noting that the 2006 volume was down 13% from 2005, so celebrating may not be in order.

Assuming that the second half of 2007 represents a change in the housing trend in our region, there are several factors worth examining that suggest support for housing, and growing evidence that demand here is improving.

One factor may seem a double negative of sorts: our decline is less pronounced because our upside was less pronounced. Because Western PA's economy has been transitioning since the early 1980's, the housing needed by the recovery existed both in the city and the surrounding suburbs. Regardless of whether or not you believe that the region has experienced organic growth, the perception outside Western PA is that the region was 'no grow.' That perception put Pittsburgh off the radar of the companies who marketed 'creative' mortgage products over the past half decade, and led the national homebuilders, like Beazer, Dominion or Toll Brothers, to largely ignore the region.

It will be another year or more until we know the full impact of the defaults on mortgage backed securities on our local lenders, but the current rate of foreclosures locally suggests that banks with residential loans here will have less exposure to default.

Local foreclosures declined during the third quarter. In a national environment in which foreclosures nearly doubled compared to 2006, Pittsburgh's rate of foreclosures declined 2.1% between July 1 and September 30. According to RealSTATS, there were 1,265 foreclosures in the five contiguous counties of Allegheny, Beaver, Butler, Washington and Westmoreland during the third quarter of 2007 compared to 1,292 in the same period last year.

Foreclosures in Allegheny County increased 8.9% during the period, although nearly two-thirds of those foreclosures occurred in distressed communities like McKeesport, Wilkinsburg, and Pittsburgh neighborhoods of Manchester and Beltzhoover. Offsetting the increase of 69 foreclosures in Allegheny was a drop of 119 foreclosures in Butler and Washington counties.

The other positive driving housing demand is the creation of higher-paying jobs at a faster pace than the national norm. The service sector has gradually become the dominant source of new jobs in Western PA. Since 2002, employment in education and health services and professional and managerial services has increased by almost 45,000 jobs, whereas employment in manufacturing has shrunk by almost 15,000 jobs. These new service-sector jobs also pay above average salaries. In 2006, per capita income in Pittsburg increased by 6% year over year versus 5.4% for the country as a whole. With average per capita income of $38,717, just below that of Los Angeles, Pittsburgh is ranked 48th out of 363 metro areas in the country.

These positive macroeconomic factors help explain how home prices in metropolitan Pittsburgh have remained solid, increasing during a time when many markets have seen double-digit drops in value. Pittsburgh houses appreciated 3% in 2006, and even though sales are down in 2007, housing appreciation continued at the same pace, increasing 2.7% over 2006.

2008 Forecast: The Commercial Ride Slows, Housing Starts to Bounce Back

When 2008 reaches an end, the total volume of non-residential contracting may be again at or above the $3 billion mark, but the feel of the market will be less optimistic. In the coming year there should be another three or four projects in excess of $100 million, but only the new Penguins Arena is a clear lock to get underway. The VA's University Drive expansion depends on the federal budget; the $1 billion Wellington power plant in Nemacolin must pass final regulatory and financing approvals; and the long-awaited Convention Center hotel must be reconciled against 2008 cost levels. Should all four projects start, however, contracting volume would be halfway to the $3 billion mark.

The scenario for 2008 seems to indicate that at least one of these mega projects will be delayed, and that the market will be sharply divided between the haves and have-nots, particularly if any of the large school projects proposed are quashed by the rising costs. Moreover, while architects and engineers are busy to start the year, the pace of proposal requests is slowing. Even without a national recession, there will be fewer owners adding space or renovating as 2008 turns into 2009.

Labor should see 2008 as another exceptional year, as the backlog created in 2007 dovetails with what should be a strong first quarter. Even if there is sufficient manpower to meet the needs of the market, predicting availability will be difficult, and productivity estimating will reflect that.

Market conditions in 2008 should be particularly trying for small and medium-sized contractors, particularly those who grew feeding on the increased opportunities of the past two years. Contractors with repeat clients in sustainable businesses, like healthcare, higher education or emerging technologies, will feel less of a decline in opportunity; however, it's likely that those clients will be the target of more prospecting from other contractors, meaning that competition will be stepped up. Firms serving the retail market better already have other plans in place.

Housing activity in the region will remain at lower-than-normal levels in 2008, but the beginning of a recovery will be noticeable. Expect to see increases in new housing units of between 2% and 5%, unless there is better national economic news than is expected. Should the economy slow, or a recession begin in 2008, Pittsburgh's economic strength will provide support for housing growth on the low end of the range, but demand shouldn't erode, regardless of the national conditions. BG

NATIONAL MARKET UPDATE

It appears that the party is over for the construction market nationally. The subprime mortgage problem, which began as a potential blip on the radar screen of the commercial market, is now a 747 in the rear view mirror.

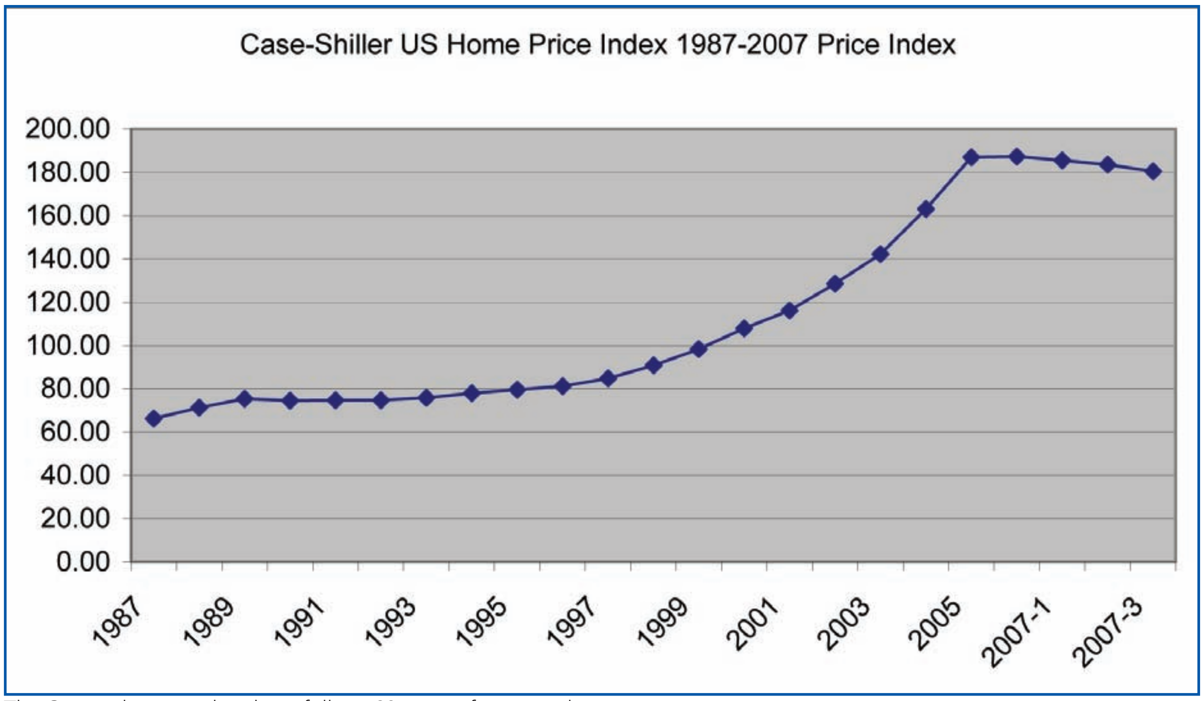
The fallout from the defaults of high-risk loans is bleeding in to the overall lending market, as its becoming clear that almost every lender has exposure to bad loans through the buying and selling of commercialized debt obligations. And many experts are beginning to predict that another round of bad news will emerge about mortgages in 2008, as the home equity loans that were behind the high-risk mortgages begin to fail.

Again, the culprits in this scenario will be identified as the 'predatory' lenders and aggressive builders who enticed buyers with teaser rates. If the forecasters are right, the defaults will also be concentrated mostly on the east and west coasts, in cities where high rates of housing growth occurred. Here again, the defaults may be limited in location, but the securitization of the debt was nationwide.

The Standard & Poors' Case Schiller Index of home prices shows just how high and how quickly home prices rose since the beginning of the decade. The good news is that for the vast majority of homeowners, their homes have appreciated significantly, even if the value will fall back over the next year or so. The bad news is that to the extent that the vertical line is overvalued, it will need to come back to more reasonable, historical appreciation rates.

At the same time the pressure is continuing on the credit market, there is evidence that demand has begun to slip for non-residential buildings as well. "The credit crunch that emerged at mid-2007 continues to be a major concern for the construction and overall economy," said McGraw-Hill's Vice President of Economic Affairs Robert Murray, at the annual Outlook Executive Conference in October. "As a result we're now predicting downturns in the previously resilient multi-family and commercial segments, as well as continued weakness in single family construction."

There are a variety of factors influencing a slowdown scenario, each somewhat co-dependent on the other. The exposure of the credit problems, and the related stock market pullback, have started to erode consumer confidence and spending, and Christmas spending bear that out. The Fed's easing of interest rates in response to the potential slowdown has elevated the risk of higher consumer inflation, which is already creeping above 4%.



The Current housing slowdown follows 20 years of increased apprection.

These factors elevate the likelihood of a recession in 2008, which would act as an incentive for more Federal Reserve rate cuts, which would deepen the risk of higher inflation, which has already gone to the point of killing developer plans because costs are too high, and…well you can see where this is going.

On a national level, the housing market ended 2007 with 24% fewer starts than in 2006. While there is absolutely no good news in that figure, it's worth noting that the rate of decline did not steepen throughout the second half of the year, even though the housing news certainly got worse. This appears to be a good indication that the bottom of the decline is near. For 2008, all economists expect to see a further decline in housing starts, but the average of their forecasts is a 3% fall-off.

The trend in non-residential construction is changing from growth to decline. McGraw-Hill Construction tracked a year-over-year increase in contracting for 2007 of 11%, while Reed Construction Data reported a 10% increase in contracting. Unlike the housing trend, however, the non-residential market slowed in the second half of 2007, as McGraw-Hill and Reed had non-residential contracting up 14% and 17% respectively at mid-year.

The sectors most affected by the slowdown will be retail, hotels and travel, public works and offices. One of the positive results of the weak dollar is that American-made goods are cheaper, and therefore, the demand for manufacturing space remains high, which will offset some of the decline in commercial projects. The consensus of U. S. construction market forecasters is that the non-residential contracting will be off 2-3% in 2008.

One note about that number: the forecast is for contracting dollars. With construction inflation expected to be near double-digit rates, this means that the decline in inflation-adjusted dollars could be more than 10%.

As a final bit of evidence on the market's direction, billings for architectural and engineering services began to decline year-over-year in the fourth quarter of 2007. Hiring of architects did increase by nearly 4% in 2007, though, so a few months observation will be needed to decipher whether or not the billing level is a lull or another harbinger of doom. BG

WHAT'S IT COST?

Market conditions for several critical commodities have created a scenario for accelerated price increases that threatens to derail projects more frequently in 2008. On top of the growing economic concerns about lending and recession, the prospect of inflation has now moved front and center in the minds of owners and developers.

The culprits driving costs the past few years, higher energy costs and increased foreign demand pushed prices upward in 2007, but at a pace that wasn't alarming. The cost of fuel and the related by-products now appears to be poised for double-digit gains in 2008. The Energy Information Administration (EIA) released its *Short Term Energy Outlook* in early December, and it estimated that the price of diesel fuel would average $3.21 per gallon in 2008, some 11.4% above the 2007 price average, and nearly double the 6% increase of 2007 over 2006. The *Outlook* also projected that the price of natural gas would increase 4.1% in 2008, compared to a 4.4% decline in 2007.

Both of these price increases would have rippling effects across the industry. On an elementary level, the diesel increase of 33 cents per gallon will add to the cost of transportation for materials and the cost of site work. With fuel surcharges universally accepted now, these costs will be passed through to the buyer. Heavy equipment lubricants will cost more. The price of asphalt paving oil, a by-product of #2 diesel, will also rise proportionally. Natural gas has impact downstream as well, since construction plastics and adhesives use it as feedstock. And, of course, all construction products that are manufactured will reflect a significant portion, if not all, of the related increased energy cost of manufacturing.

One more subtle consequence of the diesel price jump is that it will drive conservation efforts further, and reduce the amount of trucking. In 2007, the American Trucking Association reported that overall tonnage dropped 2.2%, and the *EIA's Outlook* also reported that the increase in gasoline demand grew at half the rate it was

Percentage Changes in Costs

November 2007 Over Past —

	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	0.2	0.3	3.5
Producer price index (PPI) for finished goods	0.7	0.2	6.1
PPI for materials and components for construction	-0.1	-0.3	1.5
Costs for Inputs by Construction Types			
Highway and street constructiontion	-0.1	-1.2	7.8
Nonresidential buildings	-0.1	-0.6	4.0
New warehouse construction	1.8	1.9	4.2
New school construction	0.1	0.9	10.0
New office construction	2.0	2.0	4.7
Multi-unit residential	-0.3	-0.7	3.2
Single-unit residential	-0.3	-0.6	2.2
Costs for Specific Construction Inputs			
#2 diesel fuel	1.4	2.5	26.4
Asphalt paving mixtures and blocks	0.3	0.2	1.6
Concrete products	-0.2	0.0	3.3
Brick and structural clay tile	-0.6	-0.2	0.2
Plastic construction products	-0.3	-0.8	-1.5
Gypsum products	-4.7	-8.6	-24.5
Lumber and plywood	-2.4	-4.6	0.4
Architectural coatings	0.0	0.0	4.2
Steel mill products	-1.8	-5.6	4.5
Copper and brass mill shapes	0.5	-4.6	2.2
Aluminum mill shapes	-1.6	-3.9	-0.2
Fabricated structural metal	0.4	0.3	3.9
Prefabricated metal buildings	0.0	0.8	3.1

Source Bureau of Labor Statistics Compiled by Ken Simonson, Chief Economist AGC"

PROJECT TYPE	COST/SF
K-12 School New	$180-$200
K-12 Renovation	$140-$170
Law Office Fit-out	$80-$90
Generic Office Fit-out	$25-$38
Big Box Retail with TI	$85-$90
Boutique Retail with TI	$135-$150
Hotel/Motel	$130-140
Public Library	$160-$170
Commercial Warehouse	$40-$70
Corporate Office New	$160-$180
Branch Bank with Site	$350-$400
Independent Senior Living	$85-$95
Community Center with Pool	$280-$300
Day Care/Adult Care Center	$130-$140
Auto Dearship	$100-$110
Manufacturing Building	$35-$60

expected to in 2007. While these can be seen as positives for our energy dependence, the reduced activity means that state highway coffers will be reduced, as gasoline and highway usage fees generate most state revenues.

The double whammy of higher prices and lower fees spells less work for heavy construction nationally in 2008.

One bright spot for costs in 2008 should be that the materials most closely associated with residential construction, drywall, lumber, insulation, etc., should remain stable or declining slightly in price as the housing slump continues. It appears at this point that whatever rebuilding of the Gulf Coast takes place should not have a significant impact on the price of residential materials.

Of course, the most damaging aspect of this expected jump in energy costs is its compounding effect. After four summers of significant oil price increases, the price of diesel will be 150% more in 2008 than it was in 2003, and roughly 25% more than in 2006. In a macroeconomic environment that is trending toward recession, such increases may finally be the tipping point in squelching development. If the economy reduces demand for space, the increased construction costs won't be transferable to higher rents, and developers' business plans simply won't work.

In our region, where demand for commercial space is increasing, this pressure may not slow private development, but the public and institutional sectors may already be tiring of the rising costs. In 2007 several large school projects were shelved just prior to awarding contracts, because the school boards could not satisfy taxpayers that the cost was justified. Owners of facilities which can't sell more products to create higher revenue, like colleges, museums, churches or public institutions, will find that the higher costs can only be recovered by increased borrowing.

This is where the rubber will hit the road in 2008. If a recession seems imminent or is perceived to have begun, the public will offer less support, and projects will go on the shelf. For architects, engineers and developers the watch words for 2008 are accurate estimating. The consequences could be dire for taking a risk that the bids will be low. BG

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The State Of Const

One of the most encouraging, and surprising, aspects of the construction boom that has been occurring for the past two years is the high percentage of private dollars driving it. Unlike the 'Plan B' boom of the late 1990's, the public side of the market has been a small piece of the contracting growth. As the commercial steam starts to go out of the regional construction forecast, the activity in the public sector is poised to make a recovery in 2008, but the prospect of budget crunches threatens to derail the activity just as it's heating up.

Like the private sector during the past few years, the public market is marked by a number of unusually large projects looming. What causes uncertainty for the next season is that the public owners currently are facing limited options for increasing budgets. And since publicly-funded projects tend to have a much longer gestation period than private development, and many projects have political opposition that discourages full disclosure of scope creep during design, many of the large projects readying for the bid market may have budgets that were set two years ago and are now 10-15% behind inflation.

PUBLIC
RUCTION

The Budget Picture

Government has very limited sources of funding, and all ultimately end up based on the individual taxpayer's ability to pay. Because the federal government owns so few facilities in Western PA, the public construction done in our region is funded from taxes or user fees, since that's how state and municipal government raises money. At the end of 2007, the outlook for those sources was a little bleaker than in past years.

At the state level the picture hasn't changed so dramatically. The Rendell administration has had as many plans for spending taxes as any previous administration but has made good on promises to get the state's finances in better order. Heading into 2008 the General Fund of the Commonwealth has a surplus of more than $700 million. Since that figure represents less than ten days operating needs, however, the budgeting process has included proposals for a number of additional sources of revenue. Keeping the surplus growing helped keep some of the more radical proposals on the shelf:

•Plans to sell or privatize the PA Turnpike were replaced with a plan to collect tolls on parts of Interstate 80.

•A plan to tax oil company profits for companies operating in PA was omitted from the final budget agreement.

•Regional sales taxes or other means for raising regional transportation funds and paying regional transit costs also failed to make the final agreement (except for the Allegheny County drink and rental car tax).

Hurting the state government is the higher cost of gasoline and the downstream effects of that price spike. States rely heavily on fuel taxes, vehicle administrative fees, and tolls for the money used to maintain and construct its roads. The threat of recession also means a dark cloud over fees such as vehicle registration and licensing fees, since consumers will buy fewer cars and houses during a slow economy.

Conditions on the local municipal level are less stable, because the fallout from the mortgage industry has caused lower residential real estate sales, and could potentially cause lower property value assessments if the slowdown continues in our region. The market for buying debt has declined as well, so that even if you are selling low-risk debt (like municipal bonds), there are fewer buyers, and greater chance of an under subscribed bond issue.

The more likely financial obstacle for a hot public market lies in the inflation of construction costs during the recent boom. The cumulative effect of the 2007 and projected 2008 inflation will be to increase the costs of projects almost 20% over the cost at the end of 2006. It's important to remember that almost all of the projects scheduled to bid in the first half of 2008 will have been in design at the end of 2006, and many will still be carrying budget allocations from that period.

How well the state or municipal management teams and the design teams have kept up with inflation will determine how much of the pending public work gets done. Regardless of budget issues, there are a few sectors that are ready for significant capital spending in 2008.

How well the state or municipal management teams and the design teams have kept up with inflation will determine how much of the pending public work gets done.

Infrastructure: More Money But Less Work

Pennsylvania's Department of Transportation (PennDOT) is the hub for the majority of the funds spent on streets and highways in the state. PennDOT is the repository of the funds delivered by the federal transportation acts each year, with nearly half of the state-funded road work paid by these dollars. But PennDOT also invest moneys distributed by the Commonwealth's capital budget, and indirectly funds more than a half-billion dollars worth of work through payments to municipalities in the state.

The 2007-2008 fiscal year budget calls for more than $3 billion to be spent on highways, municipal distributions and bridges. That's a double-digit increase over the amount done at the beginning of the decade. The problem is that the cost of doing road work has nearly doubled since then. While we have not experienced much severe winter weather in the past six or seven years, there have been an unusual number of floods in urban areas, and the state's roads have not been used any less; so, the maintenance and repairs needed have begun to outpace the ability to pay for it.

PennDOT's Alan Bailey, Assistant District Executive for Design in District 12-0, explains how this conundrum has played out in his area. "We identified a goal a few years ago of reducing the bridges needing structural repair to less than 20%. At the time we were spending just over $100 million in the District," says Bailey. "In 2007 we spent almost $200 million in the district but the number of bridges needing work has risen above 30%."

The state's transportation programs were overhauled in the 2007-2008 budget, using the Turnpike Commission as an additional source of PennDOT funding. The Turnpike Commission will provide $450 million for highway and bridge work, and $300 million for mass transit programs statewide.

To come up with the additional money in the short term the Turnpike Commission will issue up to $5 billion in bonds, to be paid back with future toll revenue. Pending federal approval, the Commission will establish tolls on Interstate-80, and a toll increase will be implemented on the PA Turnpike in 2009. Included with this plan are changes that require a local match for transit dollars. Since public transportation is a regional asset, the aim is to get more regional revenues involved. That concept makes coping with the Pittsburgh's Port Authority, actually an Allegheny County transit authority, even more of a local burden. Most of the plans for the new revenues, unfortunately, are to pay the increasing costs of maintaining the same roads and bridges. Among the few new projects next year will be the extension of the ongoing Route 22 widening in Westmoreland County, the completion of the I-99 bypass near State College, and another Airport Connector portion.

Another sector that has been especially hard hit by the pain of inflation is waste and water infrastructure. During the 1960's and early 1970's, the burgeoning environmental movement had federal funds backing it from the Environmental Protection Agency. The EPA was one of the agencies gutted during the Carter and early Reagan administrations, and very little restoration of the EPA's funding has followed. Without the federal funding available, local governments have to rely on tap-in and user fees to pay for bond issues, and those aren't nearly enough.

"Back when I came out of college in the '70's, there were 75% federal funds for local work," says Dan Dieseroth, Vice President at Gateway Engineers. "When we did the Miller's Run job two years ago we had a $1 million grant for an $18 million project." This shift in funding responsibility has been especially hard on older communities in stagnant areas because there isn't the growth in commercial user rates or residential tap-ins to pay for work.

"Projects have become so expensive that the user fees would be out of control, unless you're an area with rapid growth," notes Dieseroth. "The work that's done now is mostly repairs. Even in 'consent order' communities that's all that can be paid for."

The difficulty of funding helps explain why so few big water and sewer projects have been bid in recent years, even though there has been high growth in a number of areas outside Allegheny County. The outlook isn't much better. Two big projects have been identified, a $45 million treatment system update in California, PA, for which funding is not secured, and a $70 million water line project for the Municipal Authority of Westmoreland County, which will develop over three years.

K-12 and Higher Education Spending

The biggest and steadiest sources of public capital spending are typically the state's higher education system and public school districts. In line with the rest of the nation, the demographics for student growth in Pennsylvania over the past fifteen years remain very supportive of high K-12 enrollment and college attendance. In Western PA a number of school districts have been planning to meet the swelling classrooms with upcoming programs, but the rising costs will create another kind of hurdle to overcome: Act One.

The State Of Public Construction

Enacted in 2006 to prevent higher school costs from driving property taxes ever higher, particularly for retired citizens, Act One freezes any increase in capital expense to a fixed index assigned to each school district. Increases over that indexed percentage require public approval through referendum. The mere thought of referendum generally sends a chill through the collective spine of every school board.

Tighter budgets will limit architectural elements like those on the Duda Cultural Center at California University of PA. MacLachlan Cornelius & Filoni, architects, Poerio Inc., contractor.

"Act One is having an impact," says John Hummel, of school architect Foreman Architects. "School boards have rising costs to deal with in health care, fuel, operations, salaries, etc., and my sense is that it's holding districts back." Even though school construction has wider latitude within Act One, Hummel feels that districts fear the Catch-22 of public hearings. "Boards are hesitant to hold referendums or even debate referendum because it takes so much time, which makes taxpayers angry, and causes the project's costs to go that much higher."

School costs have risen to almost $200 per square foot for new construction, and almost $150 for most renovations. This escalation has proven to be too high for some districts to swallow. In 2007 two larger projects, the $23 million Wendover Middle School in Hempfield and the $34 million Uniontown High School (which was a complete re-bid of a 2006 project), were shelved by reluctant districts. School boards and architects who haven't prepared for the current costs may find the same fate awaits their projects.

On the other hand, there's evidence that public schools are getting wiser about the budget process. Hampton Township School District received bids for renovations to its 48,000 square foot Poff Elementary School in early December. The bids came in at $7.2 million, which was 6% above the PlanCon estimate, but only one-half percent above the upwardly-revised pre-bid estimate. Because of the extra planning the project is going ahead.

Funding for state university projects has been effectively frozen for more than half a decade at $65 million state-wide. Yet, the State System of Higher Education (SSHE) has encouraged universities to continue to build facilities to attract students and research grants by adding flexibility to how the school funds the projects. Since the beginning of the decade, SSHE schools have used their foundations, which mainly were used to operate campus book stores and concessions, as conduits for financing capital projects outside the state capital budget.

SSHE universities have issued bonds through their foundations that allow for tax-exempt borrowing. For certain kinds of buildings the bonds can be repaid through the use of the facilities. This model of financing has created the boom in student housing, and has given SSHE schools the latitude to raise alumni funding and seek private grants for student/convocation centers, where student usage fees will fund the debt. In the case of student housing, the demolition of equivalent numbers of outdated dorm space provides a de facto guarantee of

TOP PUBLIC JOBS BIDDING IN 2008	OWNER	A/E	CM	ESTIMATE
Penguins Arena	Sports & Exhibition Auth.	HOK Sports	P. J. Dick/Hunt	$290,000,000
Rockview Prison Expansion	PA Dept. of Corrections			$200,000,000
Life Sciences Building II	Penn State Univ.	Bower Lewis Thrower		$110,000,000
VA Hospital Expansion	VA Pittsburgh	Astorino		$105,000,000
Montour Schools	Montour School District	Graves & McLean	P. J. Dick Inc.	$75,000,000
Edinboro Student Housing	Edinboro Univ. Foundation	Weber Murphy Fox		$55,000,000
Rankin Bridge	Allegheny County			$50,000,000
Bethel Park High School	Bethel Park School District	Hayes Design/WMF	Massaro Corp.	$40,000,000
Blackhawk High School	Blackhawk School District	Burt Hill	Massaro Corp.	$38,000,000
McIntyre/Highcliff/Ross Schools	North Hills School District	Eckles Architecture	Thomas & Williamson	$35,000,000
Moon Senior High School	Moon Area School District	Eckles Architecture	URS Corp.	$33,000,000
Deer Lakes High School	Deer Lakes School District	Foreman Architects		$30,000,000

A sampling of the larger publicly-funded projects propsed for contracting in 2008

rent for the new units. In Western PA, the only large higher education projects in the queue are student housing projects at Edinboro and Indiana, and Convocation Centers in California and Indiana.

Outside the SSHE system, the capital campaigns at the three state-related universities in the regional market (Pitt, Penn State and WVU) continue to attract both large numbers of donors and large donors. Spending at Pitt and Penn State will continue at about a $200 million per year pace in 2008 and 2009, with each planning a project over $50 million. Plans at West Virginia are a little more modest, but the capital expense should run between $50 and $100 million.

Prisons: Unwanted Growth

Pennsylvania's state prison population has increased 24% since 1999 to more than 45,000 prisoners. If current judicial and penal policies remain in place, the Commonwealth faces a shortfall of 11,000 beds by 2011. Overcrowding in the county jails has pushed more offenders into the state system, and the number of people whose parole supervision is revoked now makes up 33% of new prison admissions.

While these trends have added to the new prisoner population, inmates are often serving longer sentences, creating fewer turnovers. Inmates have diminished access to the vocational, educational and substance abuse programs that parole boards require for eligibility for release, limiting another outgoing stream of inmates. With no policy change pending, the Department of Corrections has plans in the current budget for $700 million in construction of new prisons. The major projects slated for Western PA are a new $200 million, 2,000 prisoner State Correctional Institute in Smithfield Township, Huntingdon County; a $200 million, 2,000 prisoner stand-alone expansion of SCI-Rockview outside of State College, and a $6.5 million special needs facility for prisoners at SCI-Huntingdon.

Even with a planned 2,300 prisoner expansion at SCI-Graterford in Eastern PA, the new cells will only accommodate half of the expected increase, leaving prison construction as a potential $1 billion market before the end of the decade.

2008

One of the comforting things about the public construction market is its near constant demand levels. For example, school enrollment levels reflect generational changes, and so remain relatively unchanged over long periods of time, allowing plenty of warning for the shifts that do occur. Pennsylvania has more lineal miles of road than New York and New England combined, and even more bridges, so the need for highway and bridge construction is as dependable as the rising of the sun.

As the chart on page 19 shows, the public construction market still plays an important role in the region's overall construction economy. More than $750 million in contracting is tied up in that small sampling of big projects, more than $1 billion if the state builds its planned prisons next year. Such an infusion of work could push the region's construction spending to near record highs for a third straight year.

The uncertainty in the public sector, generally speaking and for next year, is the expense side of the ledger. Rising costs and stagnated revenues could kill or delay any of these large projects, making the cyclical downturn in the market steeper and bumpier.

To offset the uncertainty, however, is the historical certainty of how politicians react to an election year. Even the most skilled politico can't hold off acts of nature, and even some forces of economic inevitability, but you can bet that the incumbents will do whatever can be done to keep the taxpayer smiling in 2008. That bodes well for capital spending, even if there's a hangover in 2009. Our consolation can be that the worst hangovers follow the best parties. BG

Project Profile

Mt. Lebanon's Art Deco Municipal Building

Getting a crack at restoring an eighty-year-old Art Deco building would make most architects salivate at the opportunity. When the Mt. Lebanon Commission decided to renovate its municipal offices after building a new public safety building, the response from architects bore that out. What struck Mt. Lebanon resident Dan Rothschild, partner in the eventually successful firm, however, was that the crux of the project laid in its urban design rather than its architectural appeal.

"The building is a gateway to the business district in Mt. Lebanon, right on the corner as you enter on Washington Road from the south," explains Rothschild. "But the building had housed fire engines, so it wasn't a pedestrian-friendly storefront." The project's RFP had drawn dozens of architects, and the finalists had to endure two interviews, which worked out well for Rothschild Doyno Architects. "In the end I think what attracted them to us was our understanding of the urban design importance to revitalizing the uptown business district."

Mt. Lebanon's Municipal Building is an Art Deco marvel. Built in the 1920's, the building had all the prototypical Art Deco lines and materials, complete with gargoyles, a sculpture of an eagle on the building's peak, plus the requisite decorative metal panels, terrazzo floor patterns and decorative aluminum railings. But it also came with Art Deco warts. The building appears at street elevation to be three stories, but there were thirteen floor levels from sub-basement to upper level. Constructed of poured concrete and steel, finished with horsehair plaster, and designed when governmental information was compartmentalized rather than shared, and then renovated several times later, the building was mostly unyielding to the changes needed to modernize.

Marcia Taylor is the Assistant Manager for Mt. Lebanon, and was the project manager for the municipality. "The old building was impenetrable. You had to have maintenance hang pictures on the concrete interior walls," she remembers, "and somehow all those intermediate levels throughout the building had to become handicap-accessible. The biggest accomplishment, I feel, was keeping this building original and intact while making it work as a modern office."

The renovated municipal building at dusk. Photo by Ed Massery.

One of the challenges was to remove the elements of the earlier 'modernization' that had been done to the building. During the 1970's energy crisis, ceilings had been dropped in below the originals, and windows that had been critical to ventilation had been sealed. Smaller rooms had been built within the original first floor lobby, and the upper floors to accommodate added staff. Some of the original windows had been replaced. New finished flooring had been laid on top of the 'old' terrazzo.

Dan Rothschild's plans called for demolishing much of the earlier renovations to restore the original volume to the lobby and upper floors. This allowed for the new offices to be built so that all employees would have a window in their space. The restored full ceiling height would let in more natural light and improve airflow for the occupants. His most important change, however, was to move the public meeting space down from the second floor to the ground floor storefront, with meetings held in full view of the passerby.

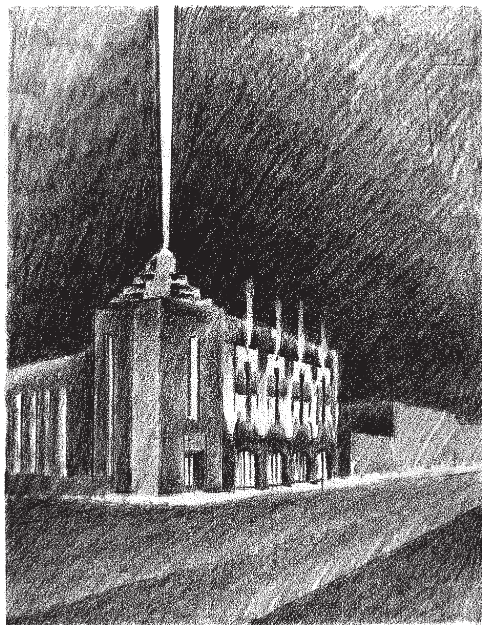
"The Commission Chamber was the only meeting space in the old building, and it was on the second floor," says Rothschild. "Moving that space to the ground floor, behind a glass storefront, puts the governmental process on display." Rothschild intended this as a contrast to the negative perception of 'back room politics'. "If you walk down Washington Road in the evening when a meeting is going on it's a striking image of the Sunshine Law and open government," he notes. "That's a pretty bold statement for a public entity to make."

With as much demolition as was needed, plus the interposition of new elevator and stairwell structures, and the historical sensitivity to restoration, the Mt. Lebanon project was a natural for bringing in a contracting team early to work through budget and scheduling issues as the design progressed. The only problem was that, as a public project the contracting would be done through open competitive bidding, leaving the successful contracting team to chance.

The bidding process was the first indication that the project was going to have good fortune. The low bidder on the general construction was an experienced contractor, Nello Construction, with a seasoned project manager who had just completed the new public safety building for Mt. Lebanon. The bidding for the plumbing, HVAC and fire protection all went to the same low bidder, Scalise Industries. And the bids came in at a very competitive number, allowing the ample contingency that had been built in to remain. The latter turned out to be a key to the success of the project.

"It was pretty much a hands on as you go kind of job," said John Fusco, project manager for Nello Construction. "There were no good record drawings and every time you opened up a wall or ceiling it seemed like you found another bearing wall!" Marcia Taylor remembers the uncertainty of the demolition phases as well. "It was an adventure to see what would turn up every day," she laughs.

Instead of creating a debacle, the extraordinary concealed and unknown conditions didn't harm the progress. "The architect showed a lot of foresight in having a high contingency," says Fusco. "We got a number of changes because of the conditions, but we were fair about it, and the architect helped solve problems in ways that were the most economical. He and the structural engineer met with us almost every day."



Dan Rothschild's graphite rendering of the Mt. Lebanon Municipal Building with nighttime lighting.

Not all the discoveries turned out to be unpleasant surprises. "We found a wall mural under some drywall that we were able to restore," remembers Rothschild. "The lobby floor had been covered twice and we were able to find the original underneath, repair and restore the original terrazzo to almost mint condition."

Rothschild says they also found an old rendering that gave a hint of political wrangling of the day. "There was a rendering of the original design as a Georgian Revival, which obviously wasn't what ended up being built." Searching in old council minutes they found that two council members apparently found the new Art Deco style undignified and pushed that position far enough to have a rendering of their vision done. In the end the proponents of the hot design trend of the day won out.

Not all the challenges of the project were so esoteric, however. Even though the public safety building had opened just up the road, the 911 Center remained operational in the municipal building until new space could be constructed in the basement early in the job. "The 911 Center had to stay open 24/7 while we did heavy demo and cut and shored the wall to build the new stairwell," says John Fusco. "I had never seen a 911 Center before. Those people don't sit around waiting for the phone to ring…everyone there is on the phone all the time!" Nello's team worked to ensure that no disruptions in power or communications occurred.

Marcia Taylor remains impressed that such a project could get done. "It's pretty rare for a public job to get done on budget and on schedule," she mused. "We floated a $5 million bond, and the bids came in sufficiently low that we could carry a 22% or 23% contingency, which was good because we needed every penny of it! When the project was done, all the costs came to $5,051,000."

Dan Rothschild marvels at how the project accomplished its intended result. "A nightlife was already starting to come back on Washington Road because of some new restaurants and stores, and the municipal center really integrated into that nightlife with its lighting and presence," he says. "When you walk by the building in the evening you get the comforting feeling that something's going on in the municipal building, that there's someone home." BG

Mt. Lebanon Municipal Building Project Team

Mt. Lebanon Commission	Owner
Rothschild Doyno Architects	Architect
Nello Construction	General Contractor
Scalise Industries	HVAC Contractor
Scalise Industries	Plumbing Contractor
Westmoreland Electric	Electrical Contractor

Firm Profile

Pennsylvania State Public School Building Authority and Higher Education Facilities Authority

One of the more under appreciated facets of public construction in Pennsylvania is the mechanism for financing the construction of schools. If you have had the dubious pleasure of designing or planning a public school project in a state which does not allow school districts to issue bonds you'll doubtless be familiar with the difficulty associated with pulling off even a simple project.

Unlike the assumption of private debt, bond issues by a public authority in Pennsylvania allow for lower interest rates, somewhat reduced fees, and a very marketable investment instrument. The transaction, however, is much more complicated than borrowing money, for example, to expand a manufacturing facility. To guide public schools and universities through the complicated process and ensure compliance with tax and securities regulations, the Commonwealth has established the State Public School Building Authority (SPSBA) and the Pennsylvania Higher Education Facilities Authority (PHEFA).

Established in 1947, the SPSBA serves the state's public school districts, community colleges and vo-tech schools. The PHEFA, which was established in 1967, serves the colleges and universities located in the state, including private colleges. While it is a state authority, PHEFA's charter is to issue low-cost tax-exempt bonds, and can therefore assist any educational institution that has a Federal 501(c)3 non-profit status, regardless of whether or not they receive any public funding.

Both authorities share common staff of 14 people and are overseen by the same Board of Directors, which is chaired by Gov. Rendell, and includes DGS Secretary James Creedon, Education Secretary Gerald Zahorchak, Treasurer Robin Weissmann, Auditor General Jack Wagner, and House and Senate leaders.

Assistant Executive Director Bob Baccon feels much more like talking with a banker than a government official. Baccon explains SPSBA/PHEFA's work simply. "We're a conduit who has the legal authority to issue tax-exempt debt on behalf of schools and universities, and we coordinate the process of underwriting the bond issue, and that's about it in a nutshell." The process of underwriting and marketing the bonds, coordinating the efforts of investment bankers, bond insurers, underwriters and regulators, plus the borrower's own administration, is complicated enough that the authoritys are rarely working on more than a few bond issues at once. "Last year we did 18 bond issues," says Baccon, "and that's pretty typical for a year."

Beyond the basic function of coordinating the preparation for a bond issue, the authority also offers services to schools, at no charge, that can eliminate some significant administrative problems. SPSBA/PHEFA will process payment requests and disbursements during construction, assist with investment of project funds, manage the accounting of the project, and file final cost documentation with the Department of Education.

One service in particular, rebate compliance, may take longer to explain to many boards than to perform. Because most schools approach the authority with a capital program and investment banker already in tow, there can be a considerable lag between the sale of the bonds (which usually is done by the investment banker for the entire issue) and the actual expense of the proceeds. While the tax-exempt funds are invested in instruments that are earning higher rates in the taxable market, the profits, or arbitrage, must be reported to and taxed by Uncle Sam. PHEFA will handle the calculations of arbitrage, monitoring the reporting for compliance with Federal Arbitrage Regulations, and the computation of rebates to the Treasury Department.

For most residents (including perhaps the reader) this is pretty dry stuff. But the ability to issue public debt has been invaluable to keeping Pennsylvania's schools competitive while many municipalities have been recovering from economic trauma over the past two decades. Having the means for refinancing previous debt allowed many growing school districts to take advantage of steep declines in interest rates in the 1990's and use the proceeds to continue expanding and building better facilities. The authority was also the conduit for colleges to expedite fire protection upgrades over the past ten years, so that the dormitories could have sprinklers throughout the state.

That period of refinancing had a significant impact on the PSPBA and PHEFA efforts. In its 60 years PSPBA has issued $5.5 billion in bonds, and almost a third of that, or $1.8 billion is currently outstanding. PHEFA's numbers are even bigger, with $5.4 billion currently outstanding of the $12.4 billion issued since 1967.

The turmoil in the financial markets this past year may actually make the marketing a little easier. "The only impact we've seen so far is that Moody's indicated that a couple of the bond insurers may be reviewed for a possible downgrade," says Bob Baccon. "But buyers of the bonds know that the schools have the authority to raise taxes if they need to for debt service. A public agency rarely defaults on a bond, which is more than you can say for private debt." BG


Robert Baccon
Assistant Executive Director.

Legal Perspective

2007 Update of the 1997 A201 General Conditions of the Contract for Construction

By
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For over a century, the A201 has been available from the American Institute of architects (AIA) as a standard-form contract for use in setting forth the general conditions of construction contracts and in governing the relationship between the contractor, the owner, and the architect. Every 10 years, the A201 is updated in an effort to reflect changes in the generally accepted practices of the industry and to adapt to modifications of the law as they affect all parties to the construction contract. On November 5, 2007, the most recent evolution of the A201 was released to the design and construction world.

Many significant changes are evident when comparing the 2007 A201 with its 1997 predecessor. Section 11.3 of the 1997 A201, which permitted the owner to require the contractor to purchase Project Management Protective Liability Insurance, has been deleted in its entirety. In keeping with the industry trend, Section 11.1.4 (2007) now requires the contractor to name the owner, the architect, and the architect's consultants as additional insureds to its Commercial Liability Insurance Policy. As a result, all parties will be protected by the contractor's policy, purchased as required by the Agreement, against any claims caused in whole or in part by the negligence of the contractor.

The experienced eye will also immediately notice changes regarding the rights of the contractor and the owner to demand financial information from the other. While the contractor's rights are more restricted by the 2007 Update, the owner's rights are expanded.

Under Section 2.2.1 (1997), the contractor could demand by written request to the owner, both prior to commencement of the project and during the project, evidence that arrangements were in place to fulfill the owner's financial obligations under the Contract. Section 2.2.1 (2007) permits such an unconditional request only prior to commencement of the Project. After commencement of the project, the contractor can request the same information only if the owner fails to pay the contractor, there is a material change to the contract sum, or the contractor expresses in writing a reasonable concern regarding the owner's ability to pay. Section 9.6.4 (2007), on the other hand, expands the owner's rights by bestowing the ability to request written evidence from the contractor of proper payments to subcontractors and suppliers. The contractor has seven days to satisfy the owner's request, with non-compliance resulting in the owner's right to contact the subcontractors or suppliers directly for the information. In the event that the contractor has not properly paid a subcontractor or supplier, Section 9.5.3 (2007) now permits the owner to issue joint checks to the contractor and the subcontractor or supplier. Contractors should be aware that Section 9.6.2 (2007) now redefines "promptly" and requires that the contractor pay a subcontractor or supplier within seven days of the contractor's receipt of payment from owner.

The remaining major changes to the A201 center on the resolution of claims and disputes. In the past, the architect possessed such duties as receiving written notice of claims from the contractor or owner; requesting responses to claims from the party against whom a claim had been brought; review, evaluation, approval or rejection of claims as a condition precedent to mediation; and, deciding whether termination of the contractor by the owner was justified and the proper amount of payment under those circumstances by one party to the other based on completed and/or outstanding work. The 2007 A201 shifts these responsibilities to a neutral initial decision maker chosen by the contractor and owner in their agreement pursuant to Section 1.1.8 (2007). However, if the contractor and owner fail to choose an initial decision maker, then the role defaults to the architect.

Radical changes have been implemented with respect to the prominent role given to arbitration under the 1997 A201. For example, the contractor or the owner may now consolidate multiple arbitrations to which it is a party so long as both arbitration agreements permit consolidation, common questions of law or fact exist, and the procedural rules for choosing arbitrators are materially similar. Furthermore, the contractor or the owner may now, under certain conditions, join other substantially involved entities by consent of the entity being joined.

By far though, the most striking change to the A201 is that mandatory arbitration has been eliminated by the 2007 Update and the contractor and owner are now permitted to designate their preferred method of binding dispute resolution within the agreement. If a method of binding dispute resolution cannot be agreed upon, then litigation is the default binding dispute resolution process. One thing remains the same: Section 15.3.1 mandates that mediation is a required step that must be completed prior to reaching any binding dispute resolution process, i.e. arbitration or litigation.

Another major change in the A201 occurs at Section 13.7 (2007) entitled Time Limits on Claims. Consistent with former Section 13.7.1 (1997), multiple rules delineated the calculation of the starting date of the statutory time period for claims as follows: 1) if an act giving rise to a claim occurred before substantial completion, then the statute began running on the date of substantial completion; 2) if an act giving rise to a claim occurred between substantial completion and final payment, then the statute began running on the date that the final Certificate of Payment was issued; and, 3) if an act giving rise to a claim occurred after issuance of the final Certificate of Payment, then the statute began running on the date of the act. Section 13.7 (2007) eliminates these rules and all claims must now simply be brought within the time period specified by applicable law and not more than ten years from the date of substantial completion.

It is of considerable interest that, despite the long standing history of the AIA Contract Documents, the 2007 Update has come under fire from some industry organizations. For example, for the first time in fifty years, the AGC has withheld its endorsement of the A201, reportedly because its members believe that the new 2007 edition significantly shifts risk away from architects and other design professionals and onto general contractors and other non-design professionals.

In response to these concerns, the AGC and the Construction Owners Association of America (COAA) folded their contract document programs into a collaborative venture to publish a set of standard contract documents called ConcensusDOCS. Eighteen other national construction–related organizations also contributed at the drafting table. The participants, largely owners and contractors, maintain that the goal of their drafting was to create contract documents to represent the best interests of the construction project, rather than the interests of any singular party.

On September 28, 2007, approximately one month before the AIA 2007 Update was scheduled for release, ConcensusDOCS inaugurated over 70 contract documents, which are available for purchase on-line. The AIA presently remains the leading provider of standard-form agreements for the construction industry and stead fastly maintains that it consults with all industry groups when updating its documents. Although the AIA Contract Documents, including the A201, have stood the test of time, the stage is set to determine whether ConsensusDOCS can overthrow the century-long reign of the industry heavyweight. BG

Finanical Perspective

Where Has the Tax Revenue Gone?

Public construction in Western PA is mostly the province of state and local government. Those entities rely on the prosperity of the regional economy to drive the revenue available to use, since income and property taxes, and transaction fees are higher when taxpayers are more prosperous. Yet during the most recent economic growth period, state and local revenues have not swelled accordingly; and, as we find ourselves sliding towards an economic slowdown the likelihood of shrinking revenues looms.

Managing government revenue used to be predictable: if revenues dropped you had to raise taxes. But politicians of all shapes and sizes see that solution as a recipe for disaster.

Perhaps the current dilemma can be traced back to the first President Bush's infamous 'read my lips-no new taxes' debacle. Bush's subsequent tax increase, and re-election defeat put the fear of raising taxes into politicians. In 1994 that fear was reinforced when 'the Republican revolution' swept through both houses of Congress. The Clinton Administration switched direction, dropping healthcare reform and middle class tax cuts, and instead rode the engine of economic prosperity to eight years in the White House.

Our current state and local administrations have made their reputations as pro-business Democrats. Both Dan Onorato and Ed Rendell have tried to reduce property taxes, and have looked at ways to drive up the underlying economy through job creation, which will create additional revenue for government downstream. The problem is that job creation may not happen fast enough to offset the negative factors affecting other parts of the nation.

Pennsylvania gets almost half of its revenue from personal income taxes (like 48 of 50 states). Another 40% comes from sales tax. Growing the state's job force will help keep the tax flow strong, which is a good defense against a national downturn. The problem is that the poor housing and credit markets have affected alot of the revenue that is used for capital improvements by the state and local governments.

The largest category for state construction expenditures is the highway and bridge work done by PennDOT and the Turnpike Commission. The income for these budgets comes from turnpike tolls, fuel taxes, and vehicle fees. High fuel costs have created an incentive for businesses to trim highway travel and use less fuel. All these measures mean less revenue for highway construction.

A slowing economy, which is weighed down by lower housing prices, generates less consumer purchasing (which equals lower sales taxes and fewer new vehicles), and lower demand for new houses. The latter hits local governments and schools, which rely on property taxes for revenue, and the state, since it collects less taxes and fees related to real estate transactions.

If the current government leaders won't raise taxes as previous generations would, the solution may be to tighten the belt on spending and ride out the next year or so until the recovery takes hold. There is evidence, however, that the revenue problems may go beyond cyclical economic solutions.

Demographers and budget analysts have been warning policymakers for years that the coming wave of retiring Baby Boomers will wash away projected budget surpluses and erode existing spending priorities. While expenditures for various entitlement programs are expected to increase dramatically, it is already estimated that over half of federal domestic spending outside of interest goes to people 65 and older. Likewise, the revenue side of the ledger will be affected as an increasing percentage of the nation's population reaches retirement age and becomes eligible for various tax breaks. While much has been written about this issue from a federal perspective, the impact at the state and local levels has not been studied as thoroughly.

It is clear, however, that state and local governments will be affected. For example, individuals over 65 years of age tend to spend less money in general and tend to concentrate more of their expenditures in untaxed items such as health care services. As a result, sales and use tax collections, which comprise more than 40% of the state's total general fund receipts, will be affected as the population ages.

Moreover, while many elderly will continue to work, they will get the bulk of their income from nontaxable (or virtually nontaxable) sources, like pensions and Social

State Tax Revenue
Fiscal Year 2006 & 2007
(in millions)

	PIT	CIT	Sales	Total
July-June 2006				
Pennsylvania	**9,524**	**2,302**	**8,334**	**20,160**
New England	18,537	2,732	9,360	30,629
Mid-Atlantic	55,074	8,232	26,202	89,508
Great Lakes	34,615	6,487	31,551	72,653
Plains	19,321	2,685	13,677	35,683
Southeast	42,387	9,704	56,806	108,897
Southwest	7,165	1,478	28,221	36,864
Rocky Mountain	8,637	1,190	5,339	15,166
Far West	56,923	11,166	40,643	108,732
United States	242,559	43,674	211,799	498,032
July-June 2007	**PIT**	**CIT**	**Sales**	**Total**
Pennsylvania	**10,262**	**2,492**	**8,591**	**21,345**
New England	20,223	3,920	9,566	33,709
Mid-Atlantic	59,176	9,268"	27,244	95,688
Great Lakes	36,377	6,884	31,627	74,888
Plains	20,790	2,967	14,006	37,763
Southeast	46,769	10,631	58,366	115,766
Southwest	7,185	1,828	30,942	39,955
Rocky Mountain	9,607	1,279	5,751	16,637
Far West	59,556	11,449	41,975	112,980
United States	259,684	48,226	219,478	527,388

A comparison of Pennsylvania and regional tax revenues during the past two fiscal years shows increases that have not kept pace with inflation. Compiled by the Nelson A. Rockefeller Government Institute State Revenue Report, Sept. 2007

Security. This will affect future income and occupational tax collections, which comprise the largest part of the state's general fund receipts and more than a quarter of local tax revenue, respectively.

While this trend isn't cause for celebration on Ross Street, or in Harrisburg or the county courthouses throughout the state, the demographics of Pennsylvania have compelled government fiscal officers to plan more for living with higher numbers of fixed-income residents than in other states. Perhaps that is why some of the recent national news hasn't seemed as relevant here in the Commonwealth.

According to a report released by the National Conference of State Legislators in December, legislative fiscal directors from 24 states said their states' revenue was affected in the third quarter by the housing market's plummet. Florida reported the slowdown directly or indirectly hurt all of the state's major revenue sources. More than 12 states and Puerto Rico had declines in real estate transfer and recording taxes, according to the survey, which was conducted in November and covered the first four months of fiscal 2008 for most states.

The overall revenue picture was mixed with some states, particularly in the west or midwest, raising their fiscal 2008 forecasts, while others, most notably California, Florida and New York, lowering theirs. Florida has dropped its general fund estimate by $2.1 billion since August.

A report from the National Governors Association and National Association of State Budget Officers bore the same news.

Only nine states had optimistic revenue outlooks for the rest of their fiscal year, compared to 16 states that had positive expectations in November 2006, according to the survey. Nearly 20 states expressed concerns about revenue, compared to just six last year. In Arizona for example, overall tax collections were 7.3 percent below the state's forecast, according to the NCSL report.

Recent real estate studies have shown that housing values in Western PA have continued to rise at the normal 2% to 3% annual pace, although sales declined in 2007. Even if that trend portends lower housing prices in 2008, the decline will be very small. There is also a fair amount of evidence that net job growth, especially in the higher paying professions, continues in our region irrespective of the national economy. If these buoying factors hold steady, the state and local revenue streams should maintain a pace that will allow public construction plans to come to fruition in 2008 and 2009.

A public revenue system that relies on a demographic distribution that will change so dramatically over the coming decade or so, however, must be re-evaluated if public investment in infrastructure and education is to remain a high priority. BG

MBE/WBE Company Spotlight

Cooper Trading Inc.

Like many successful businesses that are categorized as "disadvantaged", Cooper Trading has endured and prospered by striving for recognition as an exceptional company rather than an MBE business. Pete Cooper feels that the Small Business Administration Set-aside program created misconceptions that often hurt minority ventures. "The problem is the perception that the opportunities make being an MBE company a 'no risk' business, and that's just not true," says Cooper. "(As a supplier) we end up bidding for everything anyway, so there's no free lunch."

Cooper's path toward entrepreneurship included a couple of hard right turns on the journey. Starting out as a carpenter and later as a millwright, Cooper envisioned a career in the building trades until labor issues arose at one of his assignments at the McGraw Edison facility in Canonsburg. When an opportunity surfaced to join the sales force with Interstate Contractors Supply in Washington, Cooper made the career change.

Starting out selling interior materials, like drywall and studs, and EIFS, Cooper learned firsthand what was important to his commercial customers, eventually managing commercial sales. In the late 1980's he was attracted to another company that was growing in Westmoreland County, Irwin Builders Supply (IBS). "Dan Paulone was always telling me I should come to work with him, and one year we ran into each other at a convention, and I took his card so we could talk when we got back to town." Cooper joined IBS to grow the commercial business, but made sure to leave a side door open. "I told Dan that one of these days I'm going to want to go out on my own, and he always supported that."

'One of those days' happened in 1992 when Pete Cooper broke his commercial business off to found Cooper Trading Inc. Adding to his experience with interiors, Cooper branched out into other general buildings supplies, picking up household name lines like Georgia Pacific, Carlisle, Owens Corning and Tremco. While the commercial market in the early 1990's wasn't booming, Cooper Trading made inroads, growing steadily throughout the next decade.

"We were lucky, I guess, to have a conservative banker as a partner in Irwin Bank," jokes Cooper. "But I credit them for helping us take each step."In 2004, Cooper saw an opportunity to expand in a different direction and began providing concrete and concrete supplies. Cooper hired several former A. R. Chambers Co. sale people in the aftermath of that company's sale to George Wilson Inc. and expanded his capabilities to include the full spectrum of concrete supplies and ready-mix concrete. "I think we're the only company in Pittsburgh that can sell you concrete, wire mesh, form release, boots, or whatever you need as a concrete contractor," says Cooper. In 2007 Cooper Trading opened its third batch plant in the McKees Rocks area, and saw 70% of its sales come from the concrete supply side of its business. The one-stop-shop approach to concrete supply is in keeping with Pete Cooper's belief about his place in the food chain. "We're always going to be asked to give on price, so I try to be the guy that has all the product available, that can be delivered when our customer wants it, at a fair price," he says. "Getting the lowest price doesn't do a contractor much good if the product isn't at the job when he needs it."


Cooper Trading President, Pete Cooper

Cooper's philosophy seems to anticipate the competitive nature of the supplier's lot in life, and he has hired experienced sales people and has an engineer on staff because he expects to be asked for value engineering on materials. "We pride ourselves on being able to help VE a project's materials," he explains.

The decision to get into concrete supply timed the market well, as the market was just embarking on a three-year long growth cycle. Cooper knows what it's like to take risks in a down cycle, and is grateful for the boost, and prepared to slug it out when things slow down again. "We crawled before we walked, and we're probably not running yet, but we're proud of where we are." BG

COMPANY FACTS

Cooper Trading Inc.
P. O. Box 339, Route 30
Irwin, PA 15642
800-978-8830
www.ctipa.com
Founded 1992
Number employees: 23
Annual sales: $12-14 million

Management Perspective

Working Out of Town

As 2008 looks more and more like the year this construction boom will crest, local businesses must begin to plan for operating in a market where there will be less construction for a while. The cyclical nature of real estate and construction will always create periods when the volume of work slows, and the options for dealing with the slowdown are relatively few, but potentially painful.

Most construction-related businesses are regional. Business is acquired in the industry through the residue of relationships, and business relationships are hard to maintain over greater distances. In most downturns the alternatives for architects, contractors and developers are to prepare to get smaller or more competitive. The more difficult, and potentially rewarding, option is to look at enlarging the region in which you work.

A number of Pittsburgh-area firms were hitting their strides in the late 1990's and when the downturn hit hard here in 2001, their response was to cast a wider net.

General contractor P. J. Dick Inc. had begun to cultivate relationships with federal agencies and had the beginnings of a resume with some work in Virginia at that time. "In 2000 we saw the work here slowing down, and the large projects starting to evaporate," says P. J. Dick's Director of Business Development, Bernie Kobosky. "We had built some credibility with the government from a couple of big design/build jobs for the Federal Bureau of Prisons, so we began to pursue more out-of-state federal work."Mascaro Construction was approaching its 15th anniversary when the slowdown hit in the region, and had grown to be a $100-$200 million a year business. As the contractor for Heinz Field, they had gained experience with large projects that they also saw going to waste in Pittsburgh. "We did a lot of research and it didn't show Pittsburgh as having much growth potential at the time," says Mascaro Vice President Mike Roarty. "Our response was to draw a 500-mile circle around Pittsburgh and figure out how to make that our region." Other firms have developed specialty practices or repeat clients that have taken them out of town to do work.

...the ultimate success may rest on how well you understand and plan for the risks of working further from home, particularly the risks of dealing with varying state laws.

Architect Suzan Lami had done several retail projects at the new Pittsburgh International Airport while at Design 3 Architects. One of those clients, Tie Rack, had a project in Denver and asked Suzan to be the architect. When Design 3 chose not to pursue the project, Lami went on her own to follow Tie Rack and other retailers around the country. Her firm, Lami-Grubb Architects, has grown to more than 30 people and does many projects in Western PA, but has also worked all over the country and off shore.

While the initial difficulty of broadening your business's market may seem to be securing work, the ultimate success may rest on how well you understand and plan for the risks of working further from home, particularly the risks of dealing with varying state laws.

One of the ways to minimize these risks is to pursue federal government work, where the governing contracts must conform to Federal Acquisition Regulations (FAR), regardless of the job's location.

For architects, contractors and developers who choose to work on local government or private projects, the laws governing licensing, dispute resolution and payment can vary significantly from state to state. No state's laws are written to make it harder to do things the right way, but the variance in rules could require that you change your standard approach, or be left without legal recourse in a dispute.

The Atlanta law firm of Smith Currie & Hancock has developed a specialty practice in support of multi-regional businesses, and has prepared a matrix for the Associated General Contractors of America to help AGC firms evaluate the risks associated with doing business in state's that aren't home. Jim Bidgood (that's his real name) a principal at Smith Currie, explains the matrix in a uniquely Southern way. "As a businessman you know things you know and the things you don't know. The information we provide is to help you find the things you don't know that you don't know," he laughs. He expands on that witticism by observing that "every standard contract I've ever read would be invalid in one or more states."

The checklist developed for the AGC is lengthy and detailed, but the areas of biggest concern center on how you get business, enforceable contracts, dispute resolution and getting paid.

The getting work issues start with licensing. Pennsylvania requires that architects and engineers be licensed, but not contractors, although most other states do. It's imperative to find out all the requirements for keeping licenses current, and how licensing can affect project delivery. In North Carolina for example, design/build work is required to run through the contracting agent, since that firm has the license.

Bidding regulations are pretty universal but the state-by-state requirements for naming subs, sales/use taxes or disallowing sole source or proprietary spec items can significantly affect pricing. Bid protests and mistake requirements vary as well. Clerical or math errors can usually be withdrawn, but states identify timely notification ranging from 24 to 72 hours. And the state of Washington requires the forfeiture of bid bonds for all withdrawn bids, regardless of reason.

Contracts represent the rules of the game in construction. To effectively write enforceable contracts businesses must possess knowledge of contracts, state laws and the project process. The problem is that it's rare to have that knowledge in any one person in an organization.

Some of the potential for trauma with contracts lies in identifying the forum for dispute resolution (most states are vague about what is allowed), understanding your rights and recourse options if you stop being paid, understanding the rights of subcontractors or sub-consultants in case of disputes, identifying the statutory limits on indemnification (which exist in 42 states), and knowing the lien laws.

For Pennsylvania firms the latter has become more comfortable, as the changes in our lien laws in 2007 raised awareness of the conditions and filing requirements. But some states have given the lien over as a heavy club. This is an area for special caution if you are working for a private client out of state. Rycon Construction has done many projects out of state for Dick's Sporting Goods and private developers like GVA Oxford. "There isn't much you can do to avoid lien problems but to hire good subs," says Rycon's President Todd Dominick. "We feel we can't have one lien on a project or the client will go berserk! You have to be careful or you're at the mercy of a bad sub."

Suzan Lami has learned to be wary of the lien laws, even though she isn't a contractor. "We do fairly small projects in airports all over the country. If we're in a state that has pro-contractor lien laws, like Florida, we have to really work to resolve the problem," she notes. "Airports don't like to have liens on their property."

The trick to hiring good subs, Todd Dominick admits, is not making the same mistake twice. "We find the best solution is to talk to as many subcontractors in related trades as we can. It's human nature to talk trash about somebody, so if there's a bad story out there we'll usually hear it," he says. "If we hear bad stories from three or four different guys you get a sense that it's not just trash talk."

One emerging trend that goes beyond the commercial issues is the response to illegal immigration. More and more states are growing frustrated with the lack of federal policy on illegal immigration and are enacting laws that punish the symptoms of the problems. Tom Kelleher of Smith Currie & Hancock notes that "angry legislators make bad laws" but that the laws still have to be followed. Ten states have enacted laws that have punitive measures for those hiring illegal workers, as do the cities of Washington DC and Atlanta.

The litmus test has historically been that the contractor did not knowingly make such hires, and the definition of 'knowingly'was pretty slippery. A two-year-old law has raised the ante on investigating contractor hiring, however. In 1986, a provision known as 'Qui Tam' was added to immigration statutes, which empowered citizens to file action against companies they believed made false hiring claims to the government. In the 2005 Deficit Reduction Act, the government created an incentive by allowing states to share in 10% of the 'bounty' the government collected for sanctioning companies in violation. In 1986, the government collected $100,000 from 'Qui Tam' actions; in 2007, the amount reached $6 billion. Now 15 states have laws in this area. More will follow soon.

Trend to Watch

Student Housing Boom Still Has Legs

Anyone unconvinced that America is over indulging its children should spend a few minutes in the student housing at most colleges today. For more than a decade now, colleges wishing to compete hardest for high school students have been replacing the traditional dorms with apartment-style quarters. While this trend will eventually play itself out, the institutions of higher learning in Western PA are still in the early-to-middle stages of the game.

Behind this trend is awareness that the current generation of college students has a higher, or at least different, level of expectation for his or her lifestyle than past generations. Chuck Haynes is a Senior Associate with Weber Murphy Fox in Erie. His firm is the architect and project manager for a student housing program at Edinboro University of PA, which will eventually replace 2,400 dormitory beds. His answer when asked about the driving force behind the trend was simple: "Kids want what they have at home. I was raised in a small house and shared a room with two brothers," remembers Haynes. "My kids all have their own rooms, and ideally, would like to continue that way in college."

Edinboro's project is pretty typical of the housing that's been developed. Apartments are designed with four bedrooms, 70% of which are singles, with common living and eating areas, and two bathrooms. When all three phases are completed the cost will be nearly $100 million, but the cost to the university will be zero.

The business model used in Edinboro is the same that is being used in other State System of Higher Education (SSHE) projects ongoing at Indiana University and Slippery Rock. The financing for the project is handled privately, as is the development, and that allows that university to lease land on campus to a third party, keeping it off the school's balance sheet but on the campus. It's a model that was not developed in Pennsylvania, but was used first at California University at the beginning of the decade.

Cal U, by the end of the century, had been facing declining enrollment, and President Angelo Armenti Jr. felt that the 40-year old residence halls were a big part of the problem. At the time, only about 1,200 of the 1,400 beds were occupied, even though there were over 5,000 full-time students. By 2000, the SSHE administration was encouraging its universities to look at alternatives to developing housing in the traditional model.


Phase 1 of new student housing at Indiana University of PA. (photo by John West)

The solution chosen by California was to use its foundation, Student Association Inc. (SAI), an established 501(c)3 non-profit corporation as the owner and borrower of the funds needed to develop the housing. SAI issued the bonds to finance development and construction costs, thus freeing the university from the expense, and freeing the project from the normal procurement rules.

In the case of other projects, Slippery Rock's and Indiana's for example, the university hired a private developer who was in the student housing business. The developer on those two projects is Memphis-based Allen & O'Hara. Bill Harris, Senior President of Development for the firm sees the trend nationwide. "The majority of schools have older housing, and the desire is to renew the housing on campus," Harris says. "The school's that focus on that realize that they need to replace housing not renovate it. I don't see a change in that trend any time soon."

New Colonial Hall at Grove City College is an 'off campus' experience on campus.

Allen & O'Hara's business is diversified, and within student living they will develop and turn over the project, or take equity and manage the property. "In Pennsylvania the projects have all been financed through tax-exempt bonds, so we get a development fee and complete the project for another entity," explains Harris. "If it's private equity financing we can act as owner and landlord and get our ROI from rent."

Beyond the marketing advantage the new housing gives a college, the projects in the SSHE system also serve to move students back on to campus, which is part of another student life trend, known as living/learning. The student affairs benefit is that students living on campus tend to stay engaged with the college. Campus facility use increases; food service usage goes up. As attractive as the new housing is to students, the on campus living is even more appealing to the real consumer, the parent.

"The living/learning concept is driving the design at Edinboro," says Chuck Haynes. "There's an effort to group students with similar majors or concentrations, and the interest from upper classmen allows the university to place them in the role as mentors with the underclassmen in the apartments."

The move to new housing has been embraced outside the public university circle as well. Washington & Jefferson College in Washington, PA worked with a private developer to add apartment-style housing for 2004, and special interest townhouse living in 2005. During the construction of these projects, and the student center that preceded them, W & J saw enrollment grow by one-fourth.

Increased enrollment was the motive behind Grove City College's new student housing, built in 2006. The college's president, Richard Jewell, was interested in relieving some over crowded rooms and wanted to create an off campus experience for seniors. Grove City took proposals from three developers to use an off balance sheet approach, but found the fees paid out during a 30-year lease to be unappetizing.

The college's modus operandi has historically been to raise money first, rather than borrowing, but the project was following on the heels of a $50 million capital campaign. "We reviewed the applicant pool over the previous years and realized we were turning away a lot of kids who were qualified," says Tom Gregg, Vice President of Business Affairs. "We went to a bank, and then convinced the Board that we could pay the mortgage from increased enrollment." The New Colonial Hall allowed for admission of 160 new students to Grove City.

For the SSHE system schools, whose sizes are two or three times that of Grove City or Washington & Jefferson, the new housing had more modest goals: stabilize enrollment and bring the students back to campus life. The results have been much more than modest. California University saw enrollment applications grow by 14% during the construction of Phase 2 of the project, and many upper class students began to move back from off campus apartments. There were stories of students appealing to state representatives to help them get a room. The undergraduate student population grew from 5,100 to more than 7,000 this past fall, and all of the nearly 2,200 beds were full. The only problem is the waiting list. BG

Best Practice

Why Aren't All Public Jobs Green?

One of the more frustrating realities faced by proponents of sustainable design and construction is that the leadership in building green is coming more from the private sector, that more public projects aren't Leadership in Energy and Environmental Design (LEED) certified.

The kinds of buildings that are publicly owned would seem to be natural fits for LEED certification. First, the projects are almost exclusively owner-occupied, so the life cycle cost reductions of energy efficient choices would be realized by the owner. Most publicly built projects are, obviously enough, designed for high public use, so the indoor environmental atmosphere benefits would be reaped by the taxpayers. Public buildings are supposed to say something about our communities and ourselves, which should be a good recipe for green design. And, a significant amount of public building construction is for educational space. One would expect educators to use construction as an opportunity to 'walk the walk' about environmental responsibility as a civic virtue.

So why aren't all public jobs green?

In fairness, public agencies have built a number of green buildings, many of which predated the introduction of the LEED certification process. In Pittsburgh, which has been one of the top two or three cities for LEED construction, the David L. Lawrence Convention Center was, for a time, the largest LEED Gold building in the world. Yet, of the several dozen LEED buildings certified in metropolitan Pittsburgh, less than a handful are publicly owned.

Part of the problem is that public contracting laws are set up to be inclusive, and if low bidders aren't equipped to handle the documentation and process of certification, the project may not succeed at certification. The U. S. Green Building Council (USGBC), which developed and continues to refine LEED certification, recognizes that the steps required to attain certification can be more time consuming than firms may have planned, and are constantly working to refine and subcategorize the LEED ratings to encourage more participation.

The biggest reason for not mandating LEED certification on public projects continues to be cost. While there is some level of debate about just how much the LEED certification 'premium' is, it is fairly well accepted that any extra cost can be offset by the life-cycle savings. Therein lies the problem, notes DGS Secretary James Creedon. "The Department of General Services doesn't have an overall budget," he explains, "but the projects are approved by the legislature with a specific budget allocation, so if a project becomes more expensive there isn't a pot of money we can draw from." Moreover, says Creedon, state budgets segregate capital and operating funds. "This sounds ridiculous to the private sector, but the money comes from two different pots." That means the people that control the capital budget don't have access to the operating funds, and therefore can't justify any capital expense premium with reduced operating expenses they don't control.

Gary Moshier is an architect and LEED accredited professional. His firm, Moshier Studio, acts as a LEED consultant on projects throughout the state. Moshier sees the cost problem as a product of the delivery system. "The whole idea of planning a LEED building is that it is an integrated process," he says. "Everyone who works on the project, including the contractors, should be a stakeholder upfront, so everyone's input can be heard." In the public arena, especially in Pennsylvania, the contractors are determined by who the lowest separate four (or more) prime bidders are. There is literally, and legally, no way to get these critical 'stakeholders' to have input or ownership during design.

The momentum for change is building, and pressure to build green is coming from many directions. "Taxpayers have to be educated on value vs. cost," says Michael Kuhn, Vice President of Jendoco Construction and a Board member of Pittsburgh's Green Building Alliance. "Well-informed people will want to see high-efficiency, high-performance projects built." Still, Kuhn's belief is that

LEED FOR SCHOOLS CHECKLIST

CATEGORY	POINTS
Sustainable Sites	16
Water Efficiency	7
Energy & Atmosphere	17
Materials & Resources	13
Indoor Environmental Quality	20
Innovation & Design Process	6
Total	79
Achievement Level	
Certified	29
Silver	37
Gold	44
Platinum	58

USGBC's LEED for Schools rating checklist emphasizes areas that are of greater importance to education.

quicker progress requires more than education. "When you look at all the other cities with lots of green buildings, Portland, Seattle, Chicago, they all have laws that mandate green building, but nothing from Harrisburg backs up the mandate."

The Department of General Services has had an ongoing debate about mandating LEED projects since a summit in June 2003, and the Departments of Environmental Protection and Conservation and Natural Resources are requiring green designs on all their projects. And this legislative session will see a green building incentive proposed as law.

One of the bill's sponsors is Matt Smith (D-42) from Mt. Lebanon. "The bill offers a tax credit or grant as a real incentive to build LEED projects," he says. "The incentive applies to residential multi-family projects and commercial buildings over 10,000 square feet. Developers can apply for a high-performance tax credit that can be applied against nine or ten types of taxes."

The bill stops short of being a mandate for public construction, however. Rich Overmoyer, of GSP Consulting, works on behalf of the Green Building Alliance to secure grants and inform legislators about green issues. "Part of the problem is that outside of Philadelphia and Pittsburgh there's much less experience and expertise for doing LEED projects," explains Overmoyer. He believes that some form of mandate is coming to Pennsylvania. "The big question is whether it happens through legislation or executive order. Doing it through legislation would be a better method, because the reach would be much broader."

One area where there is some tangible progress is public education. The state's Department of Education just doubled the allowance for LEED projects from $150,000 to $300,000, and the Clinton Climate Initiative has begun giving grants to schools for doing LEED rated projects.

Coincidental to these aids the USGBC introduced LEED for Schools in 2007. The LEED for Schools rating recognizes the unique nature of the design and construction of K-12 schools. Based on the LEED for New Construction rating system, it addresses issues such as classroom acoustics, master planning, mold prevention and environmental site assessment, and places greater emphasis on issues that affect student learning and health.

In the end, creating a true mandate for green public construction will require strong leadership. Whether through legislation or executive order the implementation will have to be made clear, and be reasonably attained and verified, or it will be abandoned as unrealistic. "If we required all state funded projects to be green now it would be a mandate without direction," fears Matt Smith. Still, he feels the mandate must come. "If we're going to spend public dollars let's be at the forefront of the green movement and leverage the head start we've made in Western PA."

Perhaps there will be a spark for that in one of the higher-profile residential remodeling projects going on in Harrisburg. The Governor's Mansion is being renovated now to be LEED-EB certified. "It will be the first LEED rated governor's residence in the country," says Rich Overmoyer. And a good place to start building green. BG

AWARDS & CONTRACTS

F. J. Busse Co. was the successful contractor on the second and sixth floor corridor renovations for the Federal Reserve Bank of Cleveland in downtown. Radelet McCarthy Architects is the architect for the $300,000 project. Busse is also doing renovations to Burt Hill's downtown offices on the 25th & 26th floors of Centre City Tower.

Ohio Valley General Hospital selected F. J. Busse Co. as general contractor for the $500,000 renovations to its 1946 Building in Kennedy Township. Burt Hill is the architect. Busse was selected to build out the 3,100 square foot space for Vidalia Fine Foods in the lobby of The Encore on 7th. Robin Fernandez will operate the store for Vidalia. Hugh Boyd Architects consulted on the layout. Designstream Architects was the local architect.

Armstrong School District awarded Nello Construction the $9,085,000 general construction contract for the Additions & Alterations to Lenape Elementary School. Hayes Large Architects is the architect for the $16 million project.

Nello was also awarded the Angelos Restaurant in Washington, PA. Richard Jaynes AIA is the architect for the new restaurant.

Volpatt Construction is renovating lab space for the University of Pittsburgh Medical Center in Biomedical Science Tower 3. The projects involve work on the 13th and 15th floors, totaling approximately $500,000. Burt Hill is the architect.

Jendoco Construction was the successful contractor for the construction of a $1.4 million new PNC branch bank at the Village of Pine in Pine Township. Gensler is the architect for the 3,500 square foot, LEED-certified building.

Jendoco was also awarded contracts for multiple renovation phases for the restoration of Carnegie Mellon's Kresge Theater. Epic Metals has awarded Jendoco Construction a contract for renovations to its chain mill in Rankin, PA.

Poerio Inc. was awarded a contract from Federated Department stores for the conversion of the former Ross Park Kaufmann's store. The $850,000 renovation will create a new Macy's store at the mall. Poerio was also awarded a $7 million project by the West Virginia Air National Guard in Kingwood, WV.

Mascaro Construction was awarded the contract for the concrete package on the Meadows Casino project in North Strabane Township, which consists of foundations and flatwork on an extremely aggressive schedule. The University of Pittsburgh awarded Mascaro a contract for the Old Engineering Hall project. It consists of renovating existing space for new research labs.

P. J. Dick Incorporated/Hunt Construction Group team has been selected by the Pittsburgh Penguins Hockey Organization to provide construction management services for the construction of the new Pittsburgh Arena. The new arena is scheduled to open for the 2010 NHL season.

P. J. Dick has been selected as the Construction Manager on Watson Institute's Craig Academy project. The architect is Perkins Eastman. The Craig Academy is a nonprofit school for emotionally and behaviorally challenged students in grades K – 12. The new three-story, 45,000 square foot building is located on a 1.7- acre site on South Negley Avenue in Pittsburgh. The new space will include classrooms, music, art, science, and athletic areas, clinical and professional support service space, and a full service cafeteria.

A. Martini & Co. was selected as general contractor for the new offices of Cohen & Grigsby in the Dominion Tower. The project involves renovations to 82,000 square feet on several floors. Gensler is the architect for the $7 million project.

Martini is the contractor for renovations to 6,000 square feet on the 31st floor of 525 William Penn Place for Kelly Hayden LLC new law offices. Integrity Design is the architect.

John Deklewa & Sons was awarded a design/build contract by the Pennsylvania Department of General Services for the Butler Stryker Brigade Facility. The project involves $3 million in renovations to an existing armory. Deklewa has commissioned Lami Grubb Architects to do the design.

Mosites Construction is renovating a former Sargent Electric storage building for Rothschild Doyno Architects new offices. The building, located at 29th & Penn in the Strip, will have 7,000 square feet of finished office.

Landau Building Co. was awarded a contract from Chapman Properties for the construction of Building G, the last building in Leetsdale Industrial Park. The project involves a $3 million, 53,000 square foot, speculative industrial building. Next Architecture is the architect.

Massaro Corporation was named the contractor for the University of Pittsburgh Life Science Complex renovation with the contract amount totaling nearly $3.7 million. Massaro Corporation will perform mechanical, electrical, and plumbing infrastructure upgrades to Langley Hall. This is phase one of a five-year project to upgrade and replace the entire MEP infrastructure throughout the Life Science Complex. The architect on the project is IDC Architects.

Massaro Corporation was named the general contractor for Cioppino Restaurant located at The Cork Factory on Railroad Street in the Strip District. The $1.5 million project includes all mechanical, electrical, and plumbing work, casework, and interior fit-out. The architect on the project is DRS Architects.

Massaro Corporation was named the general contractor for the Phase II on the University of Pittsburgh Chevron Science Center renovation. This $5,000,000 renovation includes updating the fourth floor of the building and incorporating state-of-the-art lab space. The architect on this project is Renaissance 3 Architects.

The Pittsburgh Opera, located on Liberty Avenue in Pittsburgh has selected Massaro Corporation to be the contractor for the renovation of the 40,000 square foot existing office space. The $2 million project will begin early in 2008 and will be completed in seven months. Massaro will renovate the existing office space, add a new mezzanine for rehearsal and construct a black box theatre. The architect on this project is IKM Architects.

Rycon Construction was selected by National City to construct a new 3,000 square foot branch in Harmar Township. The $1.1 million project was designed by GDP Group.

Giant Eagle awarded the contract for construction of its new store in the Village of Pine in Pine Township to Rycon Construction. The 82,000 square foot store will be the anchor of the retail phase of the mixed-use development, which includes more than 60,000 square feet of small retail stores and outparcels. McCormick Architects + Planners are the architects for the $7 million project. Rycon was also the successful contractor for $1 million in MR Renovations to the UPMC South Side Hospital. Radelet McCarthy is the architect.

Burchick Construction has started work on a new building at the Evergreene Technology Center, outside Waynesburg, PA. The project is a $3 million, 40,000 square foot, concrete tilt-up structure. Horizon Properties is the developer, and JSA Architecture is the architect. BG

FACES & NEW PLACES

Dick Corporation has hired Andy Pajak, P.E. as Senior Vice President of Strategic Services. Mr. Pajak is a Professional Engineer with a bachelor's degree from West Virginia University and a master's from Cornell University. Prior to joining Dick Corporation, he spent 16 years with the Michael Baker Corporation in Pittsburgh as President of the Baker Environmental business unit and Corporate Executive Vice President responsible for Program Management. Mr. Pajak was also President and CEO of GZA Geoenvironmental Technologies, Inc., a publicly traded engineering, consulting, and remediation firm and was a Senior Vice President at CDM Constructors Inc.

Dick has also hired Enzo M. Zorratto, P.E. as Executive Vice President and Chief Strategic Officer. Mr. Zorratto has a Civil Engineering degree from the University of Toronto. Prior to Dick Corporation, Mr. Zoratto was employed by GENCO Supply Chain Management as President of GENCO Infrastructure Solutions and established this business as a critical provider of services to the Federal Government in the areas of Performance-Based Logistics, Supply Chain Management, Asset Management and Facility Management. And most recently, he served as Chief Strategic Officer for DynCorp International, a $2 billion contingency support and services company, supporting DOD and US State Department operations worldwide.

The law firm of Tucker Arensburg PC announces that Matthew J. Malcho has been named a shareholder of the firm. Matt is a member of the firm's Business and Finance department, and represents financial institutions and borrowers in commercial, corporate and real estate finance transactions. He received his Bachelor of Arts degree in business administration with honors from Michigan State University in 1992, and received his J. D. from the University of Pittsburgh in 1995. He is a member of the American, Pennsylvania and Allegheny County Bar Associations.

Dave Leasure recently started at Nello Construction as a Project Manager. Dave graduated from the University of Pittsburgh with a degree in Civil Engineering.

Jendoco Construction has appointed Andrew Bajuszik as Project Manager. Andrew is a graduate of Slippery Rock University and has worked with Jendoco since June 2005 in project management and productivity analysis. He is a LEED Accredited Professional.

The Duggan Rhodes Group is excited to announce the launch of its new sister company BIM Integration Solutions – a construction consulting firm that specializes in integrating Building Information Modeling ("BIM") into the design and construction process. BIM Integration Solutions was co-founded by Sam Neider who specializes in building information modeling and corresponding applications, owner's representation, and construction management services. Sam's recent experience includes developing 3D and 4D (schedule-linked) building models for projects ranging from $12M - $10B, providing owner's representation services for a $190M senior living condominium project, and providing dispute resolution services while with The Duggan Rhodes Group. Prior to joining The Duggan Rhodes Group, Sam was with Walsh Construction, an ENR top-20 general contractor, where he specialized in project management. For more information, please visit www.BIMintegration.com.

Over the past four months, Mascaro Construction welcomed several new employees to its team. Rick Bowers is Mascaro's Directory of Safety. Stefanie

Swiatek is the receptionist for the main office. Project Manager Dave Fertal, Project Safety Engineer Justin Schonbak, Project Engineer Robert Chapman, and Site Secretary Laura Ondercin joined Mascaro's team on the Buffalo Federal Courthouse project. Assistant Superintendent Max Greb and Site Secretary Cathie Meyers became part of the Pennsylvania Judicial Center project in Harrisburg, Pennsylvania. In Huntington, West Virginia, Project Manager Gerry Bahur will handle the Marshall University Student Housing project, and in Cumberland, Maryland, Mike McCullough is the interior project manager for the Western Maryland Health Systems project.

P. J. Dick is pleased to welcome the following new employees in administrative roles at our Pittsburgh office: Karen Amoroso, Secretary to the Estimating Department, and Angela Siber, Payroll Administrator.

The Master Interiors Contractors Association (MICA) announced their election results for the 2008 MICA Board. Elected by its membership to serve as President is Thomas L. Milletary of Easley & Rivers, Inc.; Vice President is Fredrick T. Episcopo of Wyatt, Incorporated; and Secretary is Richard Ostrom of RAM Acoustical Corp; and Treasurer is Dave Bahmer of J. J. Morris Co.

Ronald J. Masztak, Jr. joined Massaro Corporation in November of this year as a Project Manager. Ron joins Massaro from Whiting Contracting Company located in Atlanta, Georgia where he worked as a Project Manager for the last nine years. Charla Musgrove joined Massaro team in early November of 2007 as a Staff Accountant. Charla has been in the accounting industry for 17 years and joins Massaro from Franco, located in Pittsburgh.

Theresa D. Smorey joined Massaro Restoration in November as the Office Manager and Controller. She has been working in this field for thirteen years. David Rothert joined Massaro Restoration as a field technician in November. He has been working in the carpentry industry for over twenty years and was recently self-employed before he joined Massaro. Charles C. Crawford also joined Massaro Restoration as a field technician in November. He has 13 years experience in the carpentry field. BG

THE INDUSTRY in the COMMUNITY

Young Constructors Support Toys for Tots

The Young Constructors Committee for the Master Builders' Association of Western PA held their annual holiday fundraising event for the Toys for Tots program on December 6, 2007 at the Bossa Nova on Seventh Street in downtown. Attended by almost 200 people, the event raised over $5,645 for the organization, and guests contributed 135 toys to the U. S. Marine Corps, who distribute them to needy families in the region.

The Young Constructors' goal is to foster the next generation of industry leaders. Committee chair Michael Kuhn, of Jendoco Construction, notes, "The evening is another great networking event, but the goal is to serve the community, and make the holidays brighter for people who haven't been as fortunate as we have."

Dan Bell of TEDCO Construction (second from left) and Jay Sukernak of Scheider Downs (right) present representatives of the Marines a check for the Toys for Tots program on behalf of the Master Builders' Young Constructors Committee.


Brett Pitcairn, of P. J. Dick, with his wife Megan and Bob Fleckenstein of Maxim Crane (right).


Jendoco Construction's Dwight Kuhn and wife Kathy, Young Constructor's chair Michael Kuhn and wife Megan.

IMI Celebrates Golden Trowel Awards

The International Masonry Institute (IMI) held its annual Golden Trowel awards for the region's architects, developers, and contractors on October 23, 2007 at the Pittsburgh Hilton. Awards were given in 14 categories, including the Grand Award for the outstanding use of masonry on a project in the region, which went to the Copper Falls Residence. Desmone & Associates were the architects, Jendoco Construction, the contractor, Harris Masonry, the mason, and Miller Tile, the tile contractor, for Copper Falls.

Grand Award winning project Copper Falls Residence.

Tom Nagy, Mark Dellanna of Soffer Organization, Joe Carozza of P. J. Dick Inc., and Ray Sekowski of Franco Masonry.

Tom Nagy, Peter McGinty of YMCA Pittsburgh, Steve Cupcheck of RSSC Architecture, Russ Heyz of John Deklewa & Sons, Dan Scabilloni of Marsa Inc. and Local #9's Tim Wachter.

"The Golden Trowel Award symbolizes the heights we can reach when designers work with Team IMI to create the best in masonry construction," says IMI President Joan Calambokidis. Awards are presented for design in various building markets and in all of the trowel trades, including brick and block, stone, restoration, tile, and more.

IMI's Tom Nagy (left) with Tom Swidzinski of Swidzinski Masonry and Terry Mariacher of Bricklayers & Allied Crafts Local #9 (right)

The winning projects were: Commercial, Del Monte Center, Pittsburgh, PA; Retail, South Side Works Block B2, Pittsburgh, PA; Residential: Copper Falls Residence, Export, PA; Multi-Residential, Beacon Street Condominiums, Pittsburgh, PA; Municipal/Institutional, The Children's Home of Pittsburgh & Lemieux Family Center, Pittsburgh, PA; Religious, Gailliot Center for Newman Studies, Pittsburgh, PA; Higher Learning Colonial Hall at Grove City College, Grove City, PA; Higher Learning, Duda World Culture Building at California University of Pennsylvania, California, PA; K-12, Edgeworth Elementary School, Sewickley, PA; Restoration, Cork Factory, Pittsburgh, PA; Restoration, Saint Paul Cathedral, Pittsburgh, PA; Recreational, Baierl Family YMCA, Franklin Park, PA; Interior, New Castle Jr./Sr. High School, New Castle, PA; Landscape, The Riverwalk, New Castle, PA

Mascaro Helps Open New Hope Church Christmas Store

Mascaro Construction Company, L.P. has established a relationship with New Hope Church and Neighborhood Renewal, a local church offering hope and rebuilding in the North Side area. On Saturday, December 8th New Hope opened their first Christmas Store to the community. Families were able to purchase new toys at affordable prices for their children and Mascaro sponsored the Gift Wrapping Table. Mascaro employees also generously donated children's mittens, gloves, hats and scarves that were given to the shoppers for each of their children. BG

Mascaro employees Deborah Glenn, Jim Mali & Janet O'Connor

MBA Membership

MBA MEMBERSHIP
The Master Builders' Association (MBA) is a trade organization representing Western Pennsylvania's leading commercial, institutional and industrial contractors. MBA contractors invest in a skilled workforce, implementing award-winning safety programs and offer the best in management and stability.

The MBA is a chapter of the Associated General Contractors of America, the nation's largest and oldest construction trade association. The MBA is committed to improving the construction trade association through education, promoting technological advancements and advocating building the highest quality projects for owners. To learn more go to www.mbawpa.org.

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Tucker Arensberg, P.C.
UPMC Work Partners
Wells Fargo Insurance Services of Pa
West Elizabeth Lumber Co.
Westfield Insurance
Willis of PA Inc.
Zurich NA Construction

Closing Out

Governor Ed Rendell Believes Public Funds Should Spur Private Investment

In October 2007 employment in the Commonwealth of Pennsylvania reached an all-time high of 5,811,000 jobs. At the beginning of my administration, in January 2003, our state was feeling the effects of a national recession. We introduced a $2.8 billion Economic Stimulus Package that was designed to use public funding where it was most likely to leverage private investment and create jobs. The fruits of those efforts are the 182,000 new jobs that have been created since that time.

When we developed the Economic Stimulus Package, we identified eight strategy elements that were essential to the success of the package. The strategy elements were focus, research, commercialization, capital, workforce, infrastructure, community revitalization and business climate.

Our focus identified four major industry clusters, life sciences, high technology, advanced manufacturing and business services, which were growth-oriented and suited to Pennsylvania's best assets. We would invest in Pennsylvania's 260 universities and colleges, which rank fourth in academic research and garner over $1 billion in grants each year. The Keystone Innovation Zones became a key to commercializing the academic research, and would be an incentive to the young talent graduating from Pennsylvania's world-class institutions.

To help fill the gaps between research and industry we channeled state investment into partnerships with the private sector, leveraging those investments to new capital. These start-up and growth stage investments have returned two-three-and four-times the private sector capital.

Putting these investments in our research and technology to work required that part of the Economic Stimulus Package be dedicated to developing new businesses and attracting businesses to the Commonwealth. Here again our strategy was to invest in infrastructure in ways that encouraged further private sector investment.

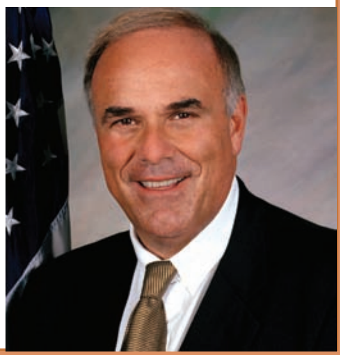
The Economic Stimulus Package included more than $1 billion for infrastructure and site improvements through programs like Building PA, Business in our Sites, Infrastructure and Facilities Improvement Program, Penn Works, Redevelopment Assistance Capital Program and TIF Guarantees. These programs assist in acquisition, site preparation, on-site infrastructure, and construction.

The Business in Our Sites program has received commitments from 96 companies to locate at our sites, and has approved a total of 107 projects. The economic benefit to Pennsylvanians has been more than 3,000 new jobs, $388 million in private investment, and a commitment of $240 million more.

Two other important programs used to optimize the state's investment are the Governor's Action Team (GAT) and the Community Action Team (CAT). The GAT acts as a single point of contact for businesses that are evaluating Pennsylvania as facility location or expansion. The GAT has the resources to identify the best sites and provide the best assistance to the business looking at the Commonwealth as a location. Since January 2003, GAT has successfully completed 925 projects, creating 99,043 new jobs and retaining 223,906 jobs. We offered $1.8 billion to these projects, which leveraged $11 billion in private capital investment.

I established the Community Action Team (CAT) in 2004 to offer a package of technical, financial, and development-oriented assistance to our core communities, many of which are older, formerly industrial communities. These communities have waterfronts, walkable neighborhoods, public transit and infrastructures that are desirable for redevelopment. The CAT coordinates assistance available from all Pennsylvania agencies, cutting through red tape that can frustrate redevelopment efforts. Currently, we have identified 77 CAT projects throughout the Commonwealth, totaling $364 million in state investment and leveraging over $539 million from other sources.

State governments have a responsibility to its taxpayers to maintain and repair roadways to keep them safe, and to keep its public schools and universities competitive and effective places to learn. I believe it's equally imperative that Pennsylvania uses its funds to invest in programs that facilitate opportunities for new business and encourage businesses to leverage our investment to create more jobs.



Mylan Pharmaceuticals

The Cork Factory

Children's Hospital