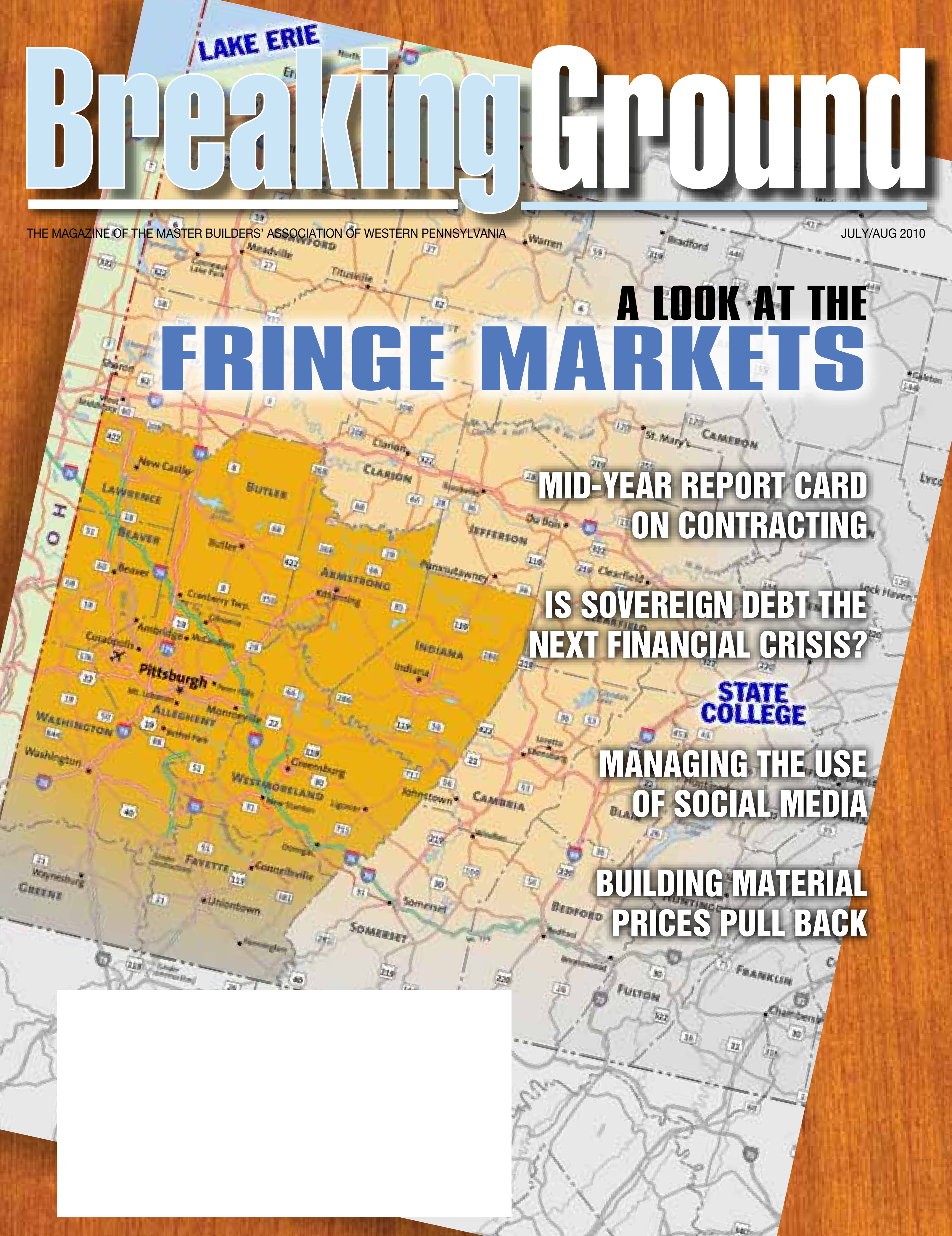
Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA
JULY/AUG 2010



A LOOK AT THE FRINGE MARKETS

MID-YEAR REPORT CARD ON CONTRACTING

IS SOVEREIGN DEBT THE NEXT FINANCIAL CRISIS?

MANAGING THE USE OF SOCIAL MEDIA

BUILDING MATERIAL PRICES PULL BACK

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FEATURES & DEPARTMENTS

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Publisher's Note

There's something nice about being able to get out of town when it starts to turn to summer, even if it is for business. Doing the research for this edition of BreakingGround meant going out to the three fringe markets that I planned to write about so that I could find out what was going on there. Since I knew these towns a little I was anxious to see them in summer mode because that is when they look and feel best.

Erie's lakefront and revitalized Perry Square looked beautiful on a sunny June day, and the mountains in central PA and Northern West Virginia did not disappoint.

The idea of looking at the outlying areas is always more relevant when the economy gets rough. Fewer opportunities are available close to home, so any company looking to maintain its volume has to draw a bigger circle to call home. Each of these three sub-regional markets has its own identity of course, and the recession has affected each in its own way. I was surprised to see how each had changed in the five years since I had last covered them regularly, and by how much had stayed exactly the same. It caught me off guard to discover that a few businesses that had been healthy in 2005 were gone in both Erie and State College, but that is the way of this industry. It reminded me that only in Pittsburgh does it seem that no one ever goes under.

Leaving town for a few days was also a welcome respite from what is a bit darker mood these days. Each month it seems more and more obvious that our region's economy is doing much better than most cities around the country, but that economic health isn't translating to enough development and construction. There are any number of factors – financing, risk containment, global exposure – that are all reasonable explanations but in the end the cupboard is pretty bare.

To paraphrase Shakespeare, this seems to be the summer of our discontent in the construction industry. Summer is actually always a little disquieting, especially if your year isn't going great. The bidding drops off seasonally; people take vacations so there is the frustration of delayed responses for a week or two; and of course there is the helpless feeling that accompanies the reality that summer pretty well marks the course of how the year will finish.

This summer, that feeling isn't so positive. Nearly two years removed from the panic of 2008, many businesses believed that the market would be picking up by this time. The reality is that those who forecasted that it could be until 2012 before we saw good markets again were just doing some pretty basic math. It has taken a couple of years to unwind from the event and it will take a little longer to regain confidence to start building business again. Factor in the lead/lag of the design and construction cycle and some of the optimism about 2011 fades.

After 30 years in the industry, and more than half that time in the same town, many of the people I talk to day-to-day are as much friends as customers or business acquaintances. Right now most of my friends are feeling discontented, and I don't like to see friends feeling that anxious. There's a similarity to this summer with that of 2003. Most of us expected to see improved conditions after the hangover faded from the tech bubble recession and September 11th attacks. But it was clear then that another tough year was still ahead. Our optimism can come from the memory that what followed that tough year were some pretty amazing good years.

Being realistic doesn't mean losing a positive outlook. In this place and time it means looking forward to a good market in 2012 and doing what you must to get there. Keep your left hand up; keep moving; and keep throwing stiff jabs every day. The opening will come to throw the big right hand. In the meantime, maybe get out of town every once in a while.

Jeff Burd

News From The Street

Regional Rankings Show Pittsburgh Rising Again

Forbes.com released its annual rankings of the best places in America to raise a family and the Pittsburgh region fared well again, ranking 7th out of the top 100 metropolitan areas. *Forbes'* rating was based on statistical analysis of the cost of living, home ownership, homeowner costs, household income, the crime rate, commuting and education.

Des Moines IA
Harrisburg-Carlisle PA
Rochester NY
Syracuse NY
Provo-Orem UT
Ogden-Clearfield UT
Pittsburgh PA
Knoxville TN
Albany NY
Buffalo NY

Forbes.com ranking of the best place to raise a family

A Bloomberg/Businessweek.com study rated Pittsburgh as the fourth most improved city for housing in its recent study. To determine which places experienced the biggest overall improvements, Bloomberg and Businessweek.com ranked the 50 largest metropolitan statistical areas (MSAs), based on first-quarter data from CoreLogic. The study emphasized first-quarter home prices, foreclosures, and delinquent loans and also looked at overall home sales, distressed sales, and local unemployment figures from the U.S. Bureau of Labor Statistics. Pittsburgh's high rating was one of the few for cities that had not experienced severe declines over the past three years.

Bloomberg/Businessweek.com Most Improved Housing Markets
1 Denver
2 Boston
3 St. Louis
4 Pittsburgh
5 San Jose
6 San Francisco
7 Washington DC
8 Cincinnati
9 Minneapolis/St. Paul
10 Milwaukee

Charity Navigator, America's largest charity evaluator, recently concluded its seventh study of the largest charities in the nation's top 30 metropolitan markets, revealing that charities in markets such as Pittsburgh, Houston and Dallas show greater overall financial health than those found in Baltimore, Detroit and Indianapolis.

In its study, Charity Navigator compared the median performance and size of the largest nonprofits in the 30 largest metropolitan areas. Those markets account for 55% of the 5,500 charities evaluated by Charity Navigator and they generate 64% of the total revenue and 66% total spending. The study revealed that regional factors, such as the cost of living, a market's maturity and a city's tendency to support one or two specialized causes, greatly influence the ability of the charities in each city to raise money and manage costs.

MOST CHARITABLE CITIES
1) Pittsburgh
2) Houston
3) Dallas
4) San Francisco
5) Kansas City

Charity Navigator's list of the top cities for non-profit support.

Acquisition News

Monday, June 28 saw the announcement of two acquisitions for regional construction industry firms L. Robert Kimball and Traco.

Philadelphia-base CDI Corp. (NYSE: CDI) acquired L. Robert Kimball & Associates to add architectural and engineering infrastructure services to its Engineering Solutions group. CDI Engineering Solutions provides engineering to the aerospace, government services, infrastructure, life sciences and process/industrial markets. The acquisition is expected to be accretive to CDI's earnings in the third quarter of 2010.

Jeff Kimball will remain in his role as president of L. R. Kimball and will also serve as new senior vice president of CDI Engineering Solutions. L. Robert Kimball & Associates will continue to do business separately and will remain headquartered in Ebensburg, PA.

Alcoa Inc. announced that it has agreed to acquire commercial window and door maker Traco Inc. of Cranberry Twp. The deal provides the aluminum maker with opportunities to increase its product line in the building and construction industry.

"Traco's strong brand and product lines are well-known throughout the commercial building market, and we look forward to helping the brand continue to flourish," said Glen Morrison, president of Alcoa Building and Construction Systems, in a statement. Morrison will oversee Traco operations when it becomes part of Alcoa's building and construction business. Alcoa will continue to market products under the Traco name, a spokesman said.

Alcoa, which has its corporate center on Pittsburgh's North Shore, anticipates it will be completed by Sept. 30, pending regulatory reviews.

GREEN BUILDING NEWS

HUD Announces LEED-ND Support

The federal government took a step toward its mission to advance sustainability practices among buildings and communities when U.S. Department of Housing and Urban Development (HUD) Secretary Shaun Donovan announced in a special address late last week that LEED® for Neighborhood Development will be used to score the location efficiency of grant applications. HUD will apply these criteria to grant submissions to the upcoming Sustainable Communities Planning Grants and others, totaling $3.25 billion in available grant funds.

"Using the 'LEED-ND' green neighborhood rating system…it's time that federal dollars stopped encouraging sprawl and started lowering the barriers to the kind of sustainable development our country needs and our communities want," said Secretary Donovan.

LEED for Neighborhood Development, which launched in April as the benchmark for healthy green communities, integrates green building into community development, helping to reduce sprawl, increase transportation choices, decrease automobile dependence, encourage healthy living and protect threatened species.

The imperative for sustainable communities is made even more urgent in this economy as housing and transportation are the two biggest expenses for families, constituting more than 50% of the average American household budget. Green communities, as defined by HUD, are "economically competitive, healthy and opportunity-rich" and provide an important component of community development to local, state and national economies.

GSA Selects Chief Greening Officer

The U.S. General Services Administration took another major step in strengthening its role as the federal government's leader in sustainability with the selection of a Chief Greening Officer, a position that will be responsible for aggressively pursuing innovative sustainable practices within GSA's large portfolio of government-owned and leased buildings.

Eleni Reed has been named to serve in this critical position. Under her leadership, the agency will continue its commitment to develop a higher performing, greener federal building inventory and serve as a green proving ground for the American real estate industry.

Prior to coming to GSA, Reed was the Director of Sustainability Strategies with Cushman and Wakefield's Client Solutions Group. She led the effort to enhance the environmental performance of the firm's portfolio of U.S.-managed properties. She played a key role in the development of a Memorandum of Understanding between Cushman and Wakefield and the U.S. Environmental Protection Agency aimed to enhance energy efficiency, reduce water use and waste, and reduce the carbon footprint of the firm's U.S.-managed properties.

Ms. Reed's prior public service includes working with the City of New York's Mayor's Office of Operations where she led the implementation of the city's Green Building Standards Law and served on the Mayor's task force on sustainability.

LEED Test Prep (Green Associate): Begins August 25th

Green Building Alliance (GBA) is partnering with Master Builders' Association (MBA) to offer its signature LEED Test Prep. Designed to help prepare participants for the LEED Green Associate accreditation exam, this three-week, instructor-led study group will focus on the basic requirements of LEED credits, regulations and intents, reference standards, and an overview of the LEED certification process.

Registration is limited to GBA and MBA MEMBERS ONLY!
Dates: Wednesdays - August 25, September 1 & 8
Time: 5:30 – 8:00 p.m.
Location: Master Builders' Association,
631 Iron City Drive, 15205
Cost: $200

Register or contact Mike Embrescia for more information.

GBA's Fourth Annual Products Summit

The Green Building Alliance will hold its annual product summit on Friday, September 17. Entitled "Changes and Opportunities in the Green Building Product Industry," this year's Products Summit will highlight green building marketplace opportunities. Please direct any questions to products@gbapgh.org.

REGULATORY NEWS

City Diesel Bill Troublesome to Developers and Contractors

Referred to as 'Clean Development' legislation, Pittsburgh City Council introduced two bills in June intent on improving the air and water quality in our region. The clean air bill would require contractors that work on city-subsidized developments to operate air-friendly equipment. While the idea of mandating diesel retrofits for construction equipment can help Pittsburgh achieve air quality goals, regional developers and contractors are worried of the costs of retrofitting equipment, especially during these challenging economic times.

For the construction industry, the cost of diesel retrofit, engine repowering or accelerated equipment replacement is expensive. Building construction companies typically expect their equipment will last at least 30 years, and they purchase it with the understanding that it will be legal to operate as built until the end of its useful life. Retroactive emission limits imposed on equipment already in use would render a company's fleet prematurely obsolete, and wipe out much if not most of a contractor's net worth, depriving a company of its ability to bond or bid work, or to borrow money.

The MBA, NAIOP and CAWP have reached out to members of City Council so that well-intended legislation does not impede development in the City's limits. A post agenda meeting is scheduled for mid July. To stay informed, join the MBA's LinkedIn page or contact the MBA at 412-922-3912. To locate the LinkedIn site visit the MBA's homepage (www.mbawpa.org).

Senate Bill 601 – Amendment to the PA Business Privilege Tax

The Pennsylvania Supreme Court, in the Redina v. Harrisburg School District case, held that municipalities could impose a tax on any business that exercises the privilege of doing business within its jurisdiction. Following this decision, nearly five years ago, the construction industry has taken the legislative route to amend the business privilege tax (PBT) so that a jobsite trailer would not be viewed as a permanent, taxable location. It has taken two legislative sessions but it appears that legislation to amend the PBT is poised to move this current session. For a copy of SB601 or for up to the date status of this bill, contact the MBA at 412-922-3912 or jobrien@mbawpa.org.

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REGIONAL UPDATE

The design and construction firms in southwestern PA responded early and aggressively last summer to the recession that was starting to be felt in the region. Most area companies were still in the midst of good to great financial years in 2009, but knew that those successes would have to carry them in 2010.

As this summer begins, it's clear that Pittsburgh will not get through this downturn with only minor scratches, and concerns about the strength of 2011 aren't without basis.

Unlike many parts of the country, our region is not suffering through the full effects of the recession. On both the residential and commercial sides of the real estate market the existing properties are performing better than might be expected. Landlords and homeowners are finding renters and buyers for their properties, and those that are being a bit more aggressive or proactive than the market are able to make deals that will benefit them in a few years as well.

According to a June 21 report by CoreLogic, the Pittsburgh area home prices rose 1.16 percent from April 2009 to April 2010, while prices in Pennsylvania dropped 3.7 percent in the same period. The data was from CoreLogic's Home Price Index. The National Association of Realtors research also showed year-over-year price appreciation in metropolitan Pittsburgh of over two percent. While mortgage underwriting is a bit more exacting than in past years, the availability of home financing is not an obstacle to the market, and anecdotal evidence is that homes are still moving briskly when priced appropriately. The spring/summer listing season is upon us, so another few months passage will tell whether or not this trend is to change; however, the underlying condition of the residential market is that there is still not too much supply for sale.

> **“THE BEST SIGNAL IN THE MARKET AT THE MOMENT IS** with the increased flow of design work being commissioned.”

The rental side of the residential market is even stronger. Recent reports from the Census Department show an end to the trend of population loss for Allegheny County (although many local indicators showed this trend shift years ago); and more importantly, the data showed increases in the number of young adults living in the metropolitan area. Adding to the favorable multi-family demographics is the increased influx of workers in the natural gas industry. More of these employees are seeking housing for three years or less and are leasing as a hedge against the risk of declining home prices. Apartment vacancies have declined sharply, with occupancy running around 97% in the region. Few projects are in the pipeline to add to the inventory of units but the favorable market conditions, and the availability of financing through the HUD 221(d)(4) program has sparked new projects.

Millcraft Industries' success in renting the Market Square Place project has inspired them to consider completing the remaining units in Piatt Place as rental units while the conditions remain less favorable for condo sales, and their adaptive re-use of the former State Office Building is set for conversion to apartments. At the other end of the spectrum is Kellaur Corporation's proposed $25 million apartment complex in Cecil Township near Southpointe. The project will encompass about 270 units.

Even with the sales and pricing conditions relatively favorable in metro Pittsburgh, the homebuilders and developers are seeing nothing to push them to begin building new. The overall economy still discourages the risk of speculative construction and the competition from existing homes is as strong as in a generation. These downward pressures are evident in the estimated first half construction results. *The Pittsburgh Homebuilding Report* is tracking a 10% increase in single-family detached homes, but a precipitous decline in attached housing, condos and apartments. The overall housing market is estimated to be off 18.4% during the first six months of 2010.

On the commercial side of the ledger the occupancy picture is similarly robust for rentals. Office vacancies are running at historical low levels, particularly in the central business district, Oakland and Cranberry. And in the south suburbs, while the overall vacancy rate is one of the highest in the region, the area's biggest office park – Southpointe – is essentially fully occupied.

Office vacancy rates for the metropolitan area have fallen to just under 16% for all property types, but the vacancy rate for Class A office is only 12%. Vacancies in Oakland and Cranberry are between 4% and 6%, but the amount of contiguous space is very limited. A recent search for

	SFD	SFA	Total
Total Pittsburgh MSA 2010:2	776	331	1,107
Total Pittsburgh MSA 2009:2	697	614	1,311
% Change	10.2%	-85.5%	-18.4%

Single-family detached (SFD) and attached (SFA) housing permits for Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland counties between January and June 2010. Source Pittsburgh Homebuilding Report.

8,000 square feet in Cranberry, for example, returned no Class A space available. Vacancy rates for industrial are similarly low, with an overall vacancy rate of around 8%, but occupancy is also higher in selected markets. In fact, only the Allegheny County south and west submarkets have vacancy rates higher than the average.

Like with the residential market, the conditions are more favorable than expected for the existing property owners, but neither the financing climate nor the potential deal flow is creating an incentive to add to the inventory. Huntington Bank is looking for 70,000 square feet downtown; Peoples Gas has been hunting for about 40,000 square feet in the eastern suburbs, but no big deals or significant relocations are in the works. There are several companies looking at industrial space and several parks, like Chapman Commerce Center and PIT Logistics, are anxious to get underway but with industrial capacity utilization at less than 75% and millions of square feet of warehouse vacancy in the East Coast corridor, no one is willing to pull the trigger on big industrial projects.

Non-residential contracting for January through June was $1.13 billion, down 13% from the same period last year. That decline in volume is actually a bit worse because it includes the $130 million AK Steel Works electric arc furnace replacement in Butler. The remaining activity is down almost 30% and the competitiveness of the market shows it.

Bidding for the UPMC Monroeville hospital's major packages was concluded recently, leaving only publicly-funded work as the significant projects in the region to bid. Bids were taken in June for the $30 million Moon Middle School, the $18 million Chartiers-Houston Junior/Senior High, the $15 million Brownsville/Uniontown Turnpike Maintenance Facility, and a smattering of public projects between $5 and $10 million. The largest project on the market is actually in West Virginia, the second phase of the $100 million plus FBI Biometric facility in Clarksburg. As of the end of June, twelve contractors from throughout the U. S. had registered for drawings on the project.

A glance at the Active Projects list from the Pittsburgh Builders Exchange shows between 175 and 185 projects bidding at the end of June, a volume that is down about 40% from the April-May period. That is not a volume level that will support rebuilding backlogs to adequate levels for 2011.

Optimism over the construction related to the Marcellus Shale exploration remains high, but the natural gas industry has taken some hits in the public eye recently, and there is more anxiety that the beneficial effect on new construction will be delayed. Hopes remain high that a biodefense research and manufacturing facility will be appropriated and that Pittsburgh will be the chosen site, but even that good news would have little impact until well into 2011. UPMC is in the midst of putting $30 to $50 million in improvements in place but their other proposed large projects have been deferred beyond this year.

Summer brings clarity about the prospects for a given year. Because of the lag between contracting, mobilization and progress payments, the middle of the year represents the last chance for contractors to improve their situation. The much needed rising tide of private sector commercial and institutional projects will not lift all boats in 2010.

The best signal in the market at the moment is with the increased flow of design work being commissioned. Hiring is beginning selectively at architectural and engineering offices throughout the region, but the most positive sign is that the volume of projects in the planning stages has risen to $8.9 billion in Western PA and $5.6 billion in metropolitan Pittsburgh. The rule of thumb historically is that about 50% of the design pipeline is contracted in the coming year. If that tracks to form over the next year it would be a significant increase in activity in early 2011, a trend that would lift the spirits of local firms, many of who are now pushing growth plans out to 2012. BG


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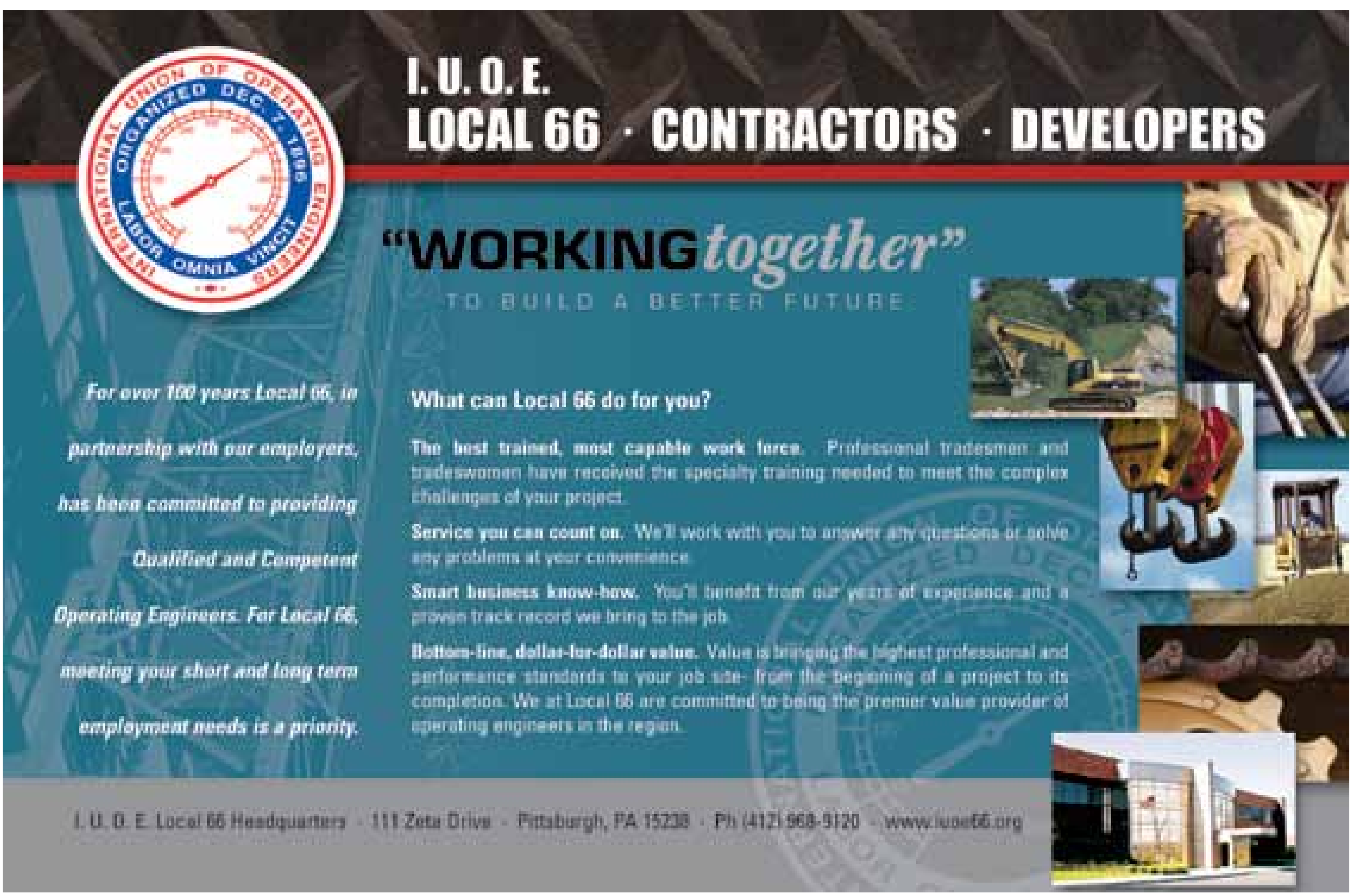
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NATIONAL MARKET UPDATE

Like the national economy, the construction industry at mid-year is at a stage of moving somewhat laterally, trying to find a direction. Instead of having a clearer sense of the industry's health, there remains uncertainty about several key factors in the direction and trend for 2011.

At the end of June the indicators of the health of the housing market were weakening. Always an indicator of the economy's direction, the housing market is even more important to the strength of this cycle's recovery than in previous cycles. Two key measurements – the sales of existing homes and the sales of new homes in May – were being anxiously anticipated to gauge how much of the early recovery in housing was sustainable once the $8,000 tax credit program expired. The provisions of the program required a contract be signed by April 30 so May's volume would be the first in eight months to show sales without the extra incentive.

The results were negative as expected; however, the degree to which the volume was seen as negative seemed to depend on how high your expectations were.

First, the results. Sales of single-family units, which are completed transactions that include single-family, townhomes, condominiums and co-ops, were at a seasonally adjusted annual rate of 5.66 million units in May, down 2.2 percent from an upwardly revised surge of 5.79 million units in April. May closings are 19.2 percent above the 4.75 million-unit level in May 2009. The decline from April seemed to catch many obeservers off guard, but NAR chief economist, Lawrence Yun sees the volume in May as elevated.

Yun said he expects one more month of elevated home sales. "We are witnessing the ongoing effects of the home buyer tax credit, which we'll also see in June real estate closings," he said. "However, approximately 180,000 home buyers who signed a contract in good faith to receive the tax credit may not be able to finalize by the end of June due to delays in the mortgage process, particularly for short sales.

Sales of new single-family homes plunged 33% in May to a record-low level after the federal subsidy for home buyers expired, according to data released June 23 by the Commerce Department. The magnitude of the decline seemed to catch markets by surprise initially.

Builders, on the other hand seemed to have been expecting a steep decline as the 10% decline in May home starts reflect. Home builders continued to shed inventories in May, cutting the number of unsold homes by 0.5% to 213,000, the lowest level in 39 years. In the past year, inventories are down 27%, while sales are down 18%.

Total housing inventory at the end of May fell 3.4 percent to 3.89 million existing homes available for sale, which represents an 8.3-month supply at the current sales pace, compared with an 8.4-month supply in April. Raw unsold inventory is 1.1 percent above a year ago, but is still 14.9 percent below the record of 4.58 million in July 2008. The reduction in inventories has helped keep prices appreciating slightly, but the number of new foreclosures is still keeping supply from being eroded fast enough to improve the appreciation picture for the next twelve months or so.

The national median existing-home price for all housing types was $179,600 in May, up 2.7 percent from May 2009. Distressed homes slipped to 31 percent of sales last month, compared with 33 percent in April; it was also 33 percent in May 2009.

Activity in the non-residential sector has been turning positive for the past 60 days, albeit at volumes that are well below historical norms. The Commerce Department's reports showed nonresidential contracting increasing in April for the first time since March 2009, rising above the $300 million level again.

Vacancy and Availability Rates

	2010Q1	Peak/Year	Previous Peak Year	"Natural Rate"	Year Back to "Natural Rate"
Office	16.8	17.6 / 2011	19.0 / 1992	13 to 14	2014
Industrial	14.0	14.3 / 2010	11.8 / 2004	9 to 10	2016
Retail	12.8	12.9 / 2010	11.3 / 1991	9 to 10	2016
Multifamily	6.5	7.4 / 2009	6.8 / 2003	5 to 6	2011
Hotels	41.4	44.5 / 2009	41.8 / 2003	36 to 37	2012

The outlook for commercial real estate recovery is mixed over the next few years. Source CBRE Econometrics.

Reed Construction Data announced on June 17 that the value of new nonresidential construction starts in January-May 2010 combined was 9.8% higher than in the same months of 2009, based on data it compiled. May starts were 16% higher than in April, not seasonally adjusted, "a little more than the usual seasonal gain," Reed Chief Economist Jim Haughey said. "The value of starts has now been about steady for three months after allowing for seasonality. Current starts are 50% above the low point last June but remain 25% below the pre-recession peak."

Haughey noted that commercial property starts jumped 52% from an unusually weak April but remain more depressed than institutional starts. There was a significant May rebound in all commercial categories except hotels, which slipped a further 40%.

Commercial real estate categories were on CB Richard Ellis senior economist Arthur Jones' mind when he addressed the CBRE real estate symposium at the 501 Grant Street Building on May 18. Jones' outlook for the commercial market is for a more stagnant 'U' shaped recovery.

The trend in nonresidential contracting has reversed in late spring after an 18-month decline of more than $125 billion. Source, Dept. of Commerce.

His forecast for the capital markets reflected that same viewpoint, counting on the global surplus of capital and the higher savings rates to keep U. S. Treasury rates below five percent for the near future. Jones also presented data that showed that the decline in new construction was preventing inventory growth and keeping capitalization rates from going higher, as was predicted by most economists. CBRE Econometrics is forecasting a decline in cap rates after a peak in the first quarter for office and industrial properties. Jones sees cap rates on offices falling to 7.5 by the fourth quarter of 2010, but cautioned that some of the support for current property values was a result of lenders holding off write-downs. Any change in the regulatory environment or a shift in sentiment that would accelerate the acknowledgement of lower values could cause a spike in cap rates.

CBRE's data on the national retail sector showed just how deeply the recession has dampened consumer spending. Since the start of the recession more than 12,000 stores have closed. Approximately 2,200 anchor retailers have closed, leaving more than 69 million square feet vacant and 200 million available for junior anchor space (stores over 20,000 square feet in size).

Because of the dislocated way this real estate recession began, it appears more likely that the recovery of the commercial market will be staggered. Using historical normal rates of vacancy as benchmarks, the recovery that is underway in commercial real estate will require more than five years to play out in the retail and industrial sectors, with office buildings needing another three to four years and hotels normalizing in 2012. Only in the least commercial type of property, multi-family housing is a return to normal vacancy rates foreseen in 2011.

One potential opportunity for the market is in the non-building sector. As the ARRA spending ends later this year, several factors are aligning that may give legs to the concept of another stimulus program.

Two very pressing realities are the accelerating decline in the condition of the nation's infrastructure and the inability of the states to pay for the improvements. The existing mechanism for funding, the various surface transportation acts from the federal government has risen much less than the cost of construction and is increasingly inadequate to keep up with failing bridges and highways. A third factor that could tip the scales is the possibility that the stagnating recovery (or non-recovery) could cause a second rise in unemployment later this summer. That would be very bad timing for nervous members of Congress, who are already feeling the re-election heat.

Another stimulus package aimed at rebuilding highways and infrastructure would create more debate about the long-term impact on national debt, but it would also get directly to where the politicians would be aiming: more jobs faster. BG

WHAT'S IT COST?

The 60-day period completed at the end of May was characterized by calm and stability in the markets for building products and materials, at least on the surface. Like the duck on the pond, however, the outlook for construction prices over the next six to twelve months still has some furious paddling going on below the surface.

From a strictly supply and demand viewpoint the forecast for construction costs should be for continued stability or at least similar pricing action as we are currently experiencing. Residential construction remains well below historical norms, even for slow recovery scenarios, and the non-residential side of the industry is in the middle of its cyclical low period. Very little indications are out there to predict an unexpected (or even noticeable) expansion in the amount of construction in either sector. The demand for materials used in infrastructure materials will see another boost this summer into fall as the remainder of the ARRA funding works through the state systems that lagged in implementing their contracting. It is worth noting that what remains to be spent on this sector may represent a $10 billion increase over the normal federal disbursements in a given year, not a volume that should drive demand significantly higher.

The more influential factor on commodity prices during the past few inflationary cycles for steel, copper, cement, et al, has been the growing demand from the global markets, most notably China and India. Here again, the evolution of market forces this year suggests that demand from these emerging economic powerhouses will not super heat prices for construction materials as they have in recent years.

Almost every report shows that Chinese demand for steel will rise by 6% to 8% this year. China's steel consumption is expected to increase 6.7% to 579 million tons this year and China is expected to remain the largest consumer of metals in the medium term. Demand for steel in India, the world's second-fastest growing major economy, rose 7.6% in 2009, helped by rising sales of cars and spending on roads and ports. Steel consumption is forecasted to grow 9% this fiscal year, according to G. K. Basak, executive secretary at the Indian steel ministry's Joint Plant Committee.

Growth in steel consumption in both of these nations is healthy but neither pace equals the double-digit growth rates of the last decade. Moreover, the expected decline in consumption in the European markets is going to suppress these estimates further, since Europe represents a big piece of the export market for Chinese and Indian products. Adding more pressure on the Chinese export flow is the purported willingness of Beijing to relax controls on the value of the yuan, allowing the

PERCENTAGE CHANGES IN COSTS	May 2010 compared to		
	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	0.1	0.7	2.0
Producer price index (PPI) for finished goods	0.3	1.6	5.3
PPI for construction	0.7	3.1	5.9
Costs by Construction Types			
Highway and street construction	0.7	3.5	7.3
Nonresidential buildings	0.6	2.9	5.3
New industrial building construction	0.3	-0.2	-3.7
New warehouse construction	0.0	0.0	-4.6
New school construction	-0.2	0.5	-1.6
New office construction	0.1	-0.3	-3.9
Multi-unit residential	0.7	2.6	4.7
Single-unit residential	0.7	2.6	4.6
Costs for Specific Construction Inputs			
#2 diesel fuel	-1.8	14.0	41.6
Asphalt paving mixtures and blocks	0.5	2.3	5.4
Concrete products	0.3	-0.2	-1.8
Brick and structural clay tile	0.3	0.2	-0.3
Plastic construction products	0.1	1.9	3.4
Gypsum products	3.1	6.6	-2.7
Lumber and plywood	3.2	10.4	24.3
Architectural coatings	0.0	-3.3	-3.3
Steel mill products	3.5	12.5	32.4
Copper and brass mill shapes	-6.8	-6.0	19.7
Aluminum mill shapes	-0.4	1.7	16.1
Fabricated structural metal	-1.6	0.6	-5.3
Prefabricated metal buildings	3.2	3.9	3.1
Crude petroleum (domestic production)	-12.1	2.0	30.2
Asphalt (at refinery)	3.1	9.7	35.3
Cement	-1.3	-3.4	-7.2
Iron and steel scrap	-5.7	14.2	101.1
Copper base scrap	-5.6	10.2	51.5

Source Bureau of Labor Statistics, Updated June 18, 2010
Compiled by Ken Simonson, AGC Chief Economist

> "SUCH A RELAXATION WILL SEND THE VALUE OF THE CURRENCY HIGHER compared to other countries' currency and make exporting more difficult for Chinese businesses."

market to influence its price. Such a relaxation will send the value of the currency higher compared to other countries' currency and make exporting more difficult for Chinese businesses.

Recent price action seems to bear out the effects of slower demand. Nucor Steel reduced the composite price of its bar and structural products by $45 per ton on June 15. Also that week the Energy Information Administration reported a decline in the price of retail diesel to $2.92 per gallon, marking five straight weeks of decline during a period usually marked by seasonal increases. And the closing price for copper futures on June 17 was 20% lower than this year's high price point in April. All of these materials were still up sharply from last year's midpoint but the trend is for continued tightening of the gap between the current market and last summer's, when the overall economy was in much worse condition.

Bucking the trend were the prices of lumber, plywood, drywall and insulation. None of these products were experiencing increases in demand but the manufacturers were continuing to stubbornly defend significant price increases introduced in late winter. These increases stemmed from manufacturers' decisions to reverse the trend of multiple quarters of losses rather than supply/demand dynamics, so the upward price pressure should remain without some dramatic macroeconomic event.

The consensus outlook of construction economists has been for further softening of prices throughout the rest of summer until finding firmer footing in the fourth quarter. Economic news in early summer has only reinforced the likelihood of that scenario. BG

Erie's Bayfront Convention Center put a striking destination point on downtown's shoreline. Photo courtesy of Erie Bayfront Convention Center.

A LOOK AT THE FRINGE MARKETS

DURING THE PAST DECADE, AND PARTICULARLY DURING THE RECESSION OF 2002-2004, THE MARKET AREA SERVED BY MANY OF THE DESIGN AND CONSTRUCTION FIRMS IN WESTERN PA GREW TO REGULARLY INCLUDE PROJECTS WITHIN A 300- OR 500-MILE RADIUS. FOLLOWING BIG CAPITAL PROGRAMS AT PENN STATE OR WEST VIRGINIA UNIVERSITY OR THE CONSTRUCTION BOOM IN BALTIMORE/WASHINGTON ALLOWED COMPANIES TO PURSUE A LARGER POOL OF PROJECTS THAN WAS AVAILABLE IN THIS REGION ALONE. THIS WAS ESPECIALLY TRUE FOR FIRMS LOOKING FOR LARGE PROJECTS, WHICH BASICALLY HAD EVAPORATED AFTER THE 'PLAN B' BOOM THAT SAW THE CONVENTION CENTER, PNC PARK AND HEINZ FIELD BUILT.

Beginning around 2005, though, the number of opportunities ramped up steeply in metropolitan Pittsburgh. The large projects that had been so scarce a couple years earlier were suddenly available in surprising numbers, with a handful or more jobs of $100 million or more every year from 2005 through 2008.

Many of the companies that had developed business and relationships in the outlying markets found their capacity was being met or exceeded within 50 miles of their offices over the past few years, but most of them stayed in touch with key contacts and managed to maintain at least a modest percentage of their turnover in these areas. With the cyclical recession shrinking, the amount of new contracting in 2009 and for the near-term future, southwestern PA firms are heating up those contacts again. Those with the goal of trying to maintain similar volumes in a region that has seen non-residential contracting fall almost 40% are going to have to make up the difference by looking to a larger market radius again.

Within roughly two hours drive lie three smaller metropolitan areas – Erie, State College and Northern West Virginia - that have served as outlet markets for local firms to varying degrees over the years. The recession has been a drag on all three but each offers some opportunity for companies that aren't local.

ERIE – IS THERE A BREAK BY THE LAKE?

Construction activity in northwestern PA was given a dramatic boost with the election of native son Tom Ridge to governor. Owing to the glacial pace of Pennsylvania's funding mechanisms, much of the impact of Gov. Ridge's influence was still showing up in contracting through the middle of the last decade. Moreover, downstream economic benefits of the stimulus (which was the goal of the spending in the first place) that came from the state's investment in Erie were only manifesting themselves in the years after Ridge left office.

Funding for projects aimed at rejuvenating Erie's moribund downtown did work. Projects like the Warner Theater renovation or the new Federal Courthouse helped clear out blighted properties and encourage healthier downtown institutions to invest. Two of the region's stronger industries – education and healthcare – had leading institutions downtown. Even as a recession hits Erie, those institutions, Gannon University and Hamot Medical Center, continue to spend tens of millions in the heart of the city.

The beneficial effects of the Ridge stimulus, or more likely just the overall improvement in Erie's private sector economy, spurred a surprising amount of private investment in the last decade. Unless you were following the economy of northwestern PA closely you probably didn't realize how much investment occurred in residential property and the kinds of commercial building that follows new home construction. During the period from 2000 to 2009 the Erie suburb of Millcreek Township experienced growth in new home construction that was slightly higher than that in Cranberry Township. To the south and east of the city, in Harborcreek and Summit Townships, new home permits were regularly between 50 and 100 units per year, a pace that would have matched the communities in the lower half of the top ten in activity in metropolitan Pittsburgh at the same time.

During the retail boom of that period, retailers followed the new housing and built several large centers to the south of Erie, especially along Peach Street near the Interstate 90 interchange.

In the second half of the decade two major projects were built that were meant to give the northwestern PA economy a boost to another gear. In an attempt to create destination centers to increase Erie's tourism business, civic leaders pushed for a new convention center and the approval of one of the state's gaming licenses to go to an Erie location. The new convention center was to be built along Lake Erie adjacent to downtown, hard by the recreational docks and Dobbins Landing. Three different sites were competing for the gaming location, which would be built within a thoroughbred racing facility. While locating Presque Isle Downs along the bayfront would have focused the new attractions at the same spot, the site chosen by the successful licensee, MTR Gaming, was along Perry Highway just south of Interstate 90 in Summit Township.

The $40 million Bayfront Convention Center began construction in summer 2005 and was opened in January 2008. The project tied the new convention spaces to a Sheraton hotel, new parking garage and linked the new facility – which sits at the end of Sassafras Pier between the docks and Lake Erie – to the existing Dobbins Landing attractions.

Presque Isle Downs started construction of its permanent facilities shortly after the Convention Center, in early 2006, and opened for business in late 2007. The $250 million project included the construction of a new racetrack and grandstands, facilities related to horse racing and training, plus a casino. Originally open for slots gambling, Presque Isle Downs recently added table gaming to its offering.

While each of these facilities offered its own set of conveniences for access and lodging, the sites chosen for each are at opposite ends of Erie, pretty much as far north and south as you can go in town. The casino's location, less than a mile from an interstate exit makes it easy to get to, but the convenience allows patrons to come and go without passing much else that is attractive in the area. "My sense is that gamblers can come in from Ohio or New York or northern Pennsylvania, gamble or watch races and then go home without seeing anything of Erie," says local architect Jeff Kidder, partner in Kidder Wachter Architects. "There really hasn't been much else developed by the site, except maybe another motel or an Applebees or the like."

Erie Area Housing Starts	2009	2008	2007	2006	2005
Erie	22	3	134	34	88
Millcreek Twp.	129	176	233	177	130
Harborcreek Twp.	19	31	41	42	66
Summit Twp.	156	43	52	58	75
Fairview Twp.	41	19	34	35	29
Total Metropolitan Erie	367	272	434	346	388

House permits for the metro Erie municipalities from 2005-2009.

State College Housing Starts	2009	2008	2007
College Twp.	15	20	38
Ferguson Twp.	39	43	72
Harris Twp.	28	47	22
Patton Twp.	49	65	83
State College Bor.	2	1	4
Halfmoon Twp.	3	6	7
Total Metropolitan Area	136	182	226

House permits for the Centre Region Council of Governments' municipalities from 2007-2009.

Without synergism between the Convention Center and Presque Isle Downs, little private development is planned for either area. As the economy has slowed, several of Erie's newer growing employers have slashed jobs or closed their doors. The recession has precipitated the closure of several contracting businesses and shuffled the landscape for the area's design companies.

Although the short-term outlook is gloomy there are still a few bright spots and marquee projects. Construction has begun on a $15 million student residence hall at Gannon University and Edinboro University is in the midst of its own multi-phase $100 million student housing program. Mercyhurst College is master planning its own housing program and a new academic building.

The Department of General Services is funding a $42 million update of the Louis Tulio Arena in downtown Erie. Pittsburgh-based Fourth River Development is the lead partner in developing Union Square, a townhouse project in downtown that could ultimately result in 140 new units in the city center. Hamot Medical Center and St. Vincent's Hospital each have ongoing capital improvements in various stages of planning, although the Hamot projects will likely be held up until the nature of its partnership with UPMC is finalized.

In the educational sector, Strong Vincent Academy has announced plans for a $40 million expansion and renovation project at its campus near Bayfront Parkway. And Millcreek School District is in early discussions about a long overdue capital program to meet the needs of Millcreek Township, which has seen over 2,000 new housing units during the past decade.

To the south in Meadville two projects are still in the conceptual stages that will have a significant impact on the area's construction market. Crawford County has been seeking proposals from development teams to consider the consolidation of all its government offices. And Meadville Medical Center has been doing feasibility studies to assess how it might best expand into the properties it has been accumulating.

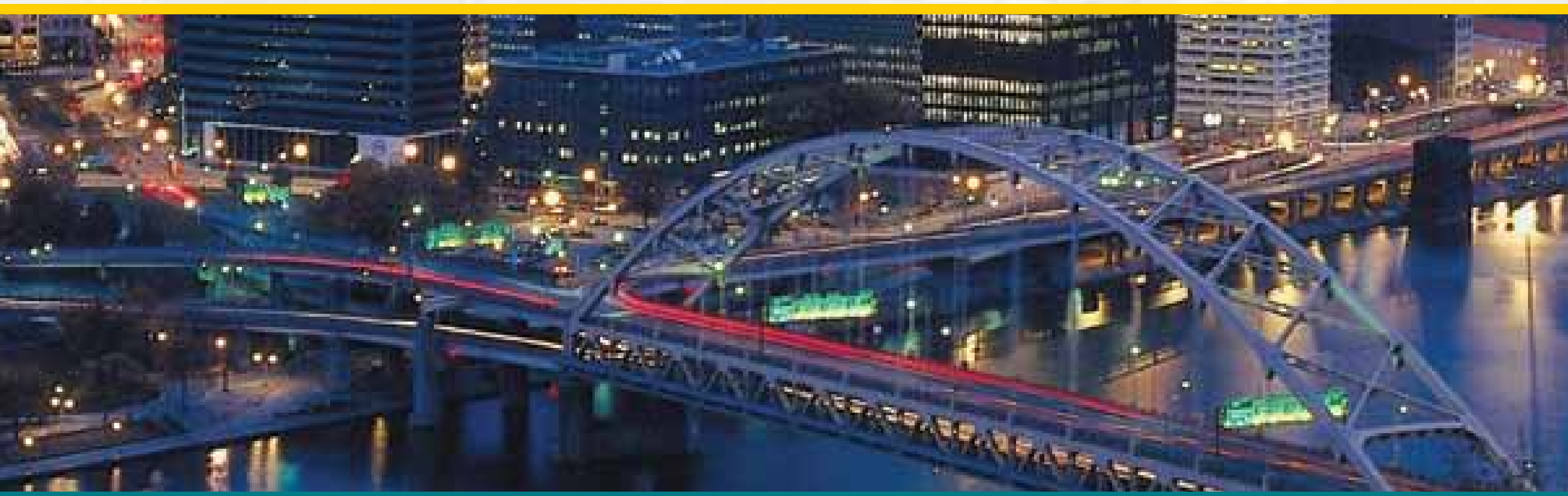
THE CENTRE OF THE STATE

The State College market grabbed the attention of architects and contractors from Western PA in the late 1990's when Penn State announced what was one of the nation's first billion dollar capital plans. Throughout the past decade or so the major projects at the university were usually built with subcontractors from Pittsburgh playing a prominent role. In particular, when the East Subcampus plan was carried out, with the construction of the Smeal Business School, the Forestry Services and Food Services buildings, and the handful of new buildings on the north side of Park Road, subcontractors like Harris Masonry, Wyatt Inc., Ruthrauff Sauer, W. G. Tomko, Ionadi Corp. and others played prominent roles.

During roughly the same period of time, State College itself underwent a physical transformation that was as dramatic as any city in Pennsylvania. State College as most know it is actually a metropolitan area made up of six municipalities acting in concert (to a degree at least): State College borough, and the townships of Patton, Ferguson, College, Harris, and Halfmoon. From the 1980's the municipal governments in the region worked to set up uniform planning and zoning regulations and to establish a perimeter within which controlled development would occur. Inside of a decade, however, most of the recognizable historical boundaries of State College began to fade as commercial development grew in tandem with Penn State's growth.

Make no mistake about the economic driver of the region. No matter how dynamic the Centre Region has become, the economic heart of the area is still the same as when State College was a sleepy little college town.

The growth of offices and retail up and down Atherton Street, east or west on College Avenue has obscured the old 'end of town' for those who knew State College in the 60's or 70's. South Atherton remains a commercial district right into Boalsburg. North Atherton has extended retail and office development right out to the bottom of the mountain in the north. Nittany Mall no longer marks the eastern end of town. And the most significant change has been the completion of the limited access I-99, which connects the Turnpike at Bedford to I-80 at Bellefonte just beyond State college. This connection was concluded only within the past few years, after much of the boom in development had died down, but it remains as a boon to transportation in the middle of the state, leaving Centre County much less isolated from the larger population centers. With the simultaneous completion of the Route 322



The academic buildings at the heart of Penn State's East Subcampus project located in the former parking lots at Park & Bigler: the Forestry Building (left front), a new parking garage and central plant (upper left) and the Smeal Business College (right).

'Narrows' project east of Lewistown, State College is now just over an hour from Harrisburg as well.

These transportation improvements will mean more as the economy recovers and Penn State emerges from its current relative capital campaign breather. Until you dig into the local economy it's easy to underestimate the full impact Penn State has on the real estate market. Like in Oakland, Penn State's students have an enormous impact on the commercial districts by their consumption. The college also impacts the real estate market by renting an enormous amount of space throughout the area, particularly as new areas of study or research get legs before a permanent home is established on campus.

The transfer of technology from university research to commercial purposes has resulted in much of the industrial job growth in Centre County. The office and research parks along Science Park Drive and the Innovation Park just east of campus bear witness to the jobs created by marrying industry to academic research. Innovation Park, whose development is now being handled by CB Richard Ellis's Pittsburgh office, includes eight office buildings housing roughly 600,000 square feet, with entitlement and infrastructure for approximately 600,000 additional square feet. The complex also includes the Penn Stater Hotel and the Daybridge Child Care Center. Another building of between 60,000 and 80,000 square feet is currently being marketed and could start within the year there.

On the campus itself the primary focus of the capital projects currently underway or out to bid are on sciences and athletics. The campus's largest single construction project, the $215 million, 275,000 square foot Millennium Science Center is proceeding towards completion in June 2011. Construction is about to begin on the $30 million Moore Building Addition, being managed by PJ Dick Inc. Later this summer contracting should take place on the South Bridge Replacement of Henderson Hall, the first phase of an $80 million project – managed by Massaro Corp. – that will essentially replace Henderson over the next few years.

Penn State is currently wrapping up a series of projects devoted to some of its lower profile sports teams with the construction of a $10 million 1,037-seat softball complex along Park Road west of Beaver Stadium. Athletics have continued to attract financial support from alumni even through the recession and the projects in the hopper reflect that. Currently in design or under study are a $40 million expansion and upgrade to the Bryce Jordan Center and more improvements to Beaver

Stadium. Intended to optimize accessibility throughout the football stadium and expand boxes, the project should run between $150 and $190 million. Part of the ripple effect of the changes to these facilities will be the relocation and expansion of the student intramural and fitness facilities. Nearly $25 million will be spent on the fitness center portion of the overall $80 expansion of the IM building. The university has even received overtures of a major gift to spur the fundraising for a $30 million stand-alone ice hockey arena.

As the capital plan at the university has slowed, so has the pace of commercial development in State College. Prior to the crisis in the financial markets, three major projects had been moving along in the entitlement process. Each has been put on ice, or limited to construction of only a minor component, by the economic slowdown. To the north was a plan for the Patton Town Center, a 230,000 square foot retail and hotel complex being planned by Tricore Group for land adjacent to the Colonnade Center. While the main components of that project are on hold, plans for about 10,000 square feet of casual dining restaurants are moving ahead for construction this year.

Another town center that has been shelved for some time is the project planned by John Imbt, owner of HRI Construction, on 170-plus acres of land next to the Circleville Farm at the intersection of West College and Science Park Road. Imbt's plan is to create a walkable 'downtown' for suburban Ferguson Township. The township has been home to much office and industrial development and more than one thousand new homes during the past ten years or so but lacks no identifiable urban center of the community.

The most ambitious commercial projects planned were two condominiums. The Fraser Centre, a mixed-use building that included two levels of underground parking, almost 70,000 square feet of street level retail and cinema, topped with seven stories of 53 condominium units is planned for the corner of Beaver and South Fraser Streets. Developer Susquehanna Real Estate of York had gotten as far along as the demolition and early site work, but the project has been halted at that stage until conditions improve. Tricore Group had also developed plans for a luxury 100-unit condominium hotel closer to Beaver Stadium. Designed by State College architect Fred Fernsler, the 'P' Hotel was slated to pursue LEED© Gold certification. Financing a hotel based on individuals buying and renting individual units is not feasible in the current climate, and the concept itself will face tougher scrutiny if and when such financing is available.

PITTSBURGH'S WILD AND WONDERFUL SOUTHERN MARKET

While the Erie market had seen a robust cyclical up before this recession, and State College has benefited from steady long-term growth, the Morgantown to Clarksburg corridor in West Virginia has been fairly booming for more than a decade. And the market has been very friendly to Western PA contractors, architects and engineers.

Like State College, Morgantown has been driven to a significant degree by the growth and diversification of its hometown college West Virginia University. While its national reputation may be stronger for athletics (and unfortunately for its parties), WVU has also been one of the best in the nation at commercializing its research and attracting grants. As the historically chilly relationship with the state government has thawed, WVU has invested hundreds of millions of dollars in its labs, classrooms, residence halls, and sports facilities over the past decade. And the growing enrollment has spurred development of retail and other commercial properties north of town, near the Evansdale campus.

Northern West Virginia has also been on the receiving end of an increase in federal funding that can be traced to two of its politicians. Sen. Robert Byrd has long directed federal funds to the state but the flow of money increased markedly when fellow Democrat Bill Clinton was elected president in 1992. Rep. Alan

UNTIL YOU DIG INTO THE LOCAL ECONOMY IT'S EASY TO UNDERESTIMATE THE FULL IMPACT PENN STATE HAS ON THE REAL ESTATE MARKET.

Mollohan, who was sworn into Congress in 1983, has also been instrumental in securing federal funding, especially for the 20 northern West Virginia counties he represents. This kind of support has helped keep northern West Virginia's infrastructure investment high over the years, and since the late 1990's has been increasingly effective at spurring construction of public and private buildings as well.

Among the more obvious signs of the effectiveness of Byrd and Mollohan are the unusually high numbers of federal facilities in a region with very low population density. Major facilities for NASA, the FBI and a handful of military bases dot the I-79 corridor between the PA border and Buckhannon. Going east from Morgantown you encounter a large energy research facility at Bruceton Mills, a ballistics missile facility at Rocket Center in Preston County and a large federal prison in Hazelton. More than $300 million in capital expenditures have been made at these facilities during the past ten years or so.

The voters in the northern West Virginia district did succumb to the general feeling of frustration with Congress by failing to vote Mollohan through the recent Democratic primary. This, coupled with Sen. Byrd's passing is likely to slow the pipeline of money from Washington to West Virginia, but the impact of that decline won't be felt for a few years. This appropriations vacuum could slow or postpone the $50 million in readiness centers planned for Army reserve centers in Morgantown, Parkersburg and Buckhannon. In the meantime, most of the larger projects in the queue for northern West Virginia are either Federal projects or are dependent on Federal assistance. The largest of these, the $100 million-plus expansion of the FBI facility in Clarksburg, is currently being bid.

Within a mile or so of the FBI center is a massive mixed-use development that has benefited to a large degree from the help of Rep. Mollohan and municipal leaders in Bridgeport. Charles Pointe is a $1.4 billion planned community located on 1,514 acres along I-79 between exits 125 and 121. The project is being developed by Genesis Partners, directed by Mt. Lebanon native James Corton, on land that was the family property of Charles Compton, Corton's father-in-law. To prepare for the start of development, Genesis Partners invested $24 million in on-site infrastructure improvements while public authorities – a mix of state, federal and local – invested almost $90 million in highway interchanges, roadways, waste and water facilities, and other utilities.

Beginning two years ago construction has been done on two hotels, a conference center, five office buildings, a gas station, Buffalo Wild Wings restaurant and nearly 200 residential units. When completed, Charles Pointe will encompass 2,281 units of detached and attached single-family homes, apartments and condominiums, 2,759,500 square feet of office/retail/hotel space, and maybe even a minor league ballpark. The project calls for 446 acres of protected green space, an area larger than most commercial developments.

Developing Charles Pointe has taken patience and a fair amount of creativity in dealing with the traditional mindset of retail real estate brokers. Genesis hired Mark Dellana to oversee the development of the commercial portion of the project. Dellana is a veteran of the Pittsburgh development scene and was charged with putting Damian Soffer's vision of South Side Works into bricks and mortar. Dellana explained that the Exxon station and the Buffalo Wild Wings were extremely successful, but that attracting more casual dining or service business meant a re-education of the retail reps.

"Brokers or store development people come here and they want to know all about our one-mile and three-mile radius demographics," he says. "It's a problem when we show them that due to the size of the development there is no one living within a one mile circle of the center. Even at the five-mile radius the population is none too dense. We then have to educate them about the shopping habits in northern West Virginia."

Dellana pointed to the Eastpointe and Newpointe Shopping Centers, two contiguous retail centers located between I-70 exits just south of the Charles Pointe property. The centers contain a Lowe's, Kmart, super Kroger, WalMart and Sam's Club. "The WalMart has moved twice to build bigger stores and it is still moving so much merchandise that it's effectively maxed out. They can't bring in enough merchandise to sell any more stuff." A study of the shoppers in those centers found that a smaller percentage came from within the three-to-five–mile radius, and that the market area was actually 30 miles. Getting restaurant brokers to grasp the reality of West Virginia's demographics will be the key to adding more dining to Charles Pointe to serve the 3,000 FBI employees and 2,000 employees of the new United Community Hospital at the Bridgeport exit. Until then the Buffalo Wild Wings isn't complaining.

Charles Pointe is planning to get underway with two new buildings before 2010 ends. Genesis Partners is finalizing agreements with another hotel and is preparing to break ground on the first of its 30,000 square foot retail/office buildings in the Market Place parcel of the development.

Very different shopping demographics exist in the Morgantown market and developers have been responding to the perceived need for a decade at the exits along I-79 and the new section of I-68 to the east of Morgantown. In the past five years or so several million square feet of retail and office buildings have been built in the University Square, Glenmark Center, Pierpoint Landing and Suncrest Town Center, for example. Combined with the development along the riverfront downtown, this new construction has created a glut of commercial real estate for the near term.

"Morgantown needs to do some catching up over the next 24-36 months, catch its breath for a while," explains Rick Biafora, partner in developer Metro Property Management in Morgantown. "Our only vacant space is the 80,000 square feet or so we're just bringing on line now, but we need to hold steady for a couple of years. There were way too many out-of-town developers coming here over the past decade so that we got overbuilt. For private student housing, for example, there were 6,000 new beds built in a two or three year period."

Penn State's Millennium Science Center, currently under construction, is the largest new project on campus.

COMPETING IN THE FRINGES

For architects, engineers and contractors the desire to pursue work in these outlying markets is offset by the reality of the competitive situation. In Erie and State College, it is almost impossible to be considered for local privately funded projects without a strong relationship with the owner. Even on public projects, the owners tend to favor local architects and engineers if there is sufficient relevant experience in their portfolios. In both these towns there are a couple of firms with relevant experience in virtually every category of work. For contractors the same biases play into getting consideration to bid work, and even when an owner includes an out-of-town general contractor these two markets have well-earned reputations for subcontractors pricing preferentially to the local generals.

Northern West Virginia is the one fringe market that has been friendlier to Pittsburgh firms during the past few years. In part, that has been because a lot of the work has been public projects, which allowed the Pittsburgh contractors to compete. In the mid-late 2000's the private sector work in Morgantown-to-Clarksburg was also at its peak, and most of the local contractors and subs were at full capacity working on projects that were secured through relationships or limited competition bidding. This created a void in local competition for much of the WVU, hospital and public projects, a void Pittsburgh firms happily filled.

Even in the midst of the current recession, Pittsburgh companies are building the four largest projects that have been contracted in northern West Virginia this year. Massaro Corp. is building WVU's new $12.5 million basketball facility. Jendoco Construction won the $22.7 million WVU White Hall renovation. Mascaro Construction is constructing the first phase of the FBI Center expansion, a new $23.5 million parking garage. And TEDCO Construction was recently

awarded a contract to build the $22.8 million Armed Forces Reserve Center in Fairmont. More recent bidding suggests that more competitive days still lay ahead in this region. Local contractors like March Westin or G. A. Brown, which were too busy with large private projects in past years, have become active bidders on work that was the province of Pittsburgh firms of late. On June 17, March Westin was the successful bidder on the re-bid of the $8 million Walnut Street Building in downtown Morgantown. Finishing close behind were TEDCO and Massaro, separated by just a few thousand dollars.

The unfortunate reality is that the first line of fringe markets appears to be as limited by the recession and as competitive as the Pittsburgh market. BG

The Marketplace phase of the $1.4 billion Charles Pointe development. The existing Building 600 is at right. The hotel (rear) and the 'L' shaped retail/office buildings will be the next to develop.

Northside Fire Station

Sometimes the most successful projects are the result of the efforts of just a few determined individuals staying the course until the work is accomplished. For all the well-deserved acclaim that can be given the coordinated teamwork that is required to build a new stadium or hospital, there are still times when the unswerving will of one person makes all the difference.

Such is the case of chief David Fetty, now retired from the Morgantown Fire Department. For almost a decade Chief Fetty had been proposing, cajoling and advocating that the Wiles Hill station be replaced. The station dated to the 1950's and was located about a half block off University Drive on a narrow residential street. When it was built, the Wiles Hill station served the northern section of Morgantown; but it was a Morgantown that did not yet have an Evansdale campus north of town or all that has followed it.

"We made an agreement with Monongalia County and WVU to have land donated for the public good," he says. "Each entity donated half an acre to the city to create an acre site for the new station. I must say that this kind of cooperation is routine with both the county and WVU. They saw the quality of life issue and made the agreement. The land they donated had a combined appraised value of $700,000."

By this time Morgantown had also begun to look for opportunities to make sustainable decisions and foster green development projects. The council established an advisory group, called the Morgantown Green Team, and had resolved in fall 2006 that all municipally owned buildings over 10,000 square feet would seek LEED certification. At 11,000 square feet the Northside Fire Station was the first such opportunity to practice sustainability. The city put out a request for qualifications in 2007 and received responses from firms all over the country. After a review they selected Bignell Watkins Hasser Architects from Annapolis, MD. It would turn out to be a somewhat fateful decision later.

Bignell Watkins Hasser did not have a routine task ahead of them. Their goal was to design a project that could meet LEED certification for new construction, but a fire station poses some difficult challenges. The nature of the building's use demands lots of energy and water, it functions around the clock, and it's a difficult building to keep tight. The fact that only four other fire stations in the country have achieved LEED certification is testimony to the challenges faced.

"The Wiles Hill Station was woefully inadequate to the function it was to perform," says Morgantown city manager Dan Boroff. "It was too small, access was poor and there were structural issues with the building. City council agreed with Chief Fetty to build a new station in the area where we had seen extraordinary growth."

The area Boroff speaks of is north of the city near the West Virginia University's Evansdale campus, WVU Health System's hospitals, and the millions of square feet of residential and commercial space that supports the two. The problem was that the area lies outside the city limits, requiring the city to acquire and annex land. Several parcels were identified but the most affordable of these still appraised at one million dollars. What happened next was a level of intergovernmental cooperation that Dan Boroff says is not extraordinary in Morgantown.

The architect's design used a variety of masonry and a standing seam roof. The station was also to be used for fire training and the training tower was used as an architectural feature rather than creating a separate structure. To improve the building's performance, the roof was specified with a reflective coating; low volume plumbing fixtures were used; radiant floor heating was used in the bays instead of forced or make up air to more efficiently dry the floors after fire service; a bioswale was designed to capture stormwater for use in irrigation and to fill the fire trucks.

"The design is very attractive. It's an appealing structure," notes Boroff. "The architect did a nice job of integrating the sleeping and living quarters into the building. An area has also been dedicated to the historical artifacts of the company and to store an antique fire engine that is being restored."

In summer of 2008, however, came the first indication that delivering the project wouldn't be all smooth sailing. When the project bid the runaway price inflation of construction materials had just peaked. The low bidder was Landau Building Co. from Wexford, but their bid was $400,000 over the budget. Had the project been in Pennsylvania this would have meant redesign and re-bid, but the procurement code in West Virginia allowed the City of Morgantown to award a contract to Landau and then work with them to find ways to get to the budget. Fire stations aren't designed with a high level of finish or extra touches to cut, but between the contractor and the owner's team revisions were made that got the project back to the $3.2 million budget and got the project underway.

Some of the changes were fairly easy. "There were windows designed in the stairway of the training tower," remembers Debbie Zoppetti, Landau's project manager. "That let in lots of light but the tower also gets used for the firefighters to practice rappelling from the top. Chief Fetty looked at that and saw that his fighters would be rappelling right through the windows!"

Working with the structural engineer, Landau also discovered that the roof system could be modified to several advantages. Using structural insulated panels (SIP) they were able to minimize the number of roof joists and use 12' X 24' panels that required much less time to construct. The change saved over $50,000.

"Using the SIP panels saved money on the material, spread the joists and allowed us to put the roof on much quicker," says Landau vice-president John O'Brien. "Plus the system gave a better finished ceiling. Instead of looking up and seeing corrugated deck with a bunch of screws coming through you see the flat finished plywood, which is painted white like the bar joists."

Landau mobilized in September 2008 and immediately encountered some interesting unforeseen circumstances. The most serious of these was the fact that the project architect had just left Bignell Watkins Hasser. With no

> Some of the other early challenges involved **DIFFERENT KINDS OF SURPRISES.**

one else at the firm familiar with the design, Landau was left to work through cost cutting and submittals with two architects new to the project. "The submittals went through two pinch hitters that were the new PM's," says Zoppetti. "They weren't at every meeting so it became myself and our superintendent Joe Shipman plus Chief Fetty to work through the solutions. After we got our ideas together we ran it by the architects and they signed off on them."

"After a while the architects just stopped coming to the meetings," recalls O'Brien. "They were coming from the other side of Maryland and I'm sure they had only so many trips planned for the job. It really wasn't an obstacle though, because the chief and Debbie just dug in and got things done. The station was Chief Fetty's swan song. He put his heart and soul into getting a great place for his guys before he retired."

Some of the other early challenges involved different kinds of surprises. The original design for the bioretention swale planned for stormwater to be retained and perk back into the soil, but the excavation revealed rock and heavy clay - not absorptive materials. Also during the excavation and site preparation O'Brien gained some insight into the partying spirit of WVU football crowds.

"The site is close enough to Mountaineer Stadium that there was parking all over the site during home football games," he says. "We had to remove a portable building that was on the site and when we demolished it we discovered four feet of solid crushed beer cans underneath. After we dug it out we found that there was an inlet that had been filled up when cans washed down and collected there. It was a lot of cans."

Zoppetti recalls that the building had some other requirements that she hadn't previously encountered. "Because it was a training center we had rappelling hooks in the elevator shaft. The firefighters had to be able to get access to the fire tower from hollow metal doors in the ceiling. That meant that the trusses had to be engineered with a three foot by eight foot lane in the truss chords."

Construction proceeded throughout the winter and spring of 2009, wrapping up in mid-summer. On August 24, the City of Morgantown held a grand opening to show off the new station. The new neighbors got to tour the facility and a proud fire chief got to breathe a sigh of relief.

"I have nothing but high praise for the people at Landau," says city manager Dan Boroff. "They were very responsive to all the issues that came up. Landau was more than just a contractor on this job; they were a valued advisor." BG

KEY SUBCONTRACTORS

Carl Taylor & Sons....................Concrete

Harris Masonry.........................Masonry

W. R. Drake Co. ....Mechanical

Alliance Fire Systems Inc. ....Fire Sprinklers

Miller-Thomas-Gyekis Inc.......Roofing

RAM Acoustical........................Interiors

ARMSTRONG CEMENT AND SUPPLY

When Cemex idled its cement manufacturing facility in Wampum in March, less than a year after Essroc Materials closed down its facility in Bessemer, there remained only one cement manufacturer in Western PA. Twenty-five years ago you would have gotten very long odds on the prospect that the survivor would have been Armstrong Cement and Supply.

Paul Benec

Cement is a key component in the making of concrete, although the layman often incorrectly interchanges the two terms. The market for cement is therefore tied to the demand for concrete, so its use can grow with increased bridge or highway work, or with new building construction in regions where concrete is used more as a structural material. Because of its properties cement is also heavy and freight sensitive, so cement plants have to be regional in order to be competitive. The manufacturing of cement uses materials and processes that are hard on the plants, and requires significant reinvestment during winter downtimes.

It was the high cost of maintaining the plant, coupled with a nasty regional recession that had put the previous owners of the plant in the position that would have predicted Armstrong's demise before any of its other competitors. It was that precarious position that current executive vice president Paul Benec found the company when he and his partners acquired 51% of Armstrong Cement.

Benec had been raised in Lawrenceville and had been a standout basketball and baseball player at Central Catholic and later at Duquesne University. He joined U. S. Steel after graduation and succeeded in being placed in the company's executive training program, but the direction of the steel business didn't suit him well. One of his mentors at U. S. Steel got wind of his concerns and gave him an opportunity to shift to another division, the company's Universal Atlas Cement division. Benec made the most of the opportunity and gained experience in manufacturing, the logistics of the roads and rivers, and a ton of relationships.

As the steel industry roiled in problems in the late 1970's Universal Atlas was sold off to Lehigh Cement. Paul Benec moved over to U. S. Steel's Ohio Barge group and was part of the team establishing the Baton Rouge terminal. His role was to find investors to take a 45% stake in the new terminal. After spending two days per week in Manhattan pitching the terminal investment from 1980 to 1982, Benec felt more concerned than ever about his future. He was approached by several headhunters with opportunities at competitors' plants but in December 1983 received an offer to join with a group of Butler County business owners who were buying what had been Penn Dixie Plant #9 outside Cabot, PA.

The group included some very shrewd owners from the immediate Cabot and Saxonburg area. These men, Brad Henderson, Wayne Sell, John Thrower and Duco Ceramics co-founder Reldon Cooper, inspired confidence in Paul Benec that they could turn the Cabot plant around, although literally no one else shared that faith.

Armstrong Cement's problems were almost uncountable. The company was deeply in debt and had done only desperate measures to keep up the plant. Its creditors included every vendor that the new plant would require to operate, and none of them were too anxious to extend any further credit. Each financial advisor, attorney and banker who examined the company's financials concluded the same thing: Armstrong Cement should not survive.

One of the most significant problems was that the previous owner had several interrelated businesses, all of which were struggling, and had pursued volume over profit. Cash from operations had been used to prop up other ventures. For a capital-intensive business like cement it would have been logical for Armstrong Cement to make higher sales volume its top priority, but Paul Benec believed that would only hasten the company's demise. His plan was to book work with higher profits, a plan that would not bring immediate gratification.

"We were so much in debt that we had to sell with enough profit to begin paying our creditors down," explains Benec. "That meant selling cement where voids in the market existed, so we sold to little guys in small towns that our competitors weren't serving in Ohio, West Virginia, Maryland and the Southern Tier of New York. The big plants wanted volume and we could get good margins by serving the smaller ready-mix operations."

This approach meant turning down much-needed sales to bigger buyers, some of whom were friends of the owners, but the new ownership had a plan for rejuvenating the business and needed to get through the first production year to start de-leveraging Armstrong Cement's balance sheet and starting down the road to profitability – as long as there were no surprises.

"Oh, I don't know where to begin," remembers Benec about the surprises that popped up almost weekly. "Within the first month we ran out of cash to meet weekly payroll. West Penn Power informed us that we couldn't buy electricity unless we paid in cash, in advance. That first April, one of our sale reps walked away from his car and left it in gear, and I got a call from the Slippery Rock police telling me that one of our cars was parked on some women's porch. We found out that the company owed three years property taxes. One day a fellow from the IRS in State College showed up demanding $278,000 in unfunded payroll taxes. And someone was always coming to my office telling me that the previous owner owed him tens of thousands of dollars from one of his businesses. There are enough stories to fill a book."

"The reaction from our bankers or accountants was always the same: this will kill you. But we always took the approach that it was a problem we needed to solve."

Armstrong's supporters, its owners and banker, backed each solution with the necessary infusion of cash or extension of credit. A new or revised payment schedule would be created and the company would continue on its path towards running profitably. Part of the plan was to search for investors that would have a synergy with Armstrong's business. In late summer 1985 the Snyder Brothers, who operated a number of businesses out of Kittanning, were quarrying stone on some of Armstrong's property as well as supplying the plant and agreed to buy a 25% interest in the firm. That partnership gave Armstrong Cement the first firm footing from which to operate beyond day-to-day.

By the following summer, the sales effort was paying dividends. The plant was sold out that June with work that had margins above 35% and Benec was looking for that opportunity that would really put Armstrong Cement on the map. It would take a couple more years but that opportunity was just on the horizon.

"The project that put us on the map was the Gallipolis Lock and Dam in 1989," says Benec. Gallipolis is a small town in Ohio on the Ohio River and the new lock and dam project was a $238 million investment administered by the Army Corps of Engineers. Over 1.3 million cubic yards of earthwork were involved in creating a new shoreline and preparing the site. The contractor was a joint venture called GLR Construction, and the project manager, John Kennedy, became the focus of Armstrong's sales effort.

"We had to prove our capability to the Corps – we weren't actually approved yet – and we had to give John Kennedy confidence that he could use us," explains Benec. "I was sure our competition would be using barges to move material in their bids. That made perfect sense but I had the advantage of knowing the barge business and I knew that the other companies wouldn't know all the extra charges involved in moving material that heavy. We had a good rate from Wayne Sell Trucking and using trucks and storage at the site would give us a big advantage."

Benec made sure Armstrong Cement kept a low profile during the planning and bidding phases but put a strong effort together at the procurement phase. He and Armstrong's local sales rep from Morgantown put together an ironclad presentation of their approach. "When we started explaining the additional costs associated with barging and showed that our approach would save millions, we got Kennedy's full attention."

Aside from the credibility boost, the Gallipolis project assured profitable full operation of the Cabot facility from June 1989 until 1992. A company that was doing $6 million a year in 1984 had landed a contract that was worth twice that amount. The plant had turned a corner.

At the beginning of that year Armstrong Cement turned another corner in its history when the Snyder Brothers made an offer to purchase the remaining 75% of the company from the ownership team. The manufacturer that could not meet its obligations only five years earlier was operating at 100% capacity, a level it would maintain until the midst of the current recession in June 2008. The cumulative effect of its commitment to serving the voids in the market has resulted in 260 customers in a five state area. While the recession has dented its business like all others, Armstrong Cement and Supply is a long way from the crisis days of the 1980's. Its current volume is on track to be $30 million.

Shown is blended cement (center) surrounded by (right and clockwise) clinker, gypsum, Portland cement, fly ash, slag, silica fume, and calcined clay.

Paul Benec remains the company's chief operating manager, and at 72 still savors the business.

"We still do small business things, like delivering Collin Street Bakery fruitcakes to all our customers every year," he says. "One customer sends us a picture of her family dining table after Thanksgiving, all arranged and ready for the fruit cake to be displayed." He laughed at the recollection of how far the company had come. "It was an incredible experience turning this business around, but I'm not sure I'd want to do it ever again." BG

Company Facts

Armstrong Cement & Supply

A Snyder Associated Company

100 Clearfield Road, Cabot PA 16023

724-352-9401

www.snyderassociatedcos.com

Founded 1983

Number employees: 85

Legal Perspective

TERMINATION FOR CONVENIENCE CLAUSES: AN INCONVENIENT TRUTH

By Scott D. Cessar Esq.

The concept of a "termination for convenience" of a contract developed in American law during the Civil War as a mechanism for the U.S. Government to avoid costly military procurements that became unnecessary as a result of changes in war-time technology or the end of conflict. In the famous Corliss case, decided in 1874, the United States Supreme Court upheld the Secretary of the Navy's termination of a contract for ships where the Navy no longer needed the ships due to the end of the Civil War. As a result, the shipbuilder did not receive the full value of the contract, as it sought, but was paid only for the ships it had built as of the time of the termination.

Relying on Corliss, the Federal government expanded on the use of termination for convenience clauses in procurement contracts during World Wars I and II in order to eliminate possible expectation damages to companies whose contracts might be prematurely terminated.

It was during World War II that the use of the term "convenience", in connection with such terminations, became common and accepted as the Government provided, in its fixed price supply contracts, the following clause:

> **Termination for the convenience of the Government.** (a) the Government may, at any time, terminate this Contract, in whole or in part, by a notice in writing from the Contracting Officer to the Contractor that the Contract is terminated pursuant to this Article.

In the 1960's, the use of termination for convenience clauses began to be used in civilian, commercial contracts. Some forty years later, termination for convenience clauses are almost standard in construction contracts and subcontracts. Termination for convenience clauses are intended to provide the party with the superior bargaining power the option to terminate the contract, without need to prove a breach by the other party, and then also establish the amount of compensation to be paid. The standard clause, almost always, will exclude lost profits on the work yet to be performed at the time of the termination.

Here is an example of a termination for convenience clause:

The Contractor may, at any time, terminate the Subcontract in whole or in part for the Contractor's convenience and without cause. Termination by the Contractor under this paragraph shall be by a notice of termination delivered to the Subcontractor specifying the extent of termination and the effective date.

Upon receipt of the notice of termination for convenience, the Subcontractor shall immediately, in accordance with instructions from the Contractor, proceed with performance of the following duties regardless of delay in determining or adjusting amounts due under this paragraph:

- Cease operation as specified in the notice;
- Place no further orders and enter into no further subcontracts for materials, labor, services or facilities except as necessary to complete continued portions of the Subcontract;
- Terminate all subcontracts and orders to the extent they relate to the Work terminated;
- Proceed to complete the performance of Work not terminated; and
- Take actions that may be necessary or that the Contractor may direct, for the protection and preservation of the terminated Work.

Upon such termination, the Subcontractor shall recover as its sole remedy payment for work properly performed in connection with the terminated portion of the Work prior to the effective date of termination and for items properly and timely fabricated off the Project site, delivered and stored in accordance with the Contractor's instructions. The Subcontractor hereby waives and forfeits all other claims for payment and damages including, without limitation, anticipated profits on the incomplete part of the Work or otherwise.

The Contractor shall be credited for (1) payment(s) previously made to the Subcontractor for the terminated portion of the Work, (2) claims which the Contractor has against the Subcontractor under the Subcontract, and (3) the value of the materials, supplies, equipment or other items that are to be disposed of by the Subcontractor that are part of the Subcontract Sum.

In addition, termination for cause contract clauses will often provide that, if it is determined that the terminated party was not in breach, then the termination for cause shall be deemed to be a termination for convenience. This can be a potent contract tool in that it may negate the risk of an unsupported termination for cause, and ensuing litigation over the issue, as an unsupported for cause termination is converted, by operation of contract, into one for convenience.

This all, of course, leads to the central question, can a private contract really be terminated by one party just for convenience sake as the title of the termination for convenience clause connotes? Although you will want to check the law of the state which governs the contract, the short, and safe, answer is: Most Probably Not.

The legal basis for the conclusion that one party may not have unfettered rights to terminate for convenience is that such a right would make the contract illusory because one party was obligated absolutely to perform, while the other was not, as it could terminate at will. Under such circumstances, one party was providing consideration for the contract to the other, but the other party actually was not as it could rescind its consideration, at will, by terminating the contract.

With this in mind, the better label for these clauses might be "termination without cause" as opposed to "termination for convenience," as a contract generally may not be terminated simply out of convenience to one party alone.

What then are valid grounds for the exercise of a termination for convenience clause? Courts reviewing convenience terminations generally focus on whether the grounds behind the termination for convenience were in bad faith or an abuse of discretion. Examples of upheld bases for a termination for convenience include changed circumstances, such as termination of an upstream contact for which the contract at issue was dependent. Importantly, courts have upheld terminations for convenience when one party determined that the other party would not perform and, as a result, would subject the exercising party potentially to a material loss or difficulty in fulfilling its obligations to others.

Examples of possible improper terminations for convenience would be to obtain a better price or to try to avoid an obligation to arbitrate an existing dispute.

The bottom line, thus, on termination for convenience clauses, is that they may serve as effective tools to protect one party from risk of loss from changed circumstances. They are not, however, absolute weapons that can be used by one party to arbitrarily terminate a contract. Such clauses, while they should be included in contracts, should only be exercised based on good faith reasons and under the appropriate circumstances, preferably with the advice of counsel who has consulted the case law of the forum to insure that the basis for the termination is well-founded at law.

Scott Cessar chairs the Construction and Alternative Dispute Resolution Groups at Eckert Seamans Cherrin & Mellott LLC. BG

Can Europe's Problems Slow Down Construction in Pittsburgh?

There is an eerie similarity this summer to the summer of 2008. While the world's financial institutions have healed somewhat from the crisis of that fall, there remain some structural problems that haven't gone away. And like the summer of 2008, there is a financial issue that seems too small and complex to get so concerned about: sovereign debt.

In April, the world's stock exchanges discovered again what a relatively small amount of fear could do to investment and stock prices. On all American stock market indexes prices fell back over 10% in just a few weeks. For the better part of a month one country, Greece whose economy is small in comparison with the largest economies, dominated the financial headlines. Ironically, the markets had been hearing about Greece's debt problems for more than six months. During that time experts and heads of state assured us that the concerns were overblown, that Greece's problems were too small, and that even if the nation defaulted it would have little real effect other than unsettling still nervous investors.

Does any of this sound familiar? Remember the reassurances after Bear Stearns imploded? The scoffing at how small a share sub-prime mortgages were? How about the daily denials that (you fill in the blank here) had any liquidity problems?

In truth, it's a little early to sound global alarms over the mounting debts of the European Union nations, or even our own national debt, but the ramifications of even the solutions to the sovereign debt issue are sobering. If April stock markets were any indication it would do us all a bit of good to remember how deeply the power of panic effected the real estate and construction industries less than two years ago.

Before we get to the Chicken Little stage it's appropriate to understand the facts of the problem. For Greece, as well as Spain, Portugal, Hungary, Ireland and others, the amount of their government's debt has grown to the point where it matches or exceeds its gross domestic product. That's a problem. Once a nation's debt-to-GDP ratio rises above 70% the cost of servicing the debt – the interest paid the creditors – begins to drag on the nation's growth. At 100% of GDP a very high percentage of the country's tax receipts are going to pay interest alone. That means fewer pennies on the dollar going to services for the citizens or for things that generate higher economic growth and prosperity, like improving infrastructure, aiding businesses or lowering taxes.

Nations with debt that is 90% of GDP or higher can expect growth to be capped at 1.7%, according to a study by economists Carmen Reinhart and Ken Rogoff did of over two hundred years of national data. That rate is less than half of countries with debt ratios of 30% or less.

Besides dragging down economic growth, high sovereign debt begets its own premium for insuring against debt default. When a government has too much debt in the eyes of the market it must pay to protect against default in the form of higher rates. In Western Europe the price to insure against default now exceeds that of protecting North American debt for the first time. By May 7, the cost of default protection in Western Europe had risen to 169 basis points, meaning that the country issuing the debt had to pay $169,000 to buyers of every $10 million in debt. This default protection is usually a premium that reduces the amount of capital a government can raise from a bond issuance.

The solution to a sovereign debt problem obviously, is for that government to reduce its debt obligations. Governments can do that three ways. The first, and most difficult, is for that country's economy to innovate higher productivity and generate exports of new technologies, services or products. The GDP soars and the debt ratio falls. Its citizens have higher incomes and profits, and therefore the government gets higher revenues to repay debts. Government can also contribute by reducing spending at the same time.

Governments can create inflation of their currency. Sovereign debts can be honored but are repaid in currency that's worth a lot less than when the debt was sold. This is OK for the government but not the borrower. In short order the interest in that government's debt dwindles and higher rates are necessary to attract buyers back. This isn't so good for that government.

Of course the third option is to default on the obligation. For nations with overwhelming obligations, like Greece or Hungary, this may be the only way to make debts go away. For bondholders of their debt, the default will mean losses as the borrowing countries negotiate some lower payback. While a short-term fix, the government can expect precious few buyers for their debt in future.

The danger is that once creditors accept partial payment from governments who can't pay they are likely to get similar offers from governments who simply don't wish to pay back their bonds at face value. This would set off a bad chain of events for the capital markets again.

So, what is the likelihood that all of this arcane dealing can stall a real estate deal in Pittsburgh? The short answer is that finance is one of the least local industries going. Even in the case of Greece or Western Europe today, some of their debt is probably on the balance sheets of most of the lenders doing business in Western PA. More to the point, as we saw in 2008 the credit system relies on there being roughly the same number of buyers as sellers, with the fractional difference of opinion about value being how each side sees its profit arising. A crisis in confidence would send buyers to the sidelines and financial instruments of all sorts, whether money market funds or mortgage debt, would be impossible to sell. If European default fear becomes default reality the financial markets could reset the clocks to fall 2008 all over again.

"One thing the financial crisis proved is how really globally interconnected we now are," says Jeffrey Rogers, president and COO of Integra Realty Resources in New York. "Information travels so much faster than even two years ago. Right now the real fear is not any one particular country's default because it's a regional problem. If Greece defaults the markets can handle it, but let's say Greece, Hungary, Portugal and Spain all default, then we're in for a wild ride."

Rogers pointed out that the problems in the countries vary. "If Greece is risky now, Portugal is maybe half as risky and Spain even less so," he says. He also pointed out that by comparison American governments have taken measures that put them well ahead of European states. "As bad as California's finances are it is still in much better shape than in Europe. They have taken measures already – cutting services, raising taxes – to start balancing their budget. New York is doing the same."

In counterpoint to the headlines of the Eurozone debt problems, the overall debt market has actually continued to improve throughout the spring. Even in the commercial mortgage backed securities market, issuances should reach about $20 billion in 2010, which is about 40% of the historical $50 to $60 billion norms (although only 10% of the high water mark). The danger for real estate and construction is that the financing conduits for development are not normalized yet, and therefore are more vulnerable to heightened fears of not being paid back. That is the kernel of today's problem: there is again enough liquidity to finance the projects being proposed in Western PA, for example, but the faith in being paid back isn't fully restored.

"THE DANGER FOR REAL ESTATE AND CONSTRUCTION IS THAT THE FINANCING CONDUITS FOR DEVELOPMENT are not normalized yet, and therefore are more vulnerable to heightened fears of not being paid back."

"I think we'd have seen more effect by now if this thing was going to get out of control like in 2008," says AGC chief economist Kenneth Simonson. "But we seem to still be in a market right now marked by wild swings over secondary events that are taking place in Europe, or bad news from the Gulf."

Simonson has a lot of company among construction industry economists, who acknowledge the potential that a region-wide sovereign debt crisis would chill the credit markets at a time when private financing seems poised to test the waters with real estate again. But he doesn't believe that lenders are leveraged to sovereign debt the way they were to the derivative markets in 2008.

"Of course, I missed how big the subprime problem was too," he joked. BG

The Science Of Sales Growth In A Recession: The 5 Most Dangerous Mistakes A Company Can Make

By Nicholas Read

As the global economy continues to tighten, most businesses appreciate they won't get different results by doing things the same way. But much of the science for growing in a recessionary market is counter-intuitive, and managers whose hands were on the rudder in previous downturns are no longer in the workplace. Few of today's executives therefore have ever faced this kind of storm in their career.

It's a situation primed for old mistakes to be made all over again.

Former executives of Fortune companies and start-ups, who captained the ship through the '70s stock market crash to the '90s dot-com bubble, reveal some useful home truths. They report a range of signs that it's time to rethink how your company sells:

- Tenders appear to be an exercise to justify decisions that are already made, and not a serious opportunity to win the business.
- Key customers slash budgets or rationalize their number of suppliers.
- Deals you thought were 'hot to trot' go 'off the boil'.
- Your pipeline bloats with opportunities stuck in a holding pattern, with the seller not achieving any forward progress for several months.
- Decisions become more complex, involving more people and taking longer to get across the line.
- Price and risk mitigation become main topics for discussion in the negotiation phase.
- Sales are for amounts far less than forecast.
- Salespeople spend time on low-yield activities like prospecting because the quality and quantity of leads from Marketing is too low or dries up.
- Your forecast is murky when you look out further than six months.
- You win deals, but can't repeat success across the sales force.
- You lose deals and don't know why, or when it became irrecoverable.
- Good salespeople bail out into management roles in other departments or leave the company altogether.

When organizations are dealt with these challenges, their typical gag reflex is to:

- Spend more on advertising.
- Cut back on salespeople.
- Cut back on training, coaching.
- Cut back on pricing.
- Tell salespeople to "work harder and smarter".

So what happens next?

- A downward spiral commences.
- Managers focus on activity metrics and demand more calls, more leads, more proposals.
- Salespeople chase anything that moves, filling their funnel with unqualified, low potential deals to meet the activity targets.
- Forecasts fill with fiction.
- Managers start weighting the forecast report, which sends the message they don't trust their team.
- Salespeople invite managers to help close their big deals, knowing that if the manager can't win, the salesperson is off the hook.
- Customers invite managers to attend the final pitch, knowing they can approve larger discounts.
- Coaching stops as managers don the cape of "SuperRep".
- Non-standard promises made in the heat of battle are off-menu for what the delivery team actually does, establishing a gap between the customer's expectations and what they then experience.
- Repeat business drops, as promises are not met.
- Margin erosion begins.
- Managers focus on even more activity metrics, more calls, more leads, and more proposals.
- The downward spiral gets deeper and deeper...

If any of these danger signs look familiar, you're in good company. Most executives who turned their companies around in former recessions first fell into the same traps because they represent a natural response in times of uncertainty. People go to risk and get tactical.

But these same executives report the secret to pulling out of the nosedive is to act contrary to the natural impulse, keep your head, and take a contrarian path. Those that did so achieved stability and even growth while their competitors fell by the wayside. They cite the five most dangerous mistakes a company can make as:

1. IGNORING THE PROBLEM

Fear and panic can cause indecision. When they do, business leaders can fail to evaluate options rigorously, and so make inappropriate decisions to maintain the status quo. Poor choices—or safe choices made too late—cause a company to go backwards. When the warning signs appear, take swift action.

2. INCREASING ADVERTISING

For fast moving consumer goods, brand advertising can sway preference and so take market share away from competitors in the short-term. But in complex B2B sales, advertising does not lift short-term revenue because institutional buying decisions require a protracted period of assessment that outlasts most advertising campaigns. So don't advertise and expect an impact on B2B sales this year. However, consulting firm PIMS Associates1 reports how companies that advertise more end up growing faster over the long-term than firms that drop off the customer's radar, seemingly swallowed by the downturn.

3. CUTTING THE PRICE

Buyers in a tight market will naturally gravitate to low prices. But this simply reduces your margins, which must be paid for by cutbacks to operating expense elsewhere. It leads to short-term gain but long-term pain; the loss of sustainability. Conversely in the B2B space, higher prices positioned as necessary to reduce the customer's risk, actually plays better to executive perception than "getting a cheap deal". Sometimes putting your price up is the best way to grow your market.

4. FREEZING SALES EXPENSES

Putting a hold on sales costs such as travel, entertainment and training are typical areas targeted by nervous CFOs. But a study reports: Only 27% of companies that indulged in intensive cost cutting were growing as a result of their pains.

5. PUSHING MORE CALLS

Pressuring salespeople into making more intrusions on the same number of prospects actually reduces sales. Neil Rackham (author of SPIN Selling and Rethinking the Sales Force) concludes: "The least successful people are the ones making the most calls. Increasing the call rate results in fewer orders, not more."

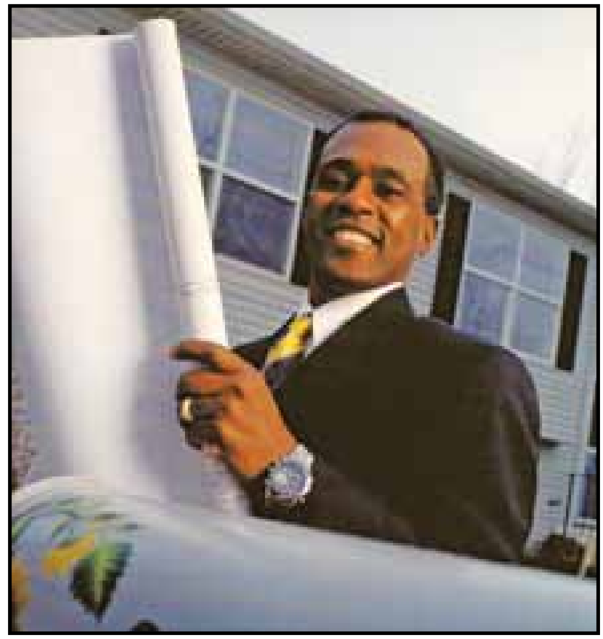
To avoid reinventing the wheel, learning from executives who weathered past recessions is a sound approach to reducing risk. In your own organization, your alumni or your online social network there may reside active or emeritus officers with deep experience to share. Talk to them. Pick their brains.

But one thing is certain when an ailing economy mimics a black hole - piecemeal remedies fail to achieve escape velocity. Cutting back on cost, though logical, is the opposite of what has pulled businesses through recessions in the past. Increased investment in the sales process, governed by greater discipline, is a more reliable approach for achieving sustainable revenue growth, even in difficult times.

Nicholas Read is president of consulting firm SalesLabs (www.saleslabs.com) and co-author of Selling to the C-Suite (McGraw Hill, 2010). For more information, please visit www.cxo-selling.com. BG

MBE/WBE Company Spotlight

Crenshaw Brothers Construction



Crenshaw Brothers Construction founder and CEO Donald Crenshaw

Donald Crenshaw approaches his business like a good detective. He follows the money.

After winding down the highway portion of his business in 1999, Crenshaw last year saw the opportunities that were being created by the American Recovery and Reinvestment Act (ARRA) and decided to shift his business into higher gear again as a highway subcontractor; and he diversified further by bringing in a key manager from the HVAC industry to capitalize on the energy efficiency funding that was part of ARRA. After 25 years in business that sort of refocusing was nothing new to Crenshaw.

Not long after graduating from high school he founded Crenshaw Brothers Construction in 1984 to capitalize on what he thought would be growing opportunities for minority-owned businesses. Doing excavation and site work on local highway and PennDOT projects, Crenshaw Brothers was able to maintain a flow of projects but the inexperience of management meant that the company had a hard time getting well enough capitalized to grow as Donald Crenshaw had expected. Early on, however, he had an opportunity to take an easy path and learned a valuable lesson.

"One of the bigger contractors – who isn't around anymore – approached me to set myself up as a pass through so he could get more participation from my business," he recalls. "I probably could have put more money in my pocket but the experience of running the business, being in the ditches, forming up concrete and finishing, helped me get to a place where it's tough to blow smoke past me now."

In 1994 the growing use of tax credits to develop affordable housing intrigued Crenshaw. He started Royal Homes then to begin development of small tax credit projects in Erie, and his first project of 15 units became the first lease/purchase program done as a tax credit project in Pennsylvania. That project has now matured and the first of the homes have converted fully to ownership. Over the next decade Royal Homes continued to grow, developing two more projects in Erie and the highway business, Crenshaw Brothers, slowed down. Then, in 2007 Crenshaw saw the slowdown beginning in housing and began ramping up Crenshaw Brothers. As that part of the business was gaining new business the financial crisis hit, and the landscape shifted again when ARRA went into motion shortly thereafter.

Managing his business through highs and lows taught Crenshaw where the crucial elements for profit – and loss – were.

"Our focus is on our manpower, getting the best of the best to produce the work," Crenshaw explains. "And then you have to get the work priced right so that there is a profit on the projects we bid, which allows us to reinvest in the business. We know what each person in the field costs us each hour and I don't want to be in the business of getting work just for the cash flow. Our goal is on getting higher productivity and controlling the costs."

Crenshaw Brothers still does excavation and site utilities, as well as concrete flat work, and now is regularly subcontracting HVAC and insulation trades. The company serves roughly a two-hour radius from Erie although it has had success a bit further out recently with the SCI-Benner project outside State College. Crenshaw has worked with most of the larger contractors from Western PA, including Mascaro Construction, Massaro Corp. and PJ Dick, and with out-of-state firms like Hensel Phelps and Walsh. A bit closer to home, Crenshaw Brothers recently bid to its scope of work on the $10 million Tom Ridge Airport expansion in Erie, a project that had increased participation goals of 16% for MBA/WBE firms. The project could be one of Crenshaw's largest ever.

Don Crenshaw sees high growth opportunities in the near term from the ARRA spending and for the longer term from investment in energy efficiency. Crenshaw Brothers is actively recruiting for key superintendents in both its highway and HVAC businesses.

While seeing his original business flourish again has been gratifying for Crenshaw, he knows that the company's future growth will rely on his ability to serve the strongest markets. "It's like needing to find a dollar somehow. It's a whole lot easier to get a dollar from someone who has a million instead of someone who has only one," he joked. Finding those "million dollar" markets, the ones where the funding is strong, has been a recipe for success for Crenshaw for more than 25 years. BG

Company Facts

Crenshaw Brothers Construction Inc.

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Employees: 5

How You Can Safely Manage Your Employees' Social Media Usage

By Terri Imbarlina Patak and Larry Silverman

There's no denying it, social networking is all the rage.

Everywhere you look, people are tweeting, texting, emailing and blogging. People of all ages have Facebook, MySpace and LinkedIn accounts. They are twittering day and night. The innovations for communicating electronically are moving at lightning speed, making it difficult for employers to strike the delicate balance between monitoring and restricting employee's use of social networking sites and giving employees enough freedom to allow them to be productive and content in the workplace.

Recent statistics show that Facebook, launched in February 2004 as a social network for Harvard undergrads, has over 300 million active users. More than two billion photos are loaded to the site each month. MySpace, which typically has a younger audience, has over 185 million active users. And Twitter, which is only four years old, and asks the question, "What are you doing?" boasts over 25 million users.

Employers and employees alike are posting to and viewing these sites. There is no question that social networking is impacting the employment arena from the first time an employee fills out a job application and continuing on throughout that employee's relationship with the employer. So it is critical for employers to understand how these sites affect their workplace and impact their employment-related decisions.

Monitoring and Controlling Current Employees' Use of Social Networking Sites

To monitor or not to monitor…that is the question. As you would expect, employees and employers have differing viewpoints on whether and when it is appropriate to monitor what employees post on their social networking sites. In a recent workplace survey, 60 percent of business executives surveyed said that the employer has a right to know how employees portray themselves and their organizations on online social networking sites. On the other hand, while 74 percent of the employees surveyed understood that what they say about their employers on-line can damage their employer's reputation; 63 percent of those employees still believed that employers should not be permitted to monitor their social networking sites.

So, what should an employer do? First and foremost, there is no question that an employer has the right to prohibit or restrict the personal use of company computers, computer networks, company-issued blackberries and other equipment. Employees should understand that they should have no expectation of privacy when using company owned or issued equipment and networks. This is true even when the employees are using the company's equipment to access their personal sites or when they are using such equipment "off the clock."

The more difficult question to answer is whether an employer should monitor its employees' social networking when they are off-duty and not using the employer's equipment. And if employers do monitor their employee's activity, what they should do with the information they find?

For example, what if an employer employs social workers to counsel clients on drug and alcohol prevention and has a policy in place that reminds employees that because of their role, they are agents of their employer at all times and that they must conduct themselves accordingly both in the workplace and in public. That same employer, through a social networking site, finds pictures of its social workers drinking and carrying on at a local bar. What should that employer do with that information?

By now, everyone has heard about the Domino's Pizza employees who posted a video on YouTube showing them making pizzas under less-than-hygienic conditions and making fun of customers. By the time Domino's was able to remove the video, it had been viewed over one million times and the damage already had been done.

A company has the right to protect its legitimate business interests even if that includes implementing a policy, which regulates an employee's use of social networks on non-working time. So, for the employer of the social workers, protecting its reputation in the community is a legitimate business interest and one that the employer has a right to protect. Similarly, a business-owner like Dominos, which could suffer devastating repercussions from negative postings about the company, has a right to prohibit employees from using social networking sites in a manner that is detrimental to the employer.

As you can imagine, there is very little case law on this subject. However, as the use of social networking continues to grow, we are beginning to see some court decisions. For example, a state court in New Jersey held that although an employer has no duty to monitor employee comments made on an electronic bulletin board; they do have a duty to prevent employee harassment in settings related to the workplace if they know or have reason to know such harassment is taking place. In another case, a California appellate court upheld a decision that stated that employers might have a defamation claim against former employees based upon information posted on blogs.

As this area of the law continues to develop, employers must make difficult decisions about how they will monitor the social networking postings of its employees to protect their business without crossing lines of privacy.

A Carefully Crafted Policy Is an Employer's Best Protection

All employers, whose employees have access to the Internet, at work or outside of work, should consider implementing a social networking policy. In drafting a policy, the first thing an employer should consider is the goal of the policy. Does the employer want to limit all personal use of company equipment or place restrictions on that use? How far does the employer want to go with regard to monitoring employee's personal postings, etc?

Many employers are taking moderate measures and implementing reasonable policies with restrictions on social networking. These policies may be incorporated into other existing policies such as an electronic media policy or drafted as a stand-alone policy. The policies should be in writing and distributed to every employee either in an employee handbook or by some other means that ensures that every employee receives the policy. Regardless of the format, here are some things that all policies should include:

- The policy should contain an affirmative statement regarding the use of company equipment. Regardless of the stance that the employer takes with regard to personal use of company equipment; it is critical that the policy should explain that employees should have no expectation of privacy with regard to their use of company equipment including, but not limited to, computers, phones, cell phones and blackberries.

- The policy should address social networking both at work and at home. It should explain in no uncertain terms that employees who engage in social networking, whether on or off the job, must abide by the employer's policies and procedures concerning harassment, intellectual property, and confidential information and/or trade secrets.

- The policy should address the use of the company's name, logo, uniform or other distinct means of identifying the company, including using company e-mail addresses on personal social networking sites. Additionally, the policy should address the use of customers' or clients' names or related information.

- The policy should require employees who identify themselves on personal sites as employees of the company (either in writing or visually such as a uniform or logo) to include a disclaimer that states that the views expressed are those of the employee and do not reflect the views of the employer.

- The policy should prohibit all uses of social medial which disclose proprietary or confidential information such as trade secrets and inventions, customer lists, financial information, business plans, etc.

- Although it should go without saying, the policy should state that employees are not permitted to tweet, text or engage in other types of external social networking during company meetings.

- The policy must clearly explain the consequences of violating the policy, such as disciplinary action up to and including discharge.

- Finally, the policy should identify a "point person" to whom employees can go with questions or concerns regarding the policy.

Employers should also take into consideration use of company-sponsored blogs, web sites, etc. when drafting the policy. If a company uses social networking tools for business purposes, the employer must consider such uses when drafting the policy. Obviously many, if not all, employees should have access to on-line networking sponsored by the company.

Employers who recognize the extent to which social networking and other types of electronic media is being used both in and outside of the workplace and who are willing to implement reasonable policies concerning social networking, will be able to use social networking to their advantage while, at the same time, protecting themselves from the negative implications of social networking.

Terri Imbarlina Patak, practices labor law at Dickie McCamey & Chilcote, P.C. Larry Silverman is Vice President and General Counsel for the Pittsburgh Pirates. BG

Awards & Contracts

Landau Building Co. was the successful contractor on the renovations for MedExpress Urgent Care at 1221 Scalp Ave. in Richland Township outside Johnstown PA. The project involves $500,000 renovation of 5,200 square feet of space. Paul Slowik & Associates is the architect.

Landau Building Company was recently awarded a contract from the Elliott Company for pre-construction services for an $18 million new office building in Jeannette, PA. Elliott is an international company that manufactures turbines used in the oil industry. KSBA Architects is designing the project.

Landau Building Company has been awarded three new contracts from UMPC-Shadyside. The contracts are the Family Lounge Renovations, Nuclear Camera Renovations and EP Lab Equipment Replacement.

Rycon Construction was awarded a $4 million contract by the Board of Education of Monongalia County for renovations to Cheat Lake Elementary School. Alpha Associates is the architect on the project.

Rycon Construction was awarded the general construction services contract for Cheat Lake Elementary project located in Morgantown, WV. This 60,000 sq. ft., $3.5 million renovation was designed by Alpha Associates.

In Fort Gratiot, MI, Rycon Construction is responsible for building a new 45,000 sq. ft., $3 million Dick's Sporting Goods Store. Rycon Special Projects will also complete renovations for Dick's in Fairless Hills PA, Buffalo NY, Rochester NY, Beaver Creek OH, Lexington KY, Fairlakes VA, Dulles VA and Short Pump VA.

The University of Pittsburgh selected Rycon Special Projects Group for the fourth floor renovation of the Barco Law Library which was designed by Strada.

Rycon Special Projects Group is currently renovating Sailfish Dining at Palm Beach Atlantic University in Palm Beach, FL as well as the Tigers Den Food Court at the University of Memphis. Both projects are scheduled for completion before the start of the fall semester.

Crate & Barrel awarded a contract to Jendoco Construction Corp. for its new $4 million, 26,000 square foot freestanding store at Ross Park Mall. The architect for the project is Goodman Freeman Farrell.

Jendoco Construction has started construction on the Biology Phase of Sis and Herman Dupre Science Pavilion at St. Vincent College The work involves renovations to an existing two-story biology building located at the Latrobe campus. MacLachlan Cornelius & Filoni is the architect.

REIT Property Management awarded a contract to A. Martini & Co. for renovations to the exterior and selected interior spaces of its 3000 Corporate Center Drive building in Moon Township. URS Corp. designed the $1.4 million project.

John Deklewa & Sons was the successful contractor on the University of Pittsburgh's $500,000 Phase 1 of its 2011 Classroom Renovations. DL Astorino/Horizon Architects designed the program, which includes work at the Cathedral of Learning, Forbes Tower, Clapp, Crawford, Salk and Wesley Posvar Halls.

LSG Sky Chefs awarded a contract to John Deklewa & Sons to do another phase of renovations to its Tower Road commercial kitchens serving the Pittsburgh International Airport in Moon Township.

TEDCO Construction was selected by the West Virginia Army National Guard as contractor for the new $22.8 million Armed Forces Reserve Center in Fairmont. Omni Associates is the architect.

TEDCO was the successful contractor for renovations to the Ohio Valley General Hospital's memory care center. Burt Hill is the architect for the $900,000 project.

GlaxoSmithKline awarded a contract to TEDCO Construction for renovations to approximately 3,500 square feet at 1000 GSK Drive in Moon Township.

Mascaro Construction was the successful general contractor on Slippery Rock University's $27 million New Student Union. The project involves 107,000 square feet of new construction. DRS Architects designed the project.

The General Services Administration awarded Mascaro Construction the construction phase contract for the renovation of the Huntington Federal Building in Huntington, West Virginia. Funding for the $14.8 million project is provided by the American Recovery and Reinvestment Act (ARRA).

Mascaro's heavy and highway group was low bidder on the Marshall Interchange project. The project involves the replacement of concrete bridge decks, substructure spall repairs, expansion dams, bearing replacement, approach slab replacement, highway lighting, and other miscellaneous construction.

Mascaro Construction is the construction manager for the renovation of Fisher Hall at the University of Pittsburgh Bradford campus. The phased renovation project includes renovations to the 36,000-square-foot building's laboratory space, classrooms, and administrative space.

Volpatt Construction was the successful contractor for the $600,000 Nursing Unit 4B renovations at St. Clair Memorial Hospital in Mt. Lebanon. The architect for the project is VEBH Architects.

West Penn Allegheny Health System awarded a $1.3 million contract to Volpatt Construction for the renovations to WPAON-Mellon Pavilion. IKM Architects is the architect.

The University of Pittsburgh selected Volpatt Construction as construction manager at risk for $1.5 million renovation to the ninth floor of the William Pitt Union Building at the Oakland campus. The architect is Desmone & Associates.

dck-ecc pacific guam, LLC was one of seven contractors recently awarded a five-year (base plus four option years), $4 billion joint total acquisition value (JTAV) indefinite-delivery/indefinite-quantity Design-Build Multiple Award Construction Contract (DB-MACC). The contract is the largest ever awarded by the Naval Facilities Engineering Command (NAVFAC) Pacific and will be used as the primary vehicle by which NAVFAC executes construction on Guam and other locations in support of the relocation of over 8,000 Marines from Okinawa to Guam. The team also includes Capstone Design Partners Guam LLC, Lane Construction Company, and BE&K Construction Company. Capstone was formed to provide design support to dck-ecc pacific guam, LLC on the DB-MACC and its members include PBS&J Incorporated, RIM Architects, CDS International, and BRPH Incorporated.

dck-ecc pacific guam was also awarded the $24 million design-build seed project under the contract to deliver two facilities associated with submarine warfare training and operations, which is not part of the Guam build-up for relocation of Marines.

Nello Construction was awarded a $15.8 million contract to build a new high school in Cameron, WV. Construction began in June. The 130,000 sq. ft. facility is designed to achieve LEED Silver and scheduled to be complete by October 2011. The school will house grades 6-12. The architect is McKinley & Associates.

Massaro Corporation was the low bidder for the Bluff Street Promenade at Duquesne University. The site improvements to the location will be completed in time for the start of classes this coming fall.

Massaro Corporation has been selected to serve as the general contractor by Franciscan University of Steubenville for the first phase of renovation to Marion Hall. This $1,115,000 renovation will be completed in time for the return of students to campus in August. MCF Architects, Inc. is the architect on the project.

Braddock Redux has selected Massaro Corporation to serve as the contractor for Phase I of the renovation to the community center. This design/build project is slated for completion in July 2010.

Allegheny College has selected Massaro Corporation as the design builder for the renovation to Carr Hall. The science building renovation includes select areas including the infill of the existing auditorium to create 2 levels. Construction is slated to begin in March 2011. The architect on this project is Perfido Weiskopf Wagstaff Goettel.

Cleveland State University has selected a team for the first phase of their North Campus Neighborhood project. Massaro Corporation will be working with Polaris Real Estate Equities, MCF Architects, & Atwell Hicks Developer Consultants on this project which includes a total remake of over six acres in the university neighborhood. The project includes new apartments, retail space, theater space for the university, and additional parking. The project is currently in the preconstruction phase.

The YWCA restaurant franchise has selected Massaro Corporation to serve as the general contractor for the renovation of the downtown space into Nathan's Famous Hot Dogs. Lami Grubb is the architect on the project.

Massaro CM Services, LLC was recently awarded a renovation project by Imagine Schools, the organization that operates The Environmental Charter School at Frick Park (ECS). Because ECS has out grown its current facility it is renovating space at Shady Lane School. These renovations include the construction of several classrooms that will house the 2010-2011 kindergarten class.

The University of Pittsburgh Medical Center has hired Massaro Corporation to construct a new 3,500 square foot addition to house a linear accelerator at the UPMC Cancer Center at UPMC Horizon. Image Associates is the architect. BG

Faces & New Places

Rycon Construction, Inc. welcome John Sklarsky and Jordan Pollock to their team as project engineers. John, working in Rycon's Special Projects Group, is a recent graduate of California University of Pennsylvania while Jordan will assist the Building Group.

Bob Gild recently joined Rycon's Casework & Millwork Division as an Estimator/Draftsman.

Thomas J. Murphy has retired from Jendoco Construction Corporation. Mr. Murphy joined Jendoco in 1969 and in his 41 year history with Jendoco, he held the positions of Chief Executive Officer, President, Executive Vice President, Vice President, and Project Manager. Mr. Murphy was a member of the Board of Directors of the Master Builders' Association and a founding member of NAIOP Pittsburgh.

PJ Dick is happy to announce their summer 2010 interns. Shance McCracken, Stephanie O'Neil, Brian Budny, Katherine Rios, Douglas Templeton, Katelyn Novak, Carolyn Deutsch, Matt Turko, John Ferragonio, Kyle John, Katherine Brown, Chen Ling, and Raghav Kaushik join PJ Dick from various local universities and represent multiple departments throughout the company.

Lawrence H. Baumiller has joined Maiello, Brungo & Maiello, LLP as an associate. He will focus his practice in the areas of school & municipal law, zoning and litigation. Prior to joining MB&M, Mr. Baumiller practiced in the areas of zoning and land use, tort defense and civil rights litigation as an Assistant City Solicitor at the City of Pittsburgh Department of Law.

The Pittsburgh law firm of Maiello Brungo & Maiello was unanimously appointed Solicitor for the Allegheny County North Tax Collection Committee (TCC). Lawrence J. Maiello, Michael L. Brungo and Falco A. Muscante will be the primary attorneys for the TCC. The firm also serves as solicitor to the Allegheny County Southwest and Westmoreland County TCCs.

Alyssa Kuhns recently joined Massaro Corporation as a full-time employee. Her work with Massaro began in March of this year as a BIM project engineer. She is a recent graduate of Carnegie Mellon University and has been a great addition to the Design/Build department.

Kevin Manns recently joined the Massaro Restoration Services, LLC team as a project manager. Kevin has over 15 years of experience in the construction industry with a focus in management.

Jeffrey Sassic joins Blumling & Gusky as an associate in the Construction & Surety Industry Practice Group and will focus on construction and commercial litigation. He received his B.S from University of Cincinnati and his J.D. from the University Of Pittsburgh School Of Law.

Louis Alexander joins Blumling & Gusky as an associate in the Commercial, Corporate, Finance and Real Estate Law Practice Groups. He received his B.S. from Miami University of Ohio, his MBA from Cleveland State University and his J.D. from Cleveland Marshall College of Law.

Leroy Trimbath has been named a Director of The Duggan Rhodes Group. Leroy officially rejoined the firm on a full-time basis May 11, 2010. He was previously with DRG from 2002-2005.

In the capacity of Director, Mr. Trimbath will specialize in providing expert testimony and analysis regarding construction related costs and damages. In addition, Mr. Trimbath will also provide consulting services relating to the development and implementation of construction cost accounting systems and construction financial reporting enhancements. Leroy Trimbath brings more than 30 years of experience in the construction industry. BG

The Industry in the Community

The Young Constructors Committee of the Master Builders' Association held its first annual golf outing May 10 at the Southpointe Golf Club. The outing drew a full slate of foursomes, attracting 138 golfers plus sponsors to benefit the Pittsburgh chapter of the ACE Mentoring program.

Golf outing co-chairs Andy Bajuszik, of Jendoco Construction and Nello's Gino Torriero (right).

The foursome hosted by Frontier Steel included Erik Beach, John Matig, Brian Kurtz and Mike Hancock.

Enjoying the YC golf outing are (left-to-right) Rich Saxe of Babst Calland Clements & Zomnir, Burchick's Brian Chlop, BCCZ's David White with guest Jerry Campbell.

Rycon & Pitt Welcome Bradford High Students

Rycon Construction, Inc. welcomed twenty-one students from Bradford Area High School to its University of Pittsburgh at Bradford Dormitory project. The visit provided an opportunity for juniors and seniors of Mr. Scott Oxley's carpentry and electrical class to tour a commercial site. After the tour, a Q&A session was held with discussion on various career paths within the building trades. We met many aspiring architects, engineers, drafters, carpenters, and electricians on the day.

Students from Bradford High School tour the Rycon new dormitory site at the University of Pittsburgh-Bradford campus.

dck worldwide Kids Build for Homeless Families

On April 22, twenty-four children, ranging in age from four to eleven attended the annual "Bring Your Child to Work Day" this year at dck worldwide's corporate office. In addition to spending time with their parents to learn about their jobs, the children also had a full day of activities. In charge of the "hands-on" activity this year, dck Superintendent Dan Dean decided to give the kids a real "construction" experience by involving them in constructing a kids-size playhouse. After dck employees pre-cut, pre-assembled, and pre-painted the main body of the house prior to the 22nd, the kids arrived that day and got right to work to complete the project. Donning hard hats and safety glasses, the eight to eleven-year-olds got busy erecting the wall panels by drilling holes and installing screws to attach the wall panels to the base platform. dck employees then installed the pre-assembled roof structure. Then, the four to seven-year-olds were able to paint the window and door frames and a "Kids Only" sign. The project was completed in approximately one hour. Upon completion of the project, all of the children glued together wood flowers for the flower boxes, signed a dck hardhat, and participated in a Q&A session in which all of the children did very well.

Not only did the children get the satisfaction of completing a great project, but the playhouse was then donated to the Interfaith Ministries, near Pittsburgh. Interfaith is a family center that provides shelter, meals, and programs for homeless families to gain self-sufficiency and get back on their feet.

Children of dck worldwide employees work with carpenters to assemble the playhouse donated to Interfaith Ministries.

Duggan Rhodes Puts "Hands on Pittsburgh"

On Saturday, May 15th, members of The Duggan Rhodes Group (DRG) volunteered as part of "Hands on Pittsburgh." DRG was a sponsor of the two-day celebration of volunteerism, which is Pittsburgh Cares' largest annual fundraiser. DRG volunteers assisted Open Hand Ministries with painting baseboards to be used at an ongoing renovation of an abandoned house in Garfield. The mission of Open Hand is to respond to the injustice and inequality common to inner city neighborhoods by providing low/moderate income, disadvantaged families the opportunity for affordable homeownership in the economically challenged Pittsburgh neighborhoods of Garfield and East Liberty.

Massaro Serves and Pittsburgh Project Rebuild

Massaro Corporation has teamed up with Pittsburgh Project, a nonprofit community development organization who performs free home repairs for Pittsburgh's elderly, poor homeowners, and spearheads economic development and job training efforts in our Pittsburgh neighborhoods. Massaro Corporation, as part of the Massaro Serves program, approached the Pittsburgh Project with an offer to provide skilled volunteers from their field labor force to help in these house repairs.

Lee Harris of Harris Masonry (left), Yarborough's Lee Totty and Builder's Exchange executive director Del Walker (right) at the PBX golf outing at Cranberry Highlands.

The first project of this partnership occurred the week of May 24. Pittsburgh Project identified an opportunity to help an elderly woman who came for help after a very serious house fire burned down her elevated landing, front door and most of her belongings. Without a porch and safe entrance, the home owner was not able to live in her home. Massaro Corporation provided two skilled employees and the materials to build a new entrance way and landing. The Massaro Serves program uses opportunities like these to not only give back, but also provide training to new superintendents, foreman and project engineers. In this case, experienced superintendent Charlie Limburger worked with carpenter's apprentice Dave Petrak in the building of this project.

Nello Hosts Third Annual Noah Angelici Memorial Golf Event

On June 21, Nello Construction helped The Noah Angelici Hope Foundation raise $35,000 to benefit Noah's House of Hope along with the Children's Home and Lemieux Family Center. The headline sponsor was Nello Construction Company of Canonsburg while additional sponsorship came from Range Resources, Bombardier, Scalise Industries, Horizon Properties, Millcraft Industries, and Nathalie Lemieux.

All 145 participants were welcomed at dinner by Craig Wolfley (a former Pittsburgh Steeler and current WDVE sideline reporter). Prizes were given to the top three teams and a silent auction was held. To find out how to become involved in next year's outing, please visit http://www.noahangelicihopefoundation.org.

Josh Pisarcik, project engineer for Mascaro Construction, cousin of Noah Angelici, with his siblings Lindsey, Jake and Philip.

GreenScene Celebrates Pittsburgh Green Building

The Green Building Alliance (GBA) held its inaugural celebration of sustainable design and construction, GreenScene, on June 10 at the John Heinz Regional History Center. More than 200 people attended the networking event, which culminated with a ceremony recognizing the many Pittsburgh green building 'firsts.'

(left-to-right) Angela Ciranni of the SEA, Berner International's Miranda Berner, GBA executive director Holly Childs and Christopher Maher of Incline Capital.

Merging Media's Marco Cardamone (left) with Jeaneen Zappa, Allegheny County sustainability manager and Alan Traugott from CJL Engineering.

GBA's Valerie Hearn Beichner with Eugene Vennare of Mascaro.

Pittsburgh councilman Bill Peduto (left) with Greener Expressions founder Gregory DiMedio and colleague Elizabeth Hanulak at the GreenScene event.

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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Closing Out

Come on Down

By Mark S. Dellana

A couple of years ago, Jamie Corton, a lifelong friend and real estate developer, approached me about handling the construction and development of Charles Pointe, a 1,700 acre, mixed-use project in Bridgeport, West Virginia. Jamie and his wife Jennifer started Genesis Partners, a real estate development and management company, to develop the family farm and real estate holdings of Jennifer's late father, Charles E. (Jim) Compton, into a master planned, mixed-use community.

It's OK if you're scratching your head at the idea of a mixed-use lifestyle development in Bridgeport, a city located 20 miles south of Morgantown on Interstate 79. My reaction when I first heard about the project, 15 years ago, was about the same. However, knowing Jamie's good business sense and knowledge of the West Virginia marketplace, I was intrigued to take a closer look. Having been involved in the development scene in Pittsburgh for most of my career, I had perceptions about West Virginia that made me question the viability of a 1,700 acre mixed use development. After immersing myself in the data and touring North Central West Virginia, I discovered the key ingredients for a successful project were all in place in Bridgeport, if the market is properly approached / identified.

Bridgeport is a small city about 95 miles south of Pittsburgh located between Fairmont and Clarksburg. Interstate 79 runs along the city's western edge for about eight miles with five interchanges to Bridgeport. While each of these West Virginia cities has a distinct identity, the proximity of each to the other and to the Pennsylvania makes the region very attractive. The fact that the cities connect along I-79 opens the market for any one of them to the consumers and businesses in the others.

A key ingredient to the recipe for success for this region is the substantial investment by the state and federal government in West Virginia University, the university hospital system, and in the development of several key federal facilities in the area. With large NASA and FBI facilities along the interstate, the region became attractive to a wide range of businesses involved in new technologies. In fact, the stretch of Interstate 79 from Morgantown to Weston (just south of Bridgeport) has been named the 'high technology corridor' home to more than 300 technology companies.

With the cost of living in Washington DC constantly increasing, this area has become very attractive to government employees who are looking to continue their careers outside the hassle of the Beltway. That's one of the reasons that the average home costs about the same in Bridgeport as it does in Mt. Lebanon, where I live.

Genesis Partners, private utilities and government agencies have invested over $113 million to date in the infrastructure that supports Charles Pointe, the nearby United Hospital, a 300 bed hospital slated for opening in fall 2010, and the commercial development along the interstate in between. This private/public partnership has fostered the boom in this part of the country over the past fifteen years. The City of Bridgeport fully understands the importance of investing in public infrastructure to support and sustain growth in the region and has been proactive in securing funding with public sector partners and inviting private sector investment. With several thousand new employees in the area as the hospital hires staff and the FBI Biometric Center facility doubles in size, we will continue to experience strong economic impact to the area as compared to the rest of the country. Charles Pointe continues to create housing needs at a variety of levels which provides in addition to quality of life amenities including parks, public green spaces and a system of walking trails.

From what I observe, North Central West Virginia is also friendly territory for Pittsburgh design and construction firms. We have worked with Marks-Landau and many of the Pittsburgh subs to build on the Charles Pointe site, and I've noticed other familiar names on site signs between Morgantown and Bridgeport over the past couple of years. There are good contractors, architects and engineers in North Central West Virginia too, but when things get cranking, it helps to have a bigger pool of professionals to meet the demand.

So, with things a little slower right now in Western PA don't be strangers. "Come on down" to Bridgeport and we'll give you the nickel tour of Charles Pointe, and you can see for yourself that construction is alive and well in North Central West Virginia.

Mark Dellana is Executive Director of Development for Genesis Partners and immediate past president of NAIOP Pittsburgh. He can be reached at 304-808-8000 or dellanams@genesis-partners.com. BG

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