

Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

MARCH / APRIL 2007

This Is Not Your Father's Dorm

*The University of Pittsburgh
Pennsylvania House Residence Hall*

- The Educational Construction Update; Building for the Echo Boomers

- Act 1: Making the K-12 Market Nervous

- MBA Excellence Awards

- What's So Bad About the Public Bid Market?



The Road to 2010

CONSTRUCTION IN THE TRI-STATE AREA

Sponsored by

NAVIGANT
CONSULTING

BreakingGround
A BUILD-TO-SUIT CONSTRUCTION GROUP

Engineers' Society of Western PA

MAY 16, 2007

Pittsburgh Westin Convention Center Hotel

Westmoreland Room, 1000 Penn Ave., Pgh, PA 15222

7:30 a.m. – 8:00 a.m. Registration/Continental Breakfast

8:00 a.m. – 4:00 p.m. Keynote Session

Don't miss this exciting opportunity to learn from owners, developers, government officials, academic institutions, and business leaders as they discuss their vision of their capital plans in the Tri-State area over the next several years! This full day symposium will be comprised of four distinct moderated segments in the construction industry. It will bring together parties who are designing, engineering, constructing, insuring or financing projects with top management personnel who are responsible for making capital expenditure decisions. Come join us and learn about the impacts these projects will have on our region!

Seating is Limited – Reservations Necessary

Continental Breakfast & Lunch will be provided.

**For more information or to register call
Andrea Restivo at 412.454.4100 or
email arestivo@navigantconsulting.com**

TOPICS OF DISCUSSION & INVITED PANELISTS INCLUDE:

Keynote Speaker

Dan Onorato, Allegheny County Chief Executive

Infrastructure

- PA Dept of Transportation
- PA Turnpike Commission
- US Army Corps of Engineers

Entertainment

- Continental Real Estate
- Pittsburgh Sports & Exhibition Authority
- Barden Companies
- Highlands of West Virginia

Education

- University of Pittsburgh
- Carnegie Mellon University
- West Virginia University
- Penn State University

Regional Development

- Redevelopment Authorities
 - » Washington County
 - » Allegheny County
- Pittsburgh Downtown Partnership
- Southpointe II
- Fifth/Forbes Corridor Redevelopment

WHO SHOULD ATTEND

- | | |
|-------------------------|---------------|
| » Architects | » Contractors |
| » Attorneys | » Developers |
| » Bankers | » Engineers |
| » Construction Managers | » Insurers |
| | » Owners |

PUBLISHER
Tall Timber Group

EDITOR
Jeff Burd
412-366-1857
breakingground@mbawpa.org

PRODUCTION MANAGER
Carson Publishing, Inc.
Quellé Diggs

ART DIRECTOR/GRAPHIC DESIGN
Carson Publishing, Inc.
Jaimee D. Greenawalt

COVER PHOTO
Alexander Denmarsh

CONTRIBUTING PHOTOGRAPHY
Carson Publishing, Inc.

ADVERTISING SALES
Tall Timber Group
412-366-1857
Dorothy Frank
412-201-3222

More information:
BreakingGround is published by Tall
Timber Group for the Master Builders'
Association of Western Pennsylvania

No part of this magazine may be
reproduced without written permission
by the Publisher. All rights reserved.

This information is carefully gathered and
compiled in such a manner as to ensure
maximum accuracy. We cannot, and do
not, guarantee either the correctness of
all information furnished nor the complete
absence of errors and omissions. Hence,
responsibility for same neither can be,
nor is, assumed.

Cover

*Corner Room at the
Pennsylvania House
Residence Hall
University of Pittsburgh
P. J. Dick Inc.
Perkins Eastman
Architects. Used by
permission from
P. J. Dick Inc.*



MBA

Features & Departments

3 PUBLISHER'S NOTE

4 NEWS FROM THE STREET

Code enforcement problems, MBA
2006 Building Excellence Awards,
Rateau case ties contractors to
negligent subcontractors,
GreenSense 2007, AIA Pittsburgh
chooses officers

7 REGIONAL MARKET UPDATE

Non-residential contracting starts the
year with a bang

9 NATIONAL MARKET UPDATE

Demographics should drive new school
construction until 2015

11 WHAT'S IT COST?

Inflation is under control for now but
school costs keep rising

14 FEATURE STORY

Building the future of education

22 PROJECT PROFILE

Duquesne University's Multi-purpose
Recreation Center

24 FIRM PROFILE

Hayes Design Group

26 FINANCIAL PERSPECTIVE

Figuring what a claim is worth
in PA may be clearer

29 MBE/WBE COMPANY SPOTLIGHT

I. D. Ritter Jr. Company

30 MANAGEMENT PERSPECTIVE

Public vs. private projects

33 TREND TO WATCH

Property tax relief is starting to go
into effect and schools are nervous

35 BEST PRACTICE

Managing extras during the project

38 AWARDS AND CONTRACTS

41 FACES AND NEW PLACES

42 THE INDUSTRY IN THE COMMUNITY

45 CLOSING OUT

Good education practices are good
for the economy

ECKERT SEAMANS

The Construction Group at Eckert Seamans Cherin & Mellott, LLC

Attorneys dedicated to serving
the construction industry.

PITTSBURGH, PA
BOSTON, MA
HARRISBURG, PA
MORGANTOWN, WV
PHILADELPHIA, PA
SOUTHPOINTE, PA
WASHINGTON, DC
WHITE PLAINS, NY
WILMINGTON, DE

Chris Opalinski
Scott Cessar
Joel Lennen
Jim Norris
Neil O'Brien
Tim Grieco
Ed Flynn



Bridget Montgomery
Chuck Forer
Tom Linkous
Tim Berkebile
Audrey Kwak
Jake McCrea

www.eckertseamans.com

HELPING YOU BUILD A BETTER BUSINESS

That is what our Construction Services Group is all about.

With one of the largest construction accounting practices in the region, we offer the following services to help you gain better control of your costs and operate more profitably.

- Accounting, auditing and tax
- Contract administration
- Operational reviews
- Alternative compensation systems
- Business consulting
- Construction claim analysis and documentation
- Litigation support and expert testimony

Innovative thinking and responsiveness.

Together they set us apart.

412.281.2501 www.alpern.com



ALPERN ROSENTHAL
INSPIRING OPPORTUNITIES

Voted a Best Place to Work by the Pittsburgh Business Times

Publisher's Note

Very few things in the construction industry are as uplifting as the sights and smells of a new school. It doesn't matter the kind of school, or even if the school has just had a makeover, there is an almost palpable sense of the enthusiasm and optimism of the activity that will take place there.

Design innovations over the years have become standards in schools, so that you can sense what kind of learning will take place in any facility without being told. Elementary schools have bright colors integrated into mundane elements like casework and glazing, and light is used amazingly to bring a fresher, healthier atmosphere into the classroom. The dungeons that were high school gyms and locker rooms have been replaced by health clubs, and facilities in which professionals might feel at home. Even as budget pressures have mounted in public and private education, architectural innovation has risen to meet the challenges of keeping our educational space as community assets.

It's important as citizens to keep paramount in our minds the role education plays in keeping our society healthy and growing. In Pennsylvania we've embarked down the road of reducing the burden of property taxes, partly to relieve the state's seniors and partly to offer a more tax-friendly environment to those who might relocate to PA. We must be careful to ensure that these tax reduction measures do not make it tougher to educate our kids.

Schools are expensive to build, and to operate. In our region we have a tradition of allowing our school districts to build structures that are not just utilitarian, but allow some expression of our civic pride. That also costs a few extra dollars per square foot. As tempting as it is to think that kids can get a good

education in the outdated buildings that we did (and they can), it's important to remember that our schools reflect our community values. In this region, we say that our values now are about renewal and growth. That's the thought to have when you enter the polls with a bond issue up for referendum.

In this edition you'll read a lot about two things that have, or will influence the education construction market; demographics and tax relief.

The kids of the Baby Boom, the Echo Boomers, have come through public schools and colleges cutting a wide swath. There have been a large number of them, and their expectations for what school should be have influenced design and construction at every step.

Tax relief may or may not be such a big thing by the time it all shakes out, but its big influence on the market now is to create uncertainty and caution. School administrators and board members feel it; so do architects and engineers.

One other recurring subject in this edition is that of 'extras.' The publicly bid portion of the school market has devolved into an environment where almost every project comes complete with a full set of change orders and claims. It isn't standard equipment, but it has worked out that way. We offer a few perspectives on why that is, and how to limit the damage.

Read on!

Sincerely,



Jeff Burd

News From The Street

The full adoption of the state-wide building code occurred in April 2004, with a ninety-day grace period, which resulted in full municipal implementation July 2004 and meant that all plans submitted for building permits after that time would be reviewed by certified inspectors. Most municipalities lacked the wherewithal or desire to train and pay for certified plan reviewers, and a cottage industry of third-party inspectors have been doing the lion's share of reviews since then. Some of the fallout from this increased burden is beginning to have an impact on the region's construction and real estate.

The Department of Labor and Industry audits of building code officials, which are done every five years, so far have found that more than 99% of the projects reviewed were approved with discrepancies in the accessibility regulations. The fallout of the audits appears to be that recently audited building officials become more fearful of plan review errors and more aggressive in identifying even minor construction discrepancies. A recent project for Excelsa Healthcare in Greensburg experienced delays in occupancy certification owing to differences in interpretation (e. g. Operating room sinks were interpreted to be public sinks), and little tolerance for minor construction problems (toilets were flagged for being less than 1/4 inch off the 18" clearance).

While the Excelsa project received its Certificate of Occupancy after an extended day of scrambling, it was clear that the code official's awareness was heightened as a result of an L & I audit.

Another problem resulting from the increased workload of UCC plan review has been longer review and permit approval time for projects in the city of Pittsburgh. The Bureau of Building Inspections (BBI) has been suffering from the effects of reduced staffing at the same time that the work required for reviews now has increased significantly. Prior to the UCC implementation BBI was not required to do accessibility and energy code reviews.

"The accessibility reviews are very detailed, very time-consuming and my guys tell me that they lose most of their time in discussions about interpretations with architects," says Inspections Bureau Chief Ron Graziano. Graziano also feels that the problem is one of perception, and misunderstanding of the new code review parameters.

When the statewide code was adopted new review deadlines were put in place. For new residential reviews the municipal officials have 15 days (five days if sealed drawings are submitted) to review and comment on the plans. After that, the project is deemed approved without comment.

On non-residential projects the municipal reviewer has 30 business days, but there is no provision for tacit approval. So while projects taking more than 30 days may be outside BBI's benchmark, the applicant has no alternative but to wait it out.

"For all of 2006 we averaged less than 30 business days in house (29.5), and there were only three months where we were 30 or more," says Graziano, "The problem is when you say it will be 30 business days, which is between four and six weeks, no owners or developers want to wait that long."

There is good news. On March 5, Graziano's department began implementing new procedures to allow for residential projects and smaller work to be processed immediately. By moving smaller projects out of the pipeline on Mondays, Wednesdays, and Fridays, it's expected that commercial work will move more smoothly.

GREEN\$ENSE 2007 SEMINAR TO EXPLORE COSTS



On March 15, nationally recognized green development experts will explore the finances, impacts and business practices of green building at Green\$ense, the

Premier Conference on Green Building for the Mid-Atlantic & Ohio Valley Region. Keynotes will be given by Susan Eastridge, chief executive officer of Concord Eastridge, developer for the Pittsburgh Cultural Trust's \$460-million RiverParc project; and Jim Hartzfeld, managing director, InterfaceRAISE, Interface Inc. Hartzfeld will share his vision of how businesses and industries can save the earth while serving their shareholders. Interface is an industry leader that has transformed the carpet and flooring sector from an environmental liability to a "triple bottom line" corporate leader.

SESSIONS AT THE ONE-DAY EVENT INCLUDE:

- So You Think Green Building Will Cost More? Think Again!
- Reducing Risk - Adding Value: How Green Building is Changing the Insurance Industry
- Wall Street Goes Green: The Congruence of Speed, Green & Sustainability
- Greening Your Portfolio Toward the Bottom Line

To register or obtain more information, call (412) 431-0709 or visit [www.gbapgh.org/Green\\$ense2007.asp](http://www.gbapgh.org/Green$ense2007.asp). The conference location is the Westin Convention Center Hotel in Pittsburgh, PA.

MBA 2006 BUILDING EXCELLENCE AWARDS ANNOUNCED

At their January 19 annual Membership Meeting at the Duquesne Club the Master Builders' Association of Western PA announced its Building Excellence Awards for 2006, which included four category winners and one honorable mention.

Chosen in the category of Best Project Over \$5 Million was the Biomedical Science Tower 3 for the University of Pittsburgh. Contractor for the project was Mascaro Construction. The architects were



Biomedical Science Tower 3

Payette Associates & JSA Architecture & Planning.

Awarded Best Project Under \$5 Million was the State Police Barracks in Jefferson Hills, built for the PA



State Police Barracks Jefferson Hills

Turnpike Commission. The contractor was Dick Corporation, and the architect was JSA Architecture.

The winner in the Design/Build category was the Jewel in the Woods for the Woodlands Foundation.



"Jewel In The Woods" The Julie Clakeley Memorial Center for the Spirit - Wexford

Massaro Corporation built the project. The architect was Tasso Katselas Associates.

Selected for Excellence in Craftsmanship was The Encore on 7th, developed by Lincoln Property Co.



The Encore on 7th - Pittsburgh

The contractor was Mascaro Construction, and the architect was HKS Inc. of Dallas.

Receiving Honorable Mention was the Charles L. & Rose Sweeney Melenzyer Pavilion and Regional Cancer Center at the Monongahela Valley Hospital.

NEGLIGENT SUBCONTRACTING HIRING IMPERILS CONTRACTOR

On August 4, 2006 the Court of Common Pleas of Allegheny County decided that action could be brought against an owner and contractor for hiring a financially irresponsible subcontractor who does not have adequate insurance or assets to cover damages from negligence.

The case involved a gas line accident, which caused an explosion at the house of Robert and Margaret Rateau, injuring their children. The Rateau's ordered high-speed Internet service from Comcast of Pennsylvania, which contracted with Conn-X, LLC to install the underground lines and service. Conn-X subcontracted the excavation to Wellhead Production and Maintenance Inc. During the digging a gas line was hit, at the same time the Rateau children arrived home from school. It was alleged that Wellhead Maintenance took no steps to evacuate the house, even though there was ample time to do so, and the leak caused an explosion.

Wellhead Maintenance is under-capitalized and carried inadequate insurance to compensate the Rateau's for the injuries caused by their negligence. The Rateau's, the plaintiffs, chose to name Comcast, as owner, and its contractor, Conn-X, in addition to Wellhead Maintenance, contending that they should be found negligent for employing a financially-irresponsible subcontractor. The defendants relied upon Section 411 of the Second Restatement of Torts to claim that financial irresponsibility is not a basis for negligent hiring.

Such cases are infrequent enough that the Common Pleas Court was forced to rely on cases that addressed similar not identical circumstances. These precedents found that employers may be held responsible for employees' negligent acts but not for those of independent contractors, but also held that in any case of accidental loss caused by a financially irresponsible contractor, the risk should be shifted to the contractor instead of the victim. The court reasoned that the contractor or subcontractor had the opportunity to spread the costs of insuring the additional risk over the full breadth of their business, and were reluctant to have the 'hapless victim' bear the loss.

The case has been settled, so no appeal of the Allegheny County court will be heard. According to Scott Cessar, head of the construction law practice at Eckert Seamans Cherin & Mellott, "The holding states the law, at least in Allegheny County, and other counties may find it persuasive if it's presented before them." Because Wellhead did not provide adequate insurance coverage, even though the contract with Conn-X required it, Cessar advises that the ruling "reinforces the need for contract administrators to compel subcontractors to provide certificates of insurance." In this case, just such a failure adversely affected Conn-X's liability.

Volpatt Construction was the contractor and Valentour English Bodnar Howell was the architect.


BEST VALUE CONTRACTING UPDATE

The PA Department of General Services (DGS) plans for using a version of the best-value contracting to award large capital projects without sealed bidding was put on hold by a court order last summer. After awarding the \$107 million Judicial Center in Harrisburg the state was enjoined from using the method pending an appeal.

In December the case was heard by the PA Supreme Court, which will announce their decision later this winter. DGS continues to maintain that the best-value process is in keeping with the Commonwealth Code relating to procurement, while giving the state better latitude in selecting qualified contractors.

One capital program that has been adversely affected by the decision is the construction of Stryker Brigade Combat Readiness Centers. After receiving applications for qualifications in 2006, General Services chose 24 design/build firms to compete for 26 facilities using the best-value process. With the best-value method on hold, DGS has opted to roll out the Stryker program using competitive sealed design/build proposals, which will be awarded on the basis of lowest total cost. One of the Western PA Stryker projects, the \$19.5 million Erie Readiness & OMS in Cambridge Springs, has been awarded to Mascaro Construction. But the dispute over contracting method may push back one or more of the three projects originally planned for 2007. Those projects, totaling approximately \$15 million, were slotted for Bradford, Butler and Punxsutawney.

AIA PITTSBURGH ELECTS OFFICERS

The AIA Pittsburgh chapter has elected new officers for 2007. Leading the local Board of Directors will be James C. Radock, of Burt Hill, as President, Paula R. Maynes, Maynes Associates Architects, as First Vice President, Chip Desmone, Desmone & Associates, as Second Vice President, Kenneth K. Lee of MacLachlan Cornelius & Filoni, as Secretary, and Grant Scott of Kingsland Scott Bauer Associates, as Treasurer. The Executive Director of AIA Pittsburgh is Anne Swager. 



REGIONAL MARKET UPDATE

It has been a number of years since two consecutive years so resembled each other in terms of the construction outlook. During the first two months of 2007, much of the same characteristics that marked 2006 have been on display again.

Bidding and contracting of hospitals, higher education facilities, banks and even office space has been strong, especially for January and February. The market in Western PA has been characterized by big projects, and already this year early foundation work has begun on \$170 million 3 PNC Plaza, the \$80 million Gates Center and the \$700 million Allegheny Energy Systems Scrubber projects in Hatfield and Fort Martin. For an already strong labor market this level of action early bodes well for full employment in most trades in 2007.

...but much
of the bread and
butter retail
has *slowed.*


Another similarity, unfortunately, is that the K-12 market remains slower here than in other parts of the state and country. While the demographic support appears to be there for continued facility expansion and renovation, the will of the school boards seems to be flagging. Public support for property tax relief seems to have made boards squeamish about pushing forward construction plans, at least until the full ramifications of Act 1 have been worked out. So, while there are a number of significant projects being designed for bidding this year, the near term outlook is for more of the \$3 to \$10 million variety of project on the street.

The retail market has been cooling off regionally for the past six months and that trend is continuing, and will probably not be a short-term phenomena. There have been a few big boxes move forward (primarily WalMart and Target stores), and there will be construction of some centers (most notably Settlers Landing), but much of the bread and butter retail has slowed. Tenant improvement projects have slowed considerably, with even the usual flurry of pre-Easter and spring almost nonexistent.

One market characteristic that is different from last year to now is contractor's backlogs. Many contractors will laugh at reading that sentence, but the reality is that while quite a few local contractors have high or even record high, backlogs, there is a growing disparity in the work in the queue from contractor to contractor. Anyone preparing a bidder list for a project may want to ask a few more questions, or do some digging to discover whether the group he's chosen is fairly competitive. Even among similar types of contractors, backlogs are very different.

Finally, the housing market is off to a slow start in 2007. Weather has been unfriendly for construction, so it will be mid-spring until one can see if that is a trend or not. By all reports, interest in buying, renting and building more units in Downtown has remained strong, particularly since January 1.

The housing market in Western PA was down last year, however, activity in both new units started and home sales were better than in the rest of the nation. Most builders and realtors seem to be looking at the middle of the year to be the turning point in single-family housing.

In the coming months, we'll see a few more cranes Downtown, several new hotels being built near center city, and have a clearer picture on the impact of Act 1 on the public school market. For a year that is predicted to be stronger than usual, 2007 is off to a good start. 

Pittsburgh Builders Exchange Provides You The Most



The Pittsburgh Builders Exchange provides your project with the most:

- Qualified subcontractors reviewing your plans & specifications on file
- Manufacturer's representatives reviewing & assisting your product specification
- Cost-effective plan and spec distribution during the bid process, viewed via our password-protected web-site

List your project information & plan documents with Pittsburgh Builders Exchange today.



412-922-4200

Visit us on the Web www.pbe.org

NATIONAL MARKET DATA

Construction activity in the first months of the new year have been influenced by weather in much of the nation. After unseasonably warm temperatures and dry conditions allowed construction to continue much later into 2006 than is normal in much of the country, contracting in late January and early February was influenced by Arctic cold through much of the Central and Northern U. S. and heavy snow in the west. Getting a good handle on activity will probably be delayed until mid-spring when weather-related delays will even out.

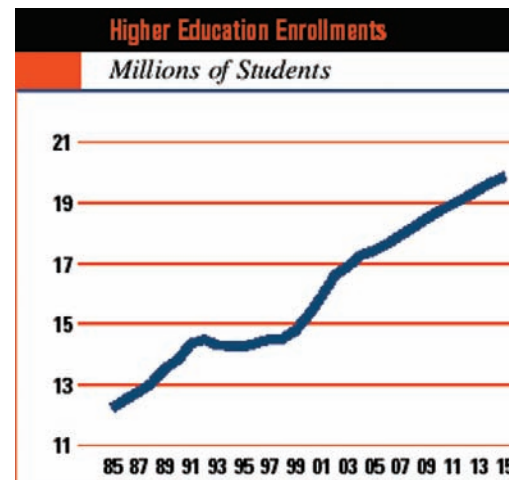
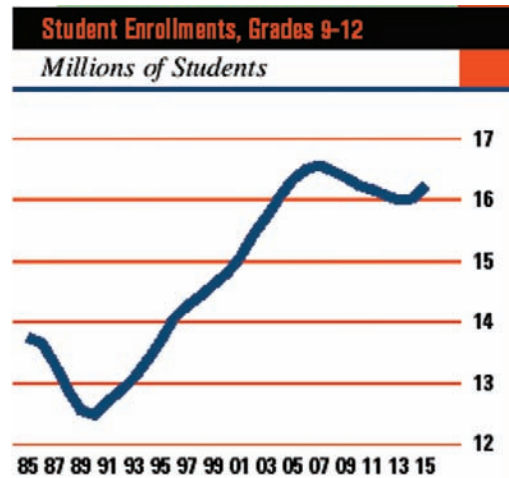
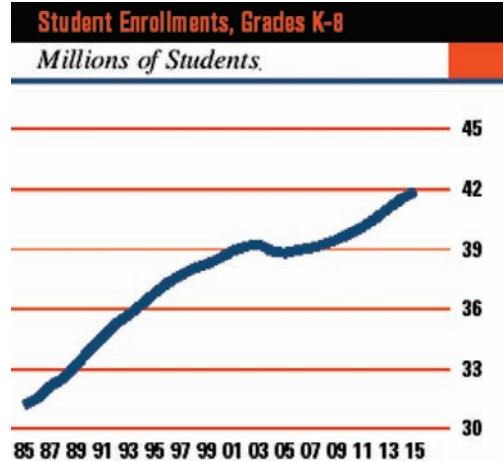
The major factors influencing demand for construction have remained frozen, as 2007 has started. Investors in the equity and bond markets have vacillated as economic signals have alternately indicated continued economic growth (meaning no interest rate cuts) and uncertainty as to the effects of a Democratic Congress and the Iraq troop increase.

...this may be a good
TIME TO EXAMINE
the national outlook
for educational
construction....

During the first quarter, expect any information about housing starts and home sales to be given more weight than is merited, as the market tries to divine when the housing market will emerge from its slump.

One market condition that seems to be moderating is the constriction of the surety industry. Wracked by losses from 2000-2004, the sureties went through major consolidation, the loss of several significant insurers from the surety market and a reduction in the participation of re-insurers. All these factors created a surety environment that was hyper-conservative. The market was tight enough that several projects costing more than \$750 million were left without complete performance bond coverage because no consortium of insurers could be assembled to share the entire risk; and, contractors growing beyond \$250 million in volume found that their surety company wanted no more of their growth on the surety's books.

After two profitable years, and a very favorable year in 2006 for underwriting loss ratios, the surety business is breathing easier, with insurers beginning



Data Source National Center for Education Statistics,
from the McGraw-Hill Construction Outlook



Development Services

Public-Sector Funding

Project Administration
and Management

Economic Development Services

How Can We Help You GROW?

CONTACT :

Steve Morgan
Dennis Troy

1-877-GSP-CORP
www.gspconsulting.com

Pittsburgh • Lansing • Cleveland
Washington, DC • Ann Arbor
Dover • Harrisburg • State College
Tampa • Minneapolis

to take on more volume. Don't expect the bonding agents to be chasing limits upward just yet, but pressure is easing, says Jim Bly, Vice President for Marsh Pittsburgh. "I was at a national event last month and a guy from Travelers actually bought me a drink. That may seem like a small thing but it's been a few years since any of the insurers spent a dime on us!"


Without any other significant national construction developments, this may be a good time to examine the national outlook for educational construction.

On the regional level, two main factors influence school construction, demographics and funding availability. At the national level, however, school financing is a moot issue, unless interest rates are climbing or falling rapidly. The amount of education construction contracted nationally will depend almost entirely on demographics, meaning the direction of enrollment growth.

The 'Echo Boom' has driven enrollment growth for 20 years. Although there are significant differences from region-to-region, enrollments have grown steadily since the low points in 1985-1988. According to the National Center for Education Statistics, during that period enrollment for all schools has risen 30%, with 17 million more students enrolled in 2006 than in 1985. Enrollment at post-secondary institutions rose even higher, increasing by 45% during the past 20 years.

Projecting enrollment out until 2015, which is when the 'Echo Boom' will have worked its way through the educational system, enrollment should continue to rise more slowly for K-8 students, pull back slightly in high schools, and continue to grow another 15% in post-secondary schools.

Looking at the regions across the country, the projections are for slowing and then declining enrollment in the Northeast, modest increases (below 5%) in the Central and Pacific states, but double-digit growth in the Southeast and Southwestern states. While enrollment is expected to decline in PA by some 85,000 students by 2015, Pennsylvania showed the highest growth in new construction in 2006 over 2005, with 65% more square feet built.

As we begin a new era for financing school construction in Pennsylvania under property tax relief Act 1, it's encouraging to see that voters throughout the rest of the U. S. have backed large amounts of spending over the past few years. In 2004, almost \$35 billion in bond referenda passed around the country; in 2005, another \$12 billion was approved, and last fall more than \$20 billion in bonds for construction projects were given voter OK. 

WHAT'S IT COST?

As 2007 begins a couple of trends are emerging that should color the costs of projects as the year progresses. The most important building material trends are the continued decline in oil-related products, and the beginning signs of another demand-driven price cycle for steel and concrete. As the number of very large projects under construction continues to grow in our region, expect to see short supply in most trades by mid-year, perhaps as soon as the spring thaw.

During the last of 2005 and the middle of 2006, high oil prices sent the cost of all petroleum-related products skyrocketing. Prices for asphalt doubled, and supplies became terribly short. To a lesser extent, prices for construction plastics like pipe, sealants, adhesives and fiberglass also increased at high rates. At the same time, high demand and short supplies for specialty metals, most notably copper and aluminum, sent those materials up over 80%.

In the second half of 2006, as the homebuilding slump reduced demand and the price of oil fell, many basic materials saw prices fall. December's commodity price compared to the previous quarter

had fallen for copper (still 45% over 2005), asphalt (up 36% over 2005), lumber (down 10%) and plastics (down 5%). As the price of oil has stabilized, and continues to soften after winter's last blast, prices of diesel, asphalt and plastics will continue to soften as well.

Over the next two years the market for cement, and therefore concrete, and steel may look like an instant replay of 2004. Demand from overseas was off during the last 18 months, however there are signs that construction in China and India is taking off again. Unlike the export-driven price run of 2004, the non-residential market in the U.S. is also running hard, so demand for steel and cement will be that much higher. It's a sign of the times that the 10% or so that both these structural materials experienced in 2006 went largely unnoticed. We may not be as lucky in 2007.

In Western PA the demand for labor was very strong last year, with most trades getting near full employment. Most of the big projects that were let last year didn't reach fully active stage until the second half of the year, and some of those will not reach their heaviest labor point until 2007. While many of the contractors employing the labor will find 2007 to be somewhat tougher sledding than last year, the one similarity will be the extraordinary number of

Project	Owner	SF	Cost	Cost/SF	Date
Economy Elementary	Ambridge ASD	\$98,447	\$13,948,499	\$141.69	Apr-01
Middle School	Sto-Rox Schools	72,400	7,734,200	\$106.83	Jul-01
College Center Expansion	Laroche	30,000	3,900,000	\$130.00	Aug-01
First Year Residence Hall	CMU	51,000	8,988,000	\$176.24	Jan-02
Life Sciences Building	Penn State	200,000	45,000,000	\$225.00	Oct-02
Brighton Twnshp. Elementary	Beaver Area Schools	108,000	12,648,800	\$117.12	Jan-03
Highlands Elementary	Ambridge ASD	78,880	10,349,183	\$131.20	Feb-03
Pennsylvania House Dorm	Pitt	128,000	17,600,000	\$137.50	Aug-03
School of Architecture	Penn State	115,000	27,000,000	\$234.78	Nov-03
Vincent Science @ SRU	Dept. Gen. Services	79,000	11,823,799	\$149.67	Apr-04
School of Forest Resources	Penn State	96,000	21,488,643	\$223.84	Jul-04
Pitt Greensburg Dorms	Pitt	32,000	3,500,000	\$109.38	Aug-04
Upper Campus Housing II	Pitt	160,000	27,000,000	\$168.75	Jan-05
New High School	Moon Area SD	270,000	48,295,624	\$178.87	Jun-05
Ambridge High School	Ambridge ASD	245,325	34,919,691	\$142.34	Aug-05
Upper School	Winchester Thurston	52,396	7,919,000	\$151.14	Aug-05
Senior Year Housing	Grove City College	89,756	12,000,000	\$133.70	Oct-05
New Logan Middle School	East Allegheny SD	140,392	21,694,144	\$154.53	Mar-06
Primary Center	Center Area SD	64,232	10,392,000	\$161.79	Apr-06
Iroquois Elementary	Iroquois SD	120,800	17,752,386	\$146.96	May-06
New Junior High	Altoona Area SD	305,000	37,540,350	\$123.08	Jun-06
Upper Elementary school	Pine Richland SD	189,000	30,883,163	\$163.40	Aug-06
Medical Student Housing	Pitt	150,000	18,000,000	\$120.00	Sep-06
New Elementary School	Corry SD	85,250	11,471,178	\$134.56	Oct-06
Clarion Peirce Science Center	Dept. Gen. Services	100,000	28,245,262	\$282.45	Jan-07

large projects, maybe another handful over \$100 million, which will start this year. In fact, a few of the larger projects have already gotten underway in the first two months of the year, as foundation work is starting on the \$80 million Gates Center at CMU, and the \$170 million 3 PNC Plaza. Work has begun in town on about \$20 million of the Piatt Place job, and the \$30 million August Wilson African-American Cultural Center should begin soon.


This situation could create interesting bidding dynamics. The labor shortages will affect subcontractors much more than generals, and many subs are already bidding selectively. At the same time the bid market, at least in the public sector, has been slow for a few months, and early bid results from 2007 reflect more aggressive bidding. When generals are bidding aggressively but the subcontractors are not, the result can be very risky for the owner, if the generals end up estimating sub trades because of poor coverage. Even if this sort of perfect storm for bidding doesn't occur, productivity is going to be harder to predict in 2007.

Since this is the education edition, it's interesting to look at how the costs of educational buildings have risen in the past decade. In 1997, when big projects were underway at Upper St. Clair, West Mifflin, West

Allegheny, Hampton, among others, the cost of new construction was running between \$100 and \$110 per square foot in metropolitan Pittsburgh. Schools built in the outlying areas, like Erie, Johnstown, and Indiana were built for \$90 to \$95 per square foot.

Educational buildings have experienced a double whammy since then. The changes in technology in education have created the need for additional space per student and added new spaces to school programs that weren't there prior to, say, 2000. At the same time programs have become more expensive, the inflation in basic materials hit schools harder than most sectors, because they are built of the materials which increased the most.

As 2006 ended the new schools that were contracted came in at more than \$160 per square foot in metro Pittsburgh. In outlying areas, which were more competitive and have lower prevailing wage rates, costs were still above \$130 per square foot. College buildings, particularly lab and science spaces, have moved as high as \$275 per square foot.

The chart on the preceding page lists a sampling of projects bid since 2000, demonstrates just how much prices have climbed in recent years. 

Experience Every Step of the Way



The Construction Services Group at Babst, Calland, Clements and Zomnir, P.C. provides clients in each sector of the construction industry with cost-effective and practical representation in all aspects of construction law. Contact Construction Services Group Attorney Kurt Fernsler at 412-394-6469 or kfernslr@bccz.com, or visit www.bccz.com, to learn more about how BCCZ can help you in the following areas:

- Drafting, negotiating, reviewing, and analyzing construction contracts
- Handling labor disputes, OSHA complaints, and other labor issues
- Resolving environmental issues impacting construction projects
- Dealing with prompt payment, bond and lien disputes
- Prosecuting or defending delay, acceleration and/or inefficiency claims

BCCZ

BABST | CALLAND | CLEMENTS | ZOMNIR

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

Two Gateway Center Pittsburgh, Pa 15222 412-394-5400 www.bccz.com



Look what we've done...



*...Imagine
what we
can do!*



Boilermakers · Boilermakers Employer Association · Bricklayers & Allied Crafts · Carpenters · Cement Masons · Drywall Finishers · Electricians · Floor Coverers · Glaziers · Glazing Employers Association · Heavy & Highway Carpenters · Insulator Contractors Association of Pittsburgh · Insulators · Ironworkers · Ironworkers Employer Association · Laborers · Masonry Contractors Association of Western Pennsylvania · Master Builders Association of Western Pennsylvania · Master Interior Contractors Association · Mechanical Contractors Association · Millmen / Cabinetmakers · Millwrights · National Electrical Contractors Association · National Elevator Industry Association · National Fire & Sprinkler Association, Inc. · Operating Engineers · Painters · Pile Drivers · Plasterers · Plumbers · Roofers · Roofing Employers Association · Sheet Metal Workers · SMACNA of Western Pennsylvania · Sprinkler-Fitters · Steamfitters · Western Pennsylvania Chapter of Finishing Contractors Association

LET US BUILD YOUR IMAGINATION

The Builders Guild of Western Pennsylvania, Inc.

Professional Contractors - Union Craftsmen
Working in Partnership for a Better Community

pittsburgh
imagine what you can do here.

412.921.9000 · WWW.BUILDERSGUILD.ORG

BUILDING *the* FUTURE



FEATURE STORY

Recently renovated Ahrens Lab at Carnegie Mellon University. Photo courtesy Strada Architecture LLC

OF Education

Education is one of those “can’t lose” political issues, which is why it is impossible to hear anyone running for local, state or national office that doesn’t beat the drum of better education. It is an issue that no one will take exception with on the campaign trail. Who will say they are against better education? On the other hand, politicians rarely campaign on an education platform that has the kind of specifics needed to actually improve our education systems.

Lately, the state and national governments have violated that political rule by actually trying to legislate behind campaign promises. From Washington, the ‘no child left behind’ initiative has resulted in local school districts focusing their efforts on meeting the test result standards that have been handed them. And from Harrisburg, the fallout from property tax relief is the Act One budget process for 2007, which has created lots of uncertainty about school funding for the future.

Both of these government mandates have impacted school design and construction. The federal emphasis on accountability has placed all school districts on alert to be measurably better. Here in Western PA the effect has been to shift focus away from AP achievement and towards proficiency attainment. Accountability has also caused a re-emphasis on physical education. Both of these changes have impacted how the space in schools, particularly elementary schools, is arranged.

The Act 1 legislation has had a chilling effect on school construction because school boards and administrators are unsure how to execute next year’s budgets while living within the Act 1 guidelines for avoiding referendum. The legislation actually seems to have accounted for some of the more difficult budget hurdles by allowing exemptions from the referendum for pension and healthcare costs, and for construction. Nonetheless, until districts work through

the scenarios, and test how far the exemptions will go, construction projects will be held up.

Property tax relief represents a larger shift in focus in Harrisburg towards placing the largest financial burden for public education on the local taxpayer. Over the past two decades the state’s share of funding for K-12 schools has diminished from 50% to nearly 25%. And with recent deficits still to pay back, Harrisburg isn’t likely to increase the state’s share soon. Such cutbacks in support impact a school district’s ability to pay debt service and therefore, its ability to fund construction.

As significant as the impact of the government is, the issues that most influence construction of K-12 and higher education facilities are the demographics, and the expectations of its students (and their parents). As the ‘echo boom’ has moved from kindergarten through grad school over the past two decades, the size and lifestyle expectations of that demographic cohort have driven construction and design more than anything government has dished out.

K-12 SCHOOLS

The 1980’s saw an interesting and somewhat unique phenomenon in birth rates, as the Baby Boomers began reproducing themselves in record numbers. What was different was that the older part of the Boomer demographic was the ‘me generation’, which came of age in the late 1960’s and 1970’s, and decided not to marry and have children. By the ‘80’s those Boomers changed their minds and joined the fun. This deferred birth group added to the already high numbers of ‘echo Boomers’ to create huge elementary school classes to come.

On a regional level, this birth rate phenomenon was occurring at the same time when a large number of potential young parents were losing their industrial



jobs in Western PA. Whether it was this demographic 'pause' or the distressed economy in many older districts, school construction in Western PA didn't feel the surge until after the rest of the country. But when the surge came in the mid-late 1990's, the demographics and the coincidence of inexpensive funding created a boom in construction of K-12 projects that hadn't been seen since the original Baby Boom.

While the Baby Boomers provided the demand, low interest rates gave school districts the fuel to build. The ability to fund construction through bond issue has been one of the more beneficial tools the state of PA has ever given school boards. By the late 1990's, when bond interest rates fell well below 5%, school districts were able to use those rates to refinance and create capital pools, and districts with higher growth rates could count on revenue increases that virtually paid for the bond issue without further debt expense. The effect was like borrowing to double the size of one's house, only to have pay raises and appreciation render the debt insignificant.

At the height of this school building boom in 1997-2000, the value of school construction made up as much as 25% of the total contracting in the region.

During the past few years, as interest rates have been steadily increased by 300 basis points or more, school planners have begun to see the light at the end of the Boomer tunnel. Most of Western PA's larger districts have completed building programs and used their 20-year reimbursements within the past decade. Now the focus will turn toward facility planning for post-echo Boom and living with tax relief.

"As we see our districts going through the process of meeting Act One's requirements, we see them rethinking their capital needs because of what's required to go public if they want to raise taxes," says

John Hummel of the Foreman Group, a Zelienople architectural and construction management firm. The idea of building program referendums is deflating for school districts and boards, says Hummel, "We all have seen what happens over time in referendum states surrounding us. Projects just don't get done."

The exemptions in Act 1 offer hope that school boards will still be able to plan for large programs by working the rules to their advantage. Given that the demographic support for middle and high school construction will remain strong for almost another decade, it seems likely that tax relief will need to be a short-term nuisance rather than a permanent obstacle to school construction.

Another short-term concern is that Act 1 will inhibit districts from making higher first-cost decisions that will pay dividends later. Rob Pillar, of Burt Hill in Butler, expressed his concern, "I'm much more concerned that Act 1 will force school districts away from life-cycle costs in order to keep construction costs as low as possible." Decisions like that would also affect sustainable design.

Building green is a trend that every architect is seeing as a public school trend, although don't expect a lot of LEED-certified buildings on the way. "More and more of our clients are asking about LEED," says David Esposito, partner at Eckles Architecture in New Castle, "That doesn't mean they will go through with the certification process, especially once they find out the expense of the certification process." The PA Department of Education offers an incentive for LEED Silver certification of a project, but the additional 10% reimbursement isn't enough to entice districts to undertake the documentation to achieve certification.

The more likely trend for the near term is for architects to design buildings that use green technologies and practices, but not pursue LEED certification. Besides, says Foreman Group's Hummel, "Most responsible architects have been trying to design high-performance, sustainable buildings since the 1970's, but now that it's in front of the public it's the strongest trend we see in school design."

Another school of thought that is emerging among planners is to make schools smaller. "At last year's Council of Education Planners the theme was 'Breaking Ranks'," says David Esposito, "that is, breaking schools into smaller separated schools organized around grade and function." The planners are finding that smaller student populations, between 200 and 400 kids, can be taught well and have better discipline. These smaller schools may exist within one large building or campus, but are most effective when separated physically and maintain separate administrations.

"It's not an efficient design for a school but it appears to be more effective," says Esposito, "The aim is more and more to provide better measurable results."

Even with the uncertainty about the changes Act 1 will bring, school districts in Western PA still face situations that are requiring major construction projects. In the coming year there should be a dozen or so projects bid that will be \$10 million or more, and a half-dozen of those will be \$20-30 million or more.

Big projects are being planned now in Moon and Uniontown that will be replacements for \$35 million plus projects that were bid, awarded, and then moth-balled after new school boards stepped in. In addition, \$20 million projects are on the boards in Shaler, Hempfield, Hollidaysburg, Deer Lakes, Bethel Park, State College, Woodland Hills, Johnstown, and Bentworth. Bigger projects are planned for later in Jefferson Hills, North Catholic, more State College, Grove City and West Allegheny.

The public school district that continues to have the largest ongoing capital program is the Pittsburgh Public Schools. The Board of Education has projects underway or bidding this coming year at Colfax Elementary, Sterrett Academy, Miller at McKelvy K-8, and Milliones schools, all costing between \$5 and \$10 million. The district's capital budget for 2007 is more than \$52 million, with plans to spend \$50 million in 2008, and \$34 million in 2009.

In Pittsburgh, one of the student needs that have been systematically met over the past few years has been the renovation of all schools to be ADA compliant, including installation of elevators at all multi-level buildings. With over 70 facilities to update, ranging in age from older to out-dated, the process has been very expensive. "The projects are packaged at around \$1 million when we bid them," says Al Biestek of the Pittsburgh Schools, "and we have another 22 schools to complete over the next few years."

Higher Education

Colleges and universities have been dealing with the impact of the 'echo Boomers' for more than a decade. Unlike the public primary and secondary schools, higher education was less impacted by the sheer numbers than the expectations of this generation of students. In PA, the State System of Higher Education (SSHE) has been able to use the increased number of college students to increase enrollment, but the majority of the colleges in our region are private, and most have not chosen to grow enrollments in proportion to the larger demographics.



*Rendering of CMU's Gates Center for Computer Science
by Mack Scogin Merrill Elam*

At the same time this larger wave of students has moved through the higher education landscape, colleges have been forced to examine how technology and student perceptions would change the plans for their facilities. Even though the demand for college degrees has risen dramatically, increased demand hasn't been a rising tide lifting all boats; in fact, the last decade has seen increasing competitive pressures on colleges. Today there are more colleges, not less, who face questions of long-term viability than before.

One of the factors impacting college facilities since the mid-1980's has been the ever changing and ever increasing use of computers. Whole new courses of study exist now in areas like software and hardware engineering, website design, robotics, nanotechnology and on and on. These areas of study have created the need for new facilities and caused wholesale reconfiguration of many colleges.

Beyond creating new curriculum, the use of computers has changed the infrastructure needs of colleges. As laptops became standard issue for every college student and the Internet matured in the late 1990's, most colleges underwent the installation of copper or fiber network infrastructure to accommodate access in every classroom and dorm. As the standard for Internet access has again evolved to both wireless and high-speed, the infrastructure has been tweaked and expanded so that a student can have access anywhere on campus, both through wireless and Ethernet connectivity.

While these technology advances added construction projects to capital budgets, the expense of adding infrastructure paled in comparison to the capital expenses that colleges have rung up trying to anticipate the lifestyle demands of this generation of college student.



New residence halls at Grove City College

"Almost every trend in design over the past decade has been driven by the lifestyle expectation of the kids in school," says Doug Shuck, principal at WTW Architects. "Colleges could offer services on a take it or leave it basis into the 1970's, but now they have to meet upgraded demands in dorm living, student activities, classrooms, and think about how the kids will want to use spaces."

The proliferation of student centers that began 15 years ago is a perfect example of the changing demands of today's student. Unlike the "Hub" of old, student centers are expected to be more than the building with the coffee shop, book store and mail boxes. State-of-the-art centers offer public spaces that can double as group project work spaces, restaurant-quality food, areas for video and live entertainment, meeting rooms for campus organizations, and room for exercise.

The newest trend appears to be taking the exercise space out of the student center context and creating even larger, more flexible spaces for increased physical activity. "There is increased emphasis on health and wellness from our students," says Tom Gregg, V. P. of Business Affairs for Grove City College, "We've had to expand a three-year old Physical Learning Center because our students want to have access to even more weight training, Cybex and aerobic exercise equipment."

Grove City spent over \$1 million to install a sport turf on its varsity football field to allow for intramural sports usage. Gregg says, "We've studied the usage this fall and on average there were 300 students at the fields playing or watching Intramural Football or Frisbee games. That's more than 10% of our total student population utilizing the fields at any one time!"

Duquesne is another school which is expanding its recreation facilities after spending to create a new

student center. The first building in its Forbes Avenue development is a Multi-purpose Recreation Center, which will have over 75,000 square feet of space dedicated solely to sports and exercise.

Virtually every PASSHE campus and most of the region's private institutions have undertaken a major expense to modernize or build new student activities facilities since 1995. Those institutions that haven't have felt the pinch in recruiting.

The other area that higher education institutions have invested heavily as a result of student lifestyle demands is in dormitories. Calling them dormitories is a bit of a misnomer, since the residences appear more like apartments than the masonry structures that one associates with dorms of old. Just since 2000, there has been almost half a billion dollars spent on construction of new residence halls on Western PA campuses. Here again, the motivation for such investment is to stay competitive by offering a residence hall experience that meets the heightened expectations of the Baby Boomers' kids.

Even though dorm construction is expensive, varying from \$25,000 to \$50,000 per bed, most of the residence halls built have been owned by the institutions. Since 2000, new facilities have been built on campuses at Carnegie Mellon, St. Vincent College, Thiel, Waynesburg, LaRoche, Mercyhurst, Penn State, Grove City College, Robert Morris, four of Pitt's campuses, and even Mount Aloysius College.

One of the trends that was widely used throughout the nation, but less so here in Western PA, has been third-party developed projects. This model had private developers bear the risk of construction and management in exchange for occupancy guarantees, and of course, rental income. This approach allowed colleges the opportunity to build without investment and offer their students new residences that stayed off the college's balance sheet. It was appealing to cash-strapped institutions, or those which would have trouble raising money through capital campaigns, like the state universities.

While Washington & Jefferson College has used this model to build its newer student residences, the 'off balance sheet' approach has been utilized mostly by the PASSHE universities. California has built four such projects, and privately-developed projects of nearly \$100 million are underway or planned for this year at Indiana University and Slippery Rock. On a smaller scale, projects have been and are being planned at Clarion and Edinboro as well.

One of the reasons the PASSHE schools have been attracted to the third-party model is that capital

spending from Harrisburg has remained at \$65 million. "The \$65 million has been a constant for a number of years, so we are obviously not buying as much as we used to," notes Robert Unger, Director of Construction Management for PASSHE, "The funding is allocated by the Assistant Vice Chancellor for Facilities, based on a rolling five-year plan. Occasionally, universities have to supplement the capital funds with their own fundraising in order to meet the final cost of a project."

Of the \$65.6 million earmarked for capital projects in the Governor's budget, only \$13 million is planned for Western PA universities, of which \$700,000 is budgeted for furniture and equipment. More telling is the fact that no new construction funds have been allocated for 2007. With only nine projects proposed for the next five years it's clear that DGS spending won't be driving public college construction.

In fact, even among private colleges the big drive is over for now. During the past decade a number of colleges have spent, or are spending, capital campaigns which amounted to between \$25 and \$50 million. These schools like, Westminster, Waynesburg, Grove City and Geneva will be spending \$10 million or less over the next few years. The biggest private projects will be at Allegheny College and Seton Hill, which have fine arts centers planned, and St. Vincent College, which will be building the \$12 million Fred Rogers Center.

The big spender in the state over the past decade has been Penn State. Now halfway through a \$945 million five-year capital plan, Penn State has been investing very heavily in recent years in its main campus. Already open are \$90 million in new residence halls, \$85 million in new science buildings, a new baseball stadium and more than 1,000,000 square feet of new classroom and related space in its new East Subcampus along Park Road.



Rendering of Public Safety Building at University of Pittsburgh by Strada Architecture LLC

While the biggest expenditures over the remaining years of the capital plan will be for the Cancer Center and Children's Hospital at the Hershey Medical Center, there are still a couple of larger opportunities in State College. Contracting has begun on phases of the \$25 million Health & Counseling Building, and the \$60 million new Dickinson Law School at Penn State. Several projects approaching \$10 million will be bid in each of the next few years. After digesting all of this new construction, planning will begin in earnest on a second Life Science Building (\$40 million), replacement of two Engineering classrooms (\$140 million) and a new science classroom (\$80 million).

Within the city there are still plans for significant capital spending at the various colleges.

In addition to the Recreation Center, Duquesne is trying to finalize the plans for the next phases of the Forbes Avenue development. "We have a handful of regular renovation projects planned that will run \$1-2 million each," says Duquesne's George Fecik, "including putting in permanent grandstands at Rooney Field."



University of Pittsburgh



In the early 1990's the Construction Advancement Program of Western PA (CAP) responded to an inquiry from the University of Pittsburgh's Engineering Department to do a needs assessment of the contracting community so that Pitt could expand its engineering studies into areas that would improve the skills and marketability of its graduates. The CAP Board of Trustees worked with university faculty to help set goals for what is now the Construction Management program.


The University of Pittsburgh offers two exciting Construction Management (CM) alternatives within the department of Civil Engineering. Undergraduate students can pursue a certificate program, with a concentration in CM, while Graduate students can earn a masters

degree, with a major in CM. CM courses in the undergraduate program are taught by a mix of full-time and adjunct faculty while Master's program courses are taught principally by adjunct faculty.

The individuals comprising the adjunct faculty are closely aligned to the construction industry and a combination of their knowledge; experience and background bring a pragmatic approach to the program. Courses provide project managers and engineers with the tools necessary to navigate in today's construction environment. Subjects include courses in estimating, scheduling, methods, equipment, law, risk management, finance, cost control, professional development and sustainable development, musts for every professional

employed by construction, engineering and design firms. Additionally, the curriculum has been designed to allow the student to pursue an ample number of elective courses. Course relevancy is continually challenged by an advisory panel consisting of representatives from local construction, engineering and design companies.

In continued support of the program CAP and the Master Builders' Education Committee provide funding and scholarships each year to students with Construction Management majors.

By Mike Rollage,
Partner, McCrory & McDowell LLC 

UNIVERSITY	PROJECT DESCRIPTION	FUNDING
SUPPLEMENTAL FUNDING FOR ONGOING PROJECTS		
California	Addition & Renovation of Steele Auditorium, Add'l Funding	\$4,200,000
Clarion	Repair or Replace Peirce Science Center, Add'l Funding	\$6,600,000
Edinboro	Renovation of Academy Hall, Add'l Funding	\$598,000
Edinboro	Institute of Human Services, Add'l Funding	\$1,000,000
TOTAL SUPPLEMENTAL FUNDING		\$12,398,000
FUNDING FOR FURNITURE AND EQUIPMENT		
Edinboro	Renovation of Academy Hall	\$189,000
Edinboro	Renovation of Heather Hall	\$227,000
Indiana	Renovation of Wilson Hall	\$275,000
TOTAL FUNDING FOR FURNITURE AND EQUIPMENT		\$691,000
TOTAL		\$13,089,000
<i>PA State System of Higher Ed 2007 funding plans</i>		

The biggest higher education project going on in Pittsburgh right now is the Gates Center for Computer Education at Carnegie Mellon University. The \$80 million Gates project is actually one of three major projects being managed in sequence to redefine the west campus of CMU. Already underway is the Phase II \$25 million addition to Doherty Hall and the utility replacement and connection between

Doherty and the Gates site. The total investment in this small area between Forbes Avenue and 'the Cut' is over \$110 million.

Point Park has spent more than \$5 million on a variety of renovation and interior expansion projects over the past few years, and has started the \$9 million Dance and Performing Studios addition. The 45,000 square foot space is being built along the Boulevard of the Allies.


Some of the smaller colleges have begun investigating capital programs. Carlow University has announced plans for a campus-wide update and expansion that could total \$40 million, although the master planning is in the early stages. Robert Morris University had plans to construct a new 57,000 square foot Osteopathic School of Medicine, but shelved the project at the end of 2006 when the costs escalated beyond their plans. Instead RMU now plans to spend on expanding education in its other healthcare programs, although no construction related to those investments has been announced.

At the other end of the spending spectrum, the University of Pittsburgh continues to update its facilities to match its changing educational emphasis, unveiling a twelve-year plan in February. After spending hundreds of millions in the past five years, the plans for 2007 involve smaller projects. Plans have been made for a \$15 million project at Ruskin Hall, \$7 million renovation of the Plum Research Center, \$12 million updating of the Litchfield Towers dining hall, and the \$1.6 million Mary Lou Campana Lecture Hall at the Greensburg campus.

One of the important projects wrapping up at Pitt is the \$6 million Public Safety Building. The 26,000 square foot facility is located next to the Eureka Building at the corner of Forbes and Halket Street. According to Pitt spokesman John Fedeles, "It's the only police station of any kind in Oakland, and it's a much more significant investment in security than is made on most campuses in America."

In planning the Gates Center, CMU's management and the architect Mack Scogin Merrill Elam worked to integrate the new building into a site that drops 75 feet in elevation immediately west of the neighboring Purnell Center, while using it to make connections between the existing campus and the growing CMU presence toward Craig Street. In doing so, architects created a five-story building with a helical stairs that will allow someone in a wheelchair to move comfortably from Purnell to the ground floor plaza of Gates without leaving shelter. The design also more than doubles the green space (even though 200,000 square feet of building are being built) and creates a new tech quad on the west campus.

Even as the Gates Center becomes a reality, planning is already underway for another building west of Panther Hollow on the Carnegie Museum property. The project, dubbed 'CIC2', already has prospective tenants lining up, as corporations seek to leverage Carnegie Mellon's high-tech research as is being done in the original Collaborative Innovation Center. "Microsoft has just absorbed the last 900 square feet in CIC," says Ralph Horgan, Assistant Vice Provost at CMU, "which is the only building in the world that houses Microsoft, Apple, Intel and Google at the same time."

As the tail end of the 'Echo Boom' moves through the school systems of Western PA over the next 10-15 years, planning will begin to determine how to adjust the excess space created from 1990-2020. The institutions that will continue to have space needs will be those that are actively using their facilities to commercialize the educational and research assets of the schools. Within Western PA the universities which are already planning to be in that position are Penn State, Pitt and Carnegie Mellon. 



Uhl Construction

Building Lasting Value

BUILDING LASTING QUALITY ON A FOUNDATION OF LASTING VALUES

In 1920, Uhl Construction Co., Inc. completed its very first project. Now, 87 years later, Uhl Construction is known throughout Western Pennsylvania for quality workmanship, integrity, experience, and cost-effective, common-sense approach to projects of all sizes and complexity.

GENERAL CONTRACTING EXPERIENCE:

Commercial
Industrial
Educational
Institutional
Religious
and
Recreational
Construction Projects

TYPES OF WORK:

New Construction
Renovations
Additions
Fit-Outs
Design-Build
Pre-engineered Metal Buildings



Baierl Toyota



Slippery Rock University



Professional Graphic Communications



Honda North



Concordia Lutheran Ministries

Uhl Construction

P.O. Box #8 • Allison Park, PA 15101
724.443.0600 • 412.961.0490 • fax 724.443.7966 • www.uhlconstruction.com

ATTORNEYS AT LAW



MAIELLO BRUNGO & MAIELLO, LLP

Build your next construction project
with a team of integrity.

Construction Law
Contract Development
Conflict Resolution
Claim Analysis
Claim Preparation
Bidding Disputes
Suretyship

PITTSBURGH
412.242.4400
NORTH HILLS
724.935.6990

www.mbm-law.net

The Construction Team of



Built on integrity,
Proven by performance.™

Turn your risks into strategic opportunities.

When Marsh is your broker, you have the industry leader in construction working on your behalf. You can count on our specialists in surety, construction risk management, safety and wrap-ups, to help craft the best solutions. Couple that with our global perspective and the expertise of more than 25,000 colleagues worldwide, and you have the strength of Marsh working for you.

412.552.5000
6 PPG Place, Suite 300
Pittsburgh, PA 15222

MMC Marsh & McLennan Companies

Marsh is the risk and insurance unit of Marsh & McLennan Companies

www.marsh.com

MARSH

The world's #1 risk specialist*

Project Profile



Rendering of the completed center by DRS Architects (used with permission of Duquesne University)

Duquesne University New Multi-Purpose Recreation Center

For those who frequent the area southeast of Downtown, known as the Bluffs, there are several buildings that you might consider the signature buildings of Duquesne University. Unlike its neighbors to the east, however, Duquesne didn't have an architectural icon that the regular passerby might notice, as he would the Cathedral of Learning or Hammerschlag Hall. And even as Duquesne grew to absorb almost all of its vacant land, the campus has

remained less well known to the casual observer of the city. Looking to the future, Duquesne's leadership sought to create a larger footprint for the campus as well as to increase its visual impact on the city.

So as part of the 10-year master plan approved by the City of Pittsburgh in 2004, Duquesne acquired two acres of properties along the north side of Forbes Avenue directly opposite the campus. The proposed

Duquesne Major Subcontractors

Steel Erection	Century Steel
Steel Fabrication	Lincoln Fabricating
Curtain Wall/Glazing	H. B. Reynolds Co.
HVAC	Bryan Mechanical/SSM Industries
Plumbing	Ruthrauff/Sauer Inc.
Electrical	Ferry Electric
Masonry	Franco Masonry

multi-phased development, which will involve private partnerships, may ultimately grow to over 500,000 square feet of mixed-use space linking Duquesne University to the redeveloped Uptown. In announcing the plans, Dr. Charles Dougherty, Duquesne University president said, "The expansion plans give Duquesne University the ability to continue to grow, to contribute to the development of our Uptown neighborhood and to improve the appearance of our front door on Forbes Avenue."



Progress photo on February 1, 2007

The first of the projects to move forward is the Multi-purpose Recreation Center to be built at the corner of Forbes and Chatham. Duquesne chose DRS Architects to design the building and Jendoco Construction as the Construction Manager. The 125,000 square foot, five-story facility will have private retail space along the ground floor, but "the driving force for the project was the need for additional recreation space for our students," said George Fecik, of Duquesne University. "There is a ballroom on the top floor, and retail on the ground floor, but the balance of the building is dedicated to space for student recreation and activities of all sorts."


The building includes exercise and fitness facilities on the second floor with basketball courts on the third and fourth floors, and an indoor track located on the mezzanine between those floors. In addition to the larger spaces the building also includes 2,200 square-feet of aerobics space and over 5,800 square-feet dedicated to cardio-fitness exercise equipment, and 1,100 square-feet for weight training.

Like most urban construction projects the \$20 million Multi-purpose Rec Center did not develop as a clean suburban site might. Even though there are vacant lots adjoining the building site, Duquesne's need for additional parking has meant that much of the land that could be used for construction support has been paved. With no lay-down area, and the limitations of working around the city's utility infrastructure, Jendoco Construction and its subs have had to be creative in making enough room to safely build. "It's a very difficult site for a crane, so the steel had to be erected in thirds," says Jendoco project manager Bill Keith, "with the crane positioned inside the building footprint while erecting another portion of the frame." Concrete was poured for the floors on one side of the building while the steel was being erected on the other side.

Another challenge was the coordination of other portions of the job that involved other teams. Construction of the ground floor spaces had to be sequenced so that the tenants, Barnes & Noble and a restaurant/bar, could proceed with their design and build-out. "There were separate architects for the tenant spaces and their designs had to match up with the DRS design for the shell, and the contracting was independent," said Keith. While Jendoco would be a logical choice to build out the tenant spaces, the Barnes & Noble was bid to other contractors as well.

Another element of the development that creates a signature is the elevated pedestrian walkway linking the upper campus to the fifth floor of the Recreation Center. Like the retail spaces, the bridge involved other professionals, WTW Architects and TEDCO Construction. "TEDCO handled the walkway exclusively, but our two companies coordinated it without any problems," says Keith, "We were at the job meetings together and functioned like we were parts of each other's project."

The biggest challenge of the project is the schedule. Work got underway in March of 2006, and the building needs to be open for the Christmas season of 2007. With all the moving pieces of the plan, a little bad luck would make meeting schedule unlikely. So far the luck has been good, with December's warm weather allowing for all the concrete to be poured without winter conditions being needed. Even though winter finally moved in for a while in early February, shoppers should be buying books and CD's at Barnes & Noble for Christmas as planned.

Bill Keith attributes the progress to more than good weather. "We just finished a job with DRS at the Palumbo Center, and we have a great team of subs, so we can work out solutions with people we know," says Keith, "but what really helps is that we have an owner in Duquesne, who trusts their contractor, and let's us do what they are paying us to do." 

Firm Profile

Hayes Design Group

When asked what motivated them to start their own firm most entrepreneurs will offer some version of the line, "I really wasn't looking to go out on my own..." South Hills architect Kevin Hayes swears he really means it though. "I didn't mind working for someone else who could handle the headaches. What happened, though, was that over time I developed ideas about how architecture should be done, how projects should be delivered, how people should be treated as employees, and I wanted to find a firm that matched my philosophy."

Hayes worked for three solid Pittsburgh firms, and talked with countless others, but in the end found, "I couldn't find any one firm that was a match, so I figured I had to do it myself. I guess that's how most people feel about it."

Hayes Design Group was founded in 1992. Located in a small office on Washington Road in Mt. Lebanon, Hayes Design attracted the kinds of clients that most new architectural firms do, those with residential projects, or small commercial jobs. Kevin Hayes decided early on that he wanted to maintain a culture where as principal he remained active in clients jobs day-to-day. And as Hayes Design grew he worked to keep that ethic, even with the ten employees now working there.



Sr. Associate Mark Duane (L) with Kevin Hayes

After graduating from the University of Notre Dame with a degree in architecture in 1983, Hayes worked for Valentour English, The Design Alliance and NJC Associates. While he didn't find that "match" at these offices he observed the value of having long-term relationships with customers. "I thought that a foremost commitment to a high level of service would breed those kinds of clients," says Hayes, "We've settled into the 'Avis' approach - we're not big but we try harder."



Board room at Schneider Downs & Co

Commitment to service has a practical side that is appealing to Kevin Hayes business plans. Getting business from repeat or referral clients requires much less marketing, and allows for more problem-solving architecture. Two examples of how that has paid off for Hayes Design are Schneider Downs & Co. and West Jefferson Hills School District. Schneider Downs has worked with Hayes Design and Massaro Corporation on a handful of projects associated with their 1133 Penn Avenue headquarters over the past five years. West Jefferson Hills School District is a ten-year relationship which has involved two elementary school projects, a middle school addition and alterations, and plans for a \$40 million plus expansion and renovation to Thomas Jefferson High School.

The school market was one that Hayes targeted from the beginning. "I always liked doing schools, and had experience from other firms," he says, "but it took about four years to get enough staff to handle a

school project." In addition to West Jefferson Hills, Hayes Design has also done work for Bethlehem-Center Schools, Charleroi and California Area School District. "We've created a bit of a niche in the school market by having the principal stay working with the client throughout the project. There aren't many small firms doing schools, so that is an advantage we can use."

Hayes acknowledges that the school market is not the easiest sector to compete in, since most of his proposals are up against firms with five or ten times his resources. "The worst case is when we don't get a serious look because of our size," says Hayes, "I realize, though, that we're not a safe choice when a school board compares us to an older, larger firm."


The upside of that dynamic comes when he can convince a board to work with a smaller firm. The scopes of the projects are good for his business, offering work that lasts 18-36 months, and it gives Hayes Design a chance to reward a client's faith. "The best part is when we can surprise a client with an enthusiasm, creativity and service that they wouldn't expect from a big school architect."

Into his second decade on his own Kevin Hayes wants to continue his commitment to service by spending even more time involved in community service. Hayes Design Group added Mark Duane as Senior Associate



Main lobby, Charleroi Area Schools

in 2004, and Associate, Jessica Swann last year. Kevin Hayes will continue to stay involved with his clients' projects. "I'm at a point in my career where I have a lot of experience that I can bring to a clients problem, and help solve them it in a way that surprises him. What I do doesn't feel like work." **BG**





PIETRAGALLO
PIETRAGALLO BOSICK & GORDON, LLP

CONSTRUCTION PRACTICE CONSORTIUM


We assist clients in construction projects from start to finish, from before the first shovel of dirt is turned over to post-project disputes.

HEADQUARTERS: ONE OXFORD CENTRE . PITTSBURGH . PA . 15219 .
412.263.2000 . WWW.PBANDG.COM

OH


PA

WV



PELLA ADVANTAGE NUMBER 67:
YOUR PROJECTS WON'T LOOK LIKE ALL THE REST.

Not every project is cut out for aluminum. Pella builds a broad offering of wood and fiberglass commercial windows to fill any opening. From punched openings to ribbons. Entrances to window walls. More choices so you can break the mold. That's *The Power Of Yellow.* www.pellacommercial.com



COMMERCIAL

79 N. Industrial Park, Building 304 • Sewickley, PA • 800-222-8771 (ext. 102)

Financial Perspective

The Eichleay Formula - The Rule or The Exception?

By Richard E. DuCarme

At first glance, contractors and subcontractors are likely to be elated with the March 2006 order by the Board of Claims in the Nello Construction Company v. Commonwealth of Pennsylvania Department of General Services (DGS) dispute. The Board of Claims awarded Nello \$544,881.23 in damages, of which \$90,682.52 related to "extended" home office overhead and administrative costs computed using the Eichleay Formula. Reportedly, it was the first time that the Eichleay Formula was accepted by the Board of Claims in Pennsylvania. As a result, Contractors that conduct business with the DGS may now feel that they have a green light to claim home office overhead damages using the Eichleay Formula in all future disputes with the DGS.

My advice to them: Not so fast! Twenty years of experience in the dispute resolution and consulting business has taught me that no two cases or projects are the same. Damage concepts and calculations that may be appropriate in one case may not fit the fact pattern in another case, and the Eichleay Formula calculation is a perfect example.

The Eichleay Formula is a frequently used, highly controversial, but not well understood method which has been used by claimants to compute a contractor's extended or unabsorbed home office overhead costs during delays caused by others.

The theory behind unabsorbed home office overhead is as follows. When a contractor bids on a fixed price project with specific contract duration, the contractor estimates that it will earn a certain revenue stream during the project's duration. The contractor hopes that the revenue it earns will not only cover all direct costs (e.g. labor, materials, subcontractor costs and site general condition costs), but also cover a portion of its indirect or home office overhead costs (such as executive salaries, home office rent, outside accounting expenses, property taxes, etc.), as well as

allow it to earn a profit. If another party (owner or higher or lower tier contractor) delays the contractor's work, the contractor's progress billings and cash flow could be reduced, while the home office overhead costs could continue without change, potentially depriving the contractor of revenue needed to cover a portion of these costs, potentially leaving them "unabsorbed."

From an economic perspective, just because a contractor is delayed doesn't necessarily mean that it has experienced unabsorbed home office overhead. Further, even if a contractor's work was suspended by others, the contractor may not experience unabsorbed home office overhead if the contractor was able to find replacement work. In this case, application of the Eichleay Formula could potentially over compensate the contractor because it is likely that some or all of the overhead costs would be covered by revenues from the replacement work.



However, if the contractor's work was completely and indefinitely suspended by another party and it was unable to find replacement work, the contractor may have experienced unabsorbed home office overhead and may be entitled to compensation. As suggested above, no two cases or fact patterns are the same and the Eichleay Formula cannot be used as a cookie cutter solution to all home office overhead claims.

Acceptance of the Eichleay Formula has been more prevalent in federal cases; somewhat less so in state cases; and prior to Nello, reportedly never before accepted in DGS cases. However, even in federal cases, acceptance of the Eichleay Formula is not universal, and case decisions have continued to define the specific circumstances which must exist if the use of the formula is more likely to be accepted. Generally speaking, these conditions include:

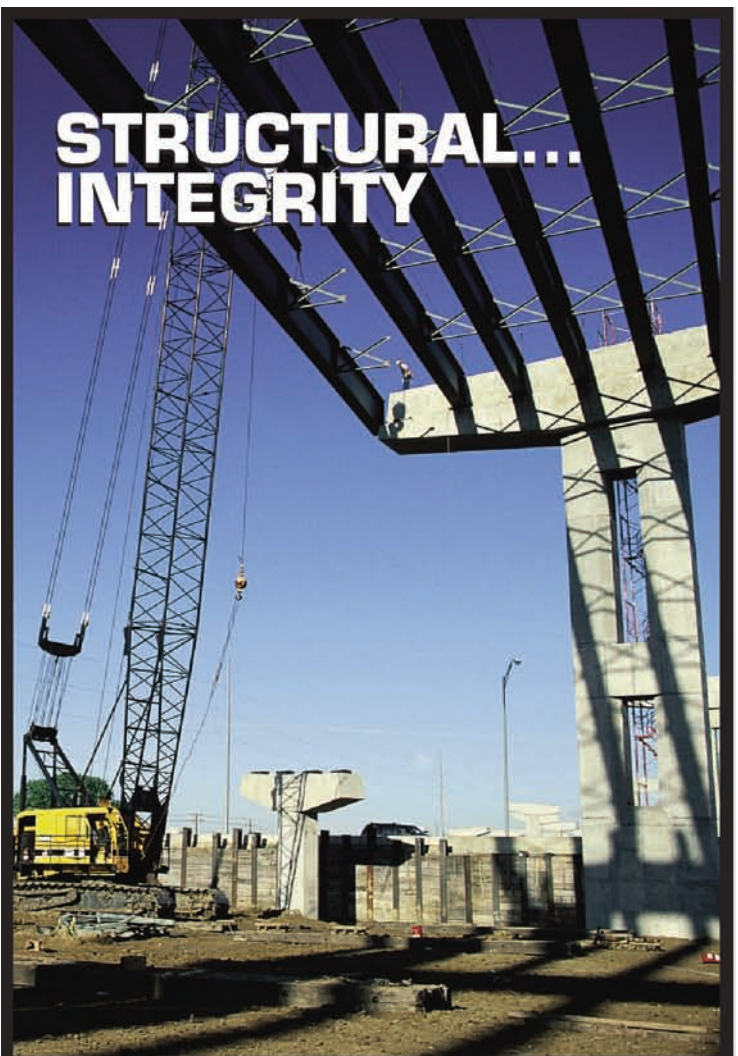
- The contractor's work is completely or nearly completely suspended by another party and the suspension is of an uncertain duration
- The contractor is required to standby
- The contractor is not able to find replacement work

My experience on many projects indicates that far too often, contractors advance Eichleay claims when the fact pattern does not support its use. As a result, many contractors have inaccurate views of their damages and unrealistic expectations of their recoveries. Likewise, when owners see one size fits all home office overhead claims, they often feel that the contractors are exaggerating their claims, both of which lead to the hardening of negotiating positions by both sides and a failure to more reasonably and quickly settle disputes.

The Nello case was in a context that might have allowed for an earlier settlement but circumstances dictated that the case would be disputed to the end. In a nutshell, the case involved a wholesale change in heating design for a museum project in Old Economy Village, which occurred after the contracts were executed and originated with the client, the state's Museum Commission. The equipment chosen for replacement was not available and the re-engineering and approvals process took seven months. Compounding the claims problem was the fact that the state was, for a time, trying to use the Sovereign Immunity principal to avoid paying the claim because the revised total expenditure was going to exceed the funds allocated for the project.

Once the Sovereign Immunity issue was put to rest, the case boiled down to whose calculation of home office damages would be accepted. The state based its \$57,162 figure on the Manshul formula, which

STRUCTURAL... INTEGRITY



**DRIVE.
VISION.
COMMITMENT.**

**Build A Foundation
For Project Success**

| Blumling & Gusky, LLP |
ATTORNEYS AT LAW

Bridging project pitfalls requires sound legal advice. To establish the right structure for your construction project, call Bob Blumling at 412-227-2500.


Blumling & Gusky, LLP
Pittsburgh | Cranberry | Greensburg
412-227-2500 Phone • 412-227-2050 Fax
www.blumlinggusky.com

*Construction • Real Estate Development & Land Use • Surety
Commercial Finance & Transactions • Commercial Litigation*



When Disaster Strikes, Turn To A Name You Can Trust.

Coit Restoration Services are proud members of:

- Institute of Inspection, Cleaning and Restoration Certification (IICRC) 
- Association of Specialists in Cleaning and Restoration (ASCR)
- International Fabricare Institute (IFI)

Call Coit for 24 hour emergency service.

COIT 
RESTORATION SERVICES
1-800-660-2648
www.coit.com

originated in 1981. Nello, however, based its claim on what it believed was precise documentation. The Eichleay formula was not the only calculation Nello used. "We brought in a consultant who had his own method, and we used the Eichleay formula," says George Leasure, President of Nello Construction. "We analyzed both and presented both in our case."

Nello's calculation for extended home office damages was \$90,680, which was actually lower than the consultant's figure. The Eichleay calculation gave the DGS the benefit of the doubt on several issues, and relied on documented expenses. "Our records had detailed daily entries for our project management, superintendent and office involvement."

Dick Kotarba, of Meyer Unkovic & Scott, who argued Nello's case, feels that the case turned on the reasonableness of Nello's claim. "The Board of Claims accepted our calculations because of George's testimony, which showed the significant impact the state's delay had on Nello's home office in time and money." Kotarba says, "Frankly, I was advised by colleagues not to even bring the Eichleay formula up, but it was the most reasonable way to calculate the impact because Nello had such precise documentation."

Thus, although the Board of Claims' decision in the Nello case may have opened the door in future DGS cases, contractors are urged to proceed cautiously when advancing Eichleay-based claims in any forum because of the unique set of circumstances that should be present to support the claim. Likewise, owners should not blindly accept or reject Eichleay-based claims without first critically analyzing the facts and the actual economic impact to the contractor.

Most disputed projects that I've seen do not fit the conditions outlined in various federal cases that have accepted the Eichleay Formula. Thus, regardless of the forum, I believe that cases where use of the Eichleay Formula results in a fair representation of the true economic impact to a contractor are the exception rather than the rule.

Rich DuCarme is a Director at Navigant Consulting's Pittsburgh office. Navigant is a full-service management consulting firm which specializes in advising clients nationwide. 

MBE/WBE Company Spotlight

I. D. Ritter Jr. Company

When asked about the hardest part of being a start-up subcontractor, Ira Ritter Jr. didn't hesitate, "The toughest thing is getting larger jobs." During the first couple of years in business he had to work tirelessly to convince contractors that he knew how he would get projects done that seemed beyond his current capacity. After all, it was a "too big" project that started him in business in the first place.

Ritter came out of Tuskegee Institute in 1979 to find that his father needed the extra help with his business. Helping out for a while evolved into spending the next 21 years working in the field, running the operations side of ID Enterprises. In February 2001, events conspired to nudge Ritter Jr. out on his own. When an invitation to a larger project didn't interest his father, Ira decided to form I. D. Ritter Jr. Co. and pursue the work.

"My Dad had one of the first, if not the first, 8A businesses in the region, but he really wasn't interested in growing beyond what our crews could handle," says Ritter, "but I saw the job as a chance to start something of my own."

Beginning with five union painters in 2001, I. D. Ritter Jr. Co. has steadily grown, with 22 on the crew now. Ritter sees that growth as the key to his revenue growth of 500% in five years. "In this industry everything depends on having good people," he says, "There are times when I look at my payroll and shudder but it's worth whatever it costs to have people that you can depend on to get the job done right." That kind of dependable field staff allowed I. D. Ritter Jr. Co. to take on the challenge of painting the 18-story Encore on 7th apartment for Mascaro Construction in 2005.

With the successes and the growing resume Ritter can be more selective about the projects he works on, but he understands that the basics haven't changed since day one. "You still have to have the 'magic number' on bid day," he laughs. "It's nice to know that a contractor like Mascaro liked working with us, but in construction you're always starting all over on the next one."



I. D. Ritter Jr. Co. owner Ira Ritter Jr.



Ira Ritter Jr and Tony Watson review plans for an estimate

COMPANY FACTS

I. D. Ritter Jr. Company
7008 Bennett Street, 2nd Floor
Pittsburgh, PA 15208
(412) 362-8100 FAX (412) 362-8200

Ira D. Ritter Jr., Owner
Number of Employees - 22
Years in Business - 6

Past Projects:

Carnegie Library Squirrel Hill Branch, A. Martini & Co.
The Encore on 7th, Mascaro Construction
Bedford Dwellings, Yarrowborough Development
Fort Necessity, National Parks Service

Affiliations: IUPAT Local 6
2006 Sales \$1,500,000

Management Perspective

Public or Private? Pick Your Poison

If you talk to an old-timer about the difference between public and private work you'd probably get a puzzled response. A school went together the same way whether a public school district or an exclusive private college owned it. The contractor put in a foundation, put one block on top of another, erected steel and so on, until the job was done.

But as the construction market became more competitive, the public market became more attractive to newer contractors because it was accessible to all who could get a bond. And except for a few years every decade, getting a bond is a low barrier of entry.

For many of the contractors who had built schools or municipal projects for decades this increased competition made the public market unappealing. One of the companies that built a lot of publicly-owned buildings in the 1970's and 1980's was Massaro Corp. Today, Steve Massaro says, "We have to have a pretty good reason to pursue a public project. For example at IUP we're in the middle of doing \$80 million in student dorms, so it made more sense to bid the Fischer Hall job; the same is true for Clapp/Langley at Pitt." Massaro also notes, "For us to be competitive, a public project has to be a bigger job with some hair on it, some complexity or a difficult schedule."

Tom Landau is President of Landau Building Co. in McCandless. As a fifth generation contractor, Landau Building has done its share of public projects in the region over the past 90 years, but not in the last decade. After successfully bidding multi-million dollar public projects in Monessen and Jefferson Hills in the early 1990's, Tom Landau decided to walk away from the public market. In the past two years, however, Landau has bid and built a number of publicly-funded projects in West Virginia. The difference, says Tom Landau, is the contracting method. "We'll bid public jobs in West Virginia, but only when the owner chooses to make the project a single-prime contract." Asked if his company would turn down bidding a desirable project in West Virginia that opted for separate prime contracts, Landau replied directly, "That's right."

The Separations Act of 1913 is part of the Commonwealth Code that mandates that projects for

construction or alteration of public buildings request separate bids for general, HVAC, plumbing and electrical contracts, if the work exceeds \$4,000. While most school districts and state agencies bid four primes, many construction management firms bid 20 contracts or more.

In an effort to allow districts to waive the Separations Act, the state's Department of Education initiated a Mandate Waiver Program under Act 16 of 2000 for all 501 school districts in Pennsylvania. The program was expanded by Act 35 of 2001, to include intermediate units and area vocational-technical schools. As a result of a court challenge, however, the Department ceased authorizing waivers on May 13, 2003. In the case of Mechanical Contractors Association of Eastern Pennsylvania v. Department of Education and the School District of Philadelphia the Commonwealth Court agreed with the MCA that the mandate waiver was a violation of the Separations Act. Since that decision, in October 2004, no waivers have been sought.

During that brief window of opportunity, The Kiski Area School District was one of the districts that received a waiver and chose to put their high school addition project out to a single prime contract bid. The \$32 million project bid on February 19, 2003, during the low point of the early-decade construction recession. Contracting in 2002 was the leanest in a decade, and the bid for Kiski High attracted very aggressive bids. Because the bid was for one contract, the project also attracted contractors who wouldn't normally bid schools, including the successful general, P. J. Dick Inc.

Opponents of the Separation Act frequently cite the Kiski job as an example of why single prime works. As the job progressed it was obvious to P. J. Dick's management that the aggressive bid was straining the project's performance. In order to bring the job back into line with their profit expectation, the project management team hatched a plan for accelerating the schedule and avoiding having the project become a losing job. Such a plan required tremendous cooperation from P. J. Dick's subcontractors. Trying to execute the same plan with separate prime contractors who would not have any contractual or financial incentive to cooperate would have been unlikely.

Joe Burchick, owner of Burchick Construction, echoes that sentiment. "We like having a good mix of public and private work, but the separate prime thing makes it too hard to run a job the way you planned to when you bid it." Burchick has done a number of larger federal projects in recent years, most of them design/build and best-value selections. "Repeat clients who are private businesses are our bread and butter, but they tend to demand high levels of service, so it's good to have government projects going too," says Burchick, "It's in our best interest to work out any problems rather than fight, but with a public owner you're much more likely to stick to your guns when there's a dispute."

The Separations Act didn't always deter the bigger commercial contractor from pursuing public work.

The independent status of the major prime contractors wasn't as much of an issue then, says Angelo Martini Sr., Chairman of A. Martini & Co., "because the subs that bid the work were the same companies that subcontracted to us on other work." Martini notes, "We had relationships with those subs and our project managers worked with theirs regularly," so that projects ran well even without the direct contractual control.

A look at the bid tabulation below will give you an indication of just how much the market has changed. The project, the Pine-Richland High School which bid in 1991, had six separate prime contracts, yet it attracted the largest contractors in the region. Two of the contractors, Dick Corp and Mellon Stuart, had been involved in projects over \$100 million only a couple of years before.

The public school market has also changed for the architects. One of the benefits of public work in past was that your client remained your client until something cataclysmic happened. As public agencies and school boards have become more consumer-oriented the premium on loyal relationships has disappeared, and architects could no longer assume that a school or municipality was 'their client' beyond the current job.

Al Cuteri is one of the founding partners of Strada Architecture. In his career he has been a staff architect for the Pittsburgh Public Schools, and done many public school projects while working in other partnerships. "Over time I found that the kind of client that

schools become, a board rather than a paid facility staff, just changes too often to allow for continuity in a significant project," Cuteri says. "Compared to higher education, where you have facility management professionals who understand the problems you encounter, school boards too often question your advice without understanding what you're saying."

Still, public owners offer advantages. For one, they tend to pay their bills. Eckles Architecture is an architect whose educational practice goes back to the 19th century. Because school demographics have changed over the decades, Eckles has sought to diversify its portfolio occasionally. "School boards aren't always easy to deal with but we've had our share of challenges with private owners too," says David Esposito, partner at Eckles. "It seems like every time we work with a local developer or bank we run into problems when we want to get paid for our work. I guess its kind of a case of the devil you know vs. the one you don't"

Kevin Hayes, of Hayes Design Group, sees schools or other public buildings as having value because of their role in the community. "Schools play such a prominent role in the community that it's worth some of the headaches that can arise to work on a building that you know will be used, and is important to that community." Hayes also feels that the experience he has developed in school projects is most valuable to other school projects.

JOB NAME:	PINE RICHLAND HIGH SCHOOL			
OWNER NAME:	PINE RICHLAND SCHOOL DISTRICT			
ARCHITECT:	W. G. ECKLES			
DATE ESTIMATED:	7/2/1991			
DURATION:	20 MONTHS			
BUILDING AREA:	156,000			
BID RESULTS				
UHL CONSTRUCTION	12,140,000	**LATE BID CONTESTED BY FCG**		
FIGGINS CONSTRUCTION	12,343,000	1.67%		
DICK CORP	12,363,000	0.16%		
ZAMBRANO	12,490,000			
MASCARO	12,557,000			
GUARDIAN CONSTRUCTION	12,749,674			
P. J. DICK	12,787,000			
JOHN DEKLEWA	12,890,000			
JENDOCO	13,190,000			
MELLON STUART	14,587,000			

Experience can play a factor in the contractor's decision to pursue public work as well. Nello Construction has built its business around the public school market. "We've been doing schools for so long that we're extremely experienced at it," says George Leasure, President of Nello, "At last count I think we're up to 79 different schools, including renovating schools now that we built new 25 years ago. Our office is tooled to deal with all the paperwork that you have to manage, and our people are accustomed to working with the architects who do schools."

Working for private owners isn't always the answer to avoiding conflict, however. Because the private client chooses his or her architects or contractors based on relationships and price, that client is often much less reluctant to ask for something extra beyond the contract scope. The reasoning is that the contractor or architect will value the clients business so much that he'll do the extra for the sake of the relationship, and maybe some more work down the road.

Likewise, private contracting methods aren't always cut-and-dried hard bids, which make scope disputes harder to resolve. And in the case of a private developer or repeat client, the first response is almost always going

to be "you own that." Explaining to this kind of customer that the short-cut delivery method he chose meant that there were holes in the contract that he will have to pay for is not an enviable task.

At the end of the day the best practice is to spend time qualifying the client and the opportunity fully. A repeat client isn't necessarily a good client, unless he acts like a good client. And a public job isn't necessarily a lousy opportunity until you know that the competition is wrong for your firm, or that the job requires nothing extra that your firm can bring to the table to separate yourself on bid day.

The tendency in a competitive market is to think about the fact that there always seems to be someone willing to take work from an unfair owner, or take a bad job at an unfair price. But remember, that's where you want a bad client or a bad job: in your competitor's backlog. **BG**

BreakingGround

Helping you grow by communicating your message to the professionals who need your services

BreakingGround is the first comprehensive source of market information for all professionals in the construction and real estate business in Pittsburgh and Western Pennsylvania. Packed with information about market trends, best practices and timely economic data, *BreakingGround* will give insight about today's marketplace, and have a significant shelf-life.

BreakingGround is in the offices of every architect, engineer, developer, and building owner actively doing business in Western PA. *BreakingGround* is sent bi-monthly to partners, principals and decision-makers, and so is your ad.

ADVERTISING RATES	1X	4X	6X
Full page	\$2,499	\$2,240	\$2,100
1/2 page	\$1,475	\$1,325	\$1,230
1/4 page	\$890	\$795	\$740
1/8 page	\$475	\$420	\$390

CALL 412-366-1857

Lost time means lost dollars.

For more than 40 years,
our Construction Law Group
has provided clients with
the industry knowledge
to keep their projects
on track from bid to close.

**Meyer, Unkovic
& Scott**
ATTORNEYS AT LAW

Pittsburgh | Lancaster
www.muslaw.com

James R. Mall
Construction Law Group

Trend to Watch



PROPERTY TAX RELIEF

One of Ed Rendell's major campaign platforms was property tax relief. Governor Rendell signed Special Session House Bill 39 on June 27, 2006, marking the largest property tax cut in Pennsylvania history, potentially \$1 billion annually. Act 1 provides school districts with the flexibility to keep up with inflation and unavoidable and essential costs, while giving voters a greater voice regarding extraordinary tax increases. Act 1 also gives districts the option to deliver property tax relief by increasing, or implementing, a local earned income tax or personal income tax.

Under Pennsylvania's landmark property tax relief law, Special Session Act 1, school districts that decide to raise taxes above the local inflation rate for 2007-08 must prepare their preliminary budgets by Jan. 25, nearly six months before the traditional June deadline. The earlier budgeting requirement provides taxpayers with ample time to inspect a school district's proposed budget before voting on the proposed tax increase in the spring 2007 referendum.

Districts that are not opting to raise taxes, or that will not raise taxes above the inflation index, can adopt a resolution by Jan. 25 that says there will be no increase beyond their local inflation rate for the upcoming budget year. This option allows school districts to use the standard budget timeline if they can show that any tax increase will stay within inflation.

Act 1 proposes to keep property taxes from increasing by creating a benchmark base increase tied to inflation and then factoring in the local conditions by applying a ratio of earned income to property value, which then decreases or (generally) increases the allowable increase in taxes a school district may levy. This value in Western PA is somewhere between 3.4% and 5.5%, with older, more distressed districts at the higher end. Any planned increase in taxes above the local inflation index must be approved by local referendum.

Within the legislation, however, are exemptions that allow the school boards to raise taxes above the inflation index without taxpayer approval. Two of these will have direct impact on construction projects.

The first allows districts to maintain revenues or expenses at the same per student levels from year-to-year. For districts whose enrollments are growing faster than 7.5% school boards may raise taxes to a level that matches the previous revenue per student applied to the new enrollment level. For example a district that receives \$7,500 per student in tax revenue for year 1, and increases enrollment by 200 students in year 2, may increase taxes to add \$1,500,000 in revenue, regardless of the inflation index.

For districts with slower enrollment growth, the school board may raise taxes to match the previous level of spending per student. In that example, a district that spends \$8,000 per student in year 1, and grows enrollment 100 students in year 2, may raise taxes to cover an additional \$800,000 in expenses, regardless of the local inflation index.

The more direct exemptions from Act 1 referendums deal directly with construction projects. School boards may raise taxes to make improvements directly tied to No Child Left Behind. They may also increase taxes for construction of academic spaces up to a cost per square foot threshold, or up to \$250,000 for non-academic purposes.

For projects already being contemplated there's exemption from Act 1 if the project has at least Plancon B approval.

Given the rapidly increasing costs of school construction, the Act 1 provisions and exemptions have caused an understandable shiver within the ranks of school administrators, and the professionals who make their living designing schools. How afraid should the construction industry actually be that

Pennsylvania is about to slip into an ice age of declining construction like the one Ohio recently ended?

Probably not. School administrators have been aware that tax relief was coming and have been pouring over the proposed regulations for more than a year. Most already have strategies prepared which will allow business as usual for the short term. Jeff Kline, Hampton Township School District Director of Administrative Services, notes "School districts with finance professionals will find ways to get done what they need to; it will be like working with the NFL salary cap."



One of the first important details to investigate is what the current rate of tax increase your school district has been applying. Most Western PA districts have been raising taxes at rates well below the local inflation index. One of the strategies is for school boards to authorize up to the full amount of the tax increase allowed by the index. In Hampton, for example, the local index is 3.4%, but the district has raised taxes only 2.2% during a period when more than \$40 million in capital projects were completed. "One strategy we're evaluating is to raise taxes above our needs to the full amount allowed," says Kline, "and accumulating the surplus to create a 'nest egg' for future projects."

Raising taxes above the level needed isn't going to be every district's solution. For those who will philosophically oppose violating the spirit of the legislation, the next six months will be very interesting.

Dr. Cheryl Griffith is the new Superintendent at Apollo Ridge School District, a small rural district spanning Armstrong and Indiana counties. She sees the upcoming budget process as a test for school boards. "Boards will have to have very specific knowledge of the impact of their plans on their budgets, because of the way budgets must develop." Griffith worries that inexperienced or understaffed districts will miss some of the working details of Act 1. "The districts need to hustle to get questions on the ballot for the May primary," she said, "I'm hearing a lot of districts going with the personal income tax to provide the property tax relief."

Advocates of the tax relief often cite rising school costs as the villain, believing that schools have become 'Taj Mahals', and are convinced that Act 1 will inspire fiscal prudence. One should be wary, at least, of what our neighbor to the west experienced during the 1990's. By the time that the Ohio Supreme Court ruled that the state's tax referendum rules were bad public policy, Ohio's public schools needed about \$3 billion in deferred maintenance, and will spend more than \$30 billion to bring Ohio's schools in line with the students' needs.

Between the savvy school districts and the Act 1 exemptions, it's unlikely that property tax relief will mean disaster to school construction. At the same time it's equally unlikely that construction projects will develop with as complete a program as they might have in the past. For many school districts this will mean that more utilitarian or lower-performing buildings will be built, but there will be districts that are stopped from building all the facility that they need.

The difficult issue will be how well the local school boards assess their district's needs and how well those boards can communicate the civic virtue of paying for public education, even for those of us who don't have kids in schools anymore. Most architects and owners assume that the taxpayers will automatically reject any measure that increases taxes, but the elections this May will give us an early indication of how far the Pennsylvania taxpayer will go to educate other peoples' kids. BG

Best Practice



MANAGING THE EXTRAS

Extras on a construction project can be like the elephant in the room no one wants to talk about. No contractor touts his ability to wangle change orders or claims on his website or capabilities brochure, no architect markets her firm as one whose plans produce regular disputes and extras, and every owner starts the new project thinking that he or she has everything covered in the contracts just signed. Yet the growth in the claims consulting business verifies that the number of claims on construction projects is rising.

Claims for payment above and beyond the scope of the work included in the contract originate from three situations primarily. One of these, additions to scope mandated by the owner, is generally not going to cause disputes. The other culprits usually fall under the heading of unexpected delays or discrepancies in the project's documents. These kinds of claims virtually always spark disputes.

Let's get the ugliness out on the table right away. The popular perception, or at least the extreme perception, is that contractors are looking for extra money at every turn and that architects put out lousy drawings that can't be followed. While there are clearly going to be cases where contractors leverage delays in decision-making or minor changes in scope to try to make up what wasn't in their bid, or where designers leave a little too much interpretation to their intent instead of specifying methods or products tightly, the pattern of claims tends to be predicted more by market conditions than anything else.

The time and energy expended in haggling through a change order or claim can be the best deterrent, particularly in light of the risk of failure in prosecuting a claim. Because of those dynamics, differences on a project tend to be worked out amicably when the market is strong enough that contractors and designers have workloads that match up well to their resources. Claims for delays or change orders tend to escalate at the extremes below or above that happy medium.

Too little work in the market means that all parties involved in a project are working for lower margins than they should. The motivation to put in for extra payment when the scope or schedule deviates slightly is to put a little more food on the table. At the other extreme, however, claims tend to proliferate as often. Too much work often means that project management gets sloppy, which also erodes profit. Jumping on extras in that kind of marketplace helps stop the bleeding.

The day-to-day problem is that the market is seldom at equilibrium, so delays and discrepancies will spawn requests for extra payment.

Managing to avoid claims and change orders is virtually impossible, but owners can take several steps to limit the extent of the extras, and to avoid litigation that can arise from extended unresolved claims.

"During design, one of the strategies that is effective is to employ a third-party review of the project to do estimates of cost, constructability reviews and analysis of the overall design," says Peter Duggan, of the **Duggan Rhodes Group**. The third party will need to be completely objective and have the proven track record to comment on the design and budget with credibility, because its recommendations will likely feel like an attack to the project's architect or construction manager. Communicating to the professionals at the time they are hired that this kind of review will be done can help soften that blow; and, employing a firm that has no stake in the project will make it easier to get honest feedback. The owner's best interest is served by getting honest input, and not by worrying about the ego damage to the team.

Many owners feel that the reason they hire a construction manager is to get that objective input, but unless the CM has literally no risk in identifying problems there's a chance they'll hold back. Construction managers, architects, contractors and engineers all must manage risk on their projects, and



during design that can mean limiting the information shared with other professionals. It shouldn't be that way but human nature leads us to seek ways to stay in control. That means that some portion of the owner's intent for the project will not be completely translated into the construction documents, and changes will certainly follow.

Another good practice is to limit the number of prime contractors involved on the job. In PA, on public projects, there will be two-to-four separate primes by law. But aside from those particular circumstances limiting contractors means that an owner or architect can limit the number of differing interpretations of

scope and schedule that multiple prime contractors will have. Joe Burchick of Burchick Construction points out, "The problem I have with four primes is that we all sequence a job to our best advantage, and as soon as you get everyone together to prepare a schedule, someone's going to say 'That's not the way I bid it' and the claims will begin."

So, if one can't avoid unforeseen conditions, separate contracts and discrepancies, claims for extras will arise. The next best strategy is to work to get claims settled without having litigation ensue. The simple solution to that end is, of course, confronting problems as they arise and settling them equitably. That solution is dependent, however, on owners' budgets being realistic enough with adequate contingency funding, and on every party involved being open to accepting their share of the blame. The best environment for dealing with problems is one in which no one feels as though the assignment of blame is necessary.

George Leasure, President of Nello Construction, has been involved in building schools for 26 years. He believes the intense competition in that marketplace has eroded the incentive to cooperate without blame. "There used to be an unwritten book that went along with the plans and specs where you kept track of the

compromises," says Leasure, "You'd horse trade things you missed with the architect for things he missed, and the credits balanced at the end. That's gone now."

Almost without exception, the climate for litigation is driven by the prime contractor. If you're involved in a publicly owned project, since the relationship with the owner isn't a factor in the contractor getting the job, the motivation to resolve disputes without litigation will be to keep the job moving. If the contractor does not seem concerned about moving things along, the best advice is to fasten your seat belts for a bumpy ride.

"On a global level, the best solution is for every party to a project to recognize the need of the other parties to make a profit," says Peter Duggan, "To be successful in the marketplace, contractors and architects need to cover their costs on a project, and also to make a profit margin that strengthens their balance sheets and provide opportunities for reinvestment."

For a general contractor, profit margins need to run between 7% and 9% to do that. In the competitive, hard bid market, it's not unusual to see bids that are marked up 2% or less. The shrewd consumer in all of us wants to believe that the contractor will be glad to

work for 1/4 of what he should (just like we believe the car dealer really sells us at \$200 over invoice), but the reality is that he can't. The difference between the margin on the low bid and the real margin a contractor needs is where the battlefield lies. **BG**




Architectural Innovations, LLC
1003 McKnight Park Drive, Pittsburgh, PA 15237 412-364-4966
A Woman Business Enterprise

Planning ■ Architecture ■ Interior Design ■ 3d Visualization
Graphics & Media ■ Consulting ■ Specialty Services

Jan Brummeler, AIA, President / Owner



CASE | SABATINI
CONSTRUCTION AND
REAL ESTATE CPAs
WWW.CASESABATINI.COM



Are you still mobilizing your legal services from the ground up?

At many law firms, you end up paying the price to educate your counsel on the issues you face in the construction industry.

The breadth and depth of our Construction Industry Group's experience will put your business on firm ground without forcing you to pay for the foundation.

ReedSmith

Quality Matters.™

Attorneys-at-Law

435 Sixth Avenue · Pittsburgh, PA 15219 · 412.288.3131 · www.reedsmith.com

AWARDS & CONTRACTS

What's Going On Around Town

Zambrano Corp. has started construction on the Marbella Condominium at Chapel Harbor in O'Hara Township. The project is a 53-unit, 4-story building with a below-grade garage. The \$15 million, 161,000 square foot Marbella was designed by **Indovina Associates**. Work is also underway on the new facility for Siemens Energy & Automation in the Westmoreland Business Park in Upper Burrell Township. **Burt Hill** was the architect for the \$7 million, 40,000 square foot plant. **Zambrano Corp.** also was awarded a contract by **Kratsa Properties** for the Springhill Suites Hotel at the South Side Works. The \$9 million hotel will have 110 rooms.

A. Martini & Company has been hired as the Construction Manager for the Brown Mackie School in Akron, Ohio. The \$2.8 Million dollar, 37,000 square foot interior build out will open in 2007. Construction is underway downtown at Meyer Unkovic and Scott for their office renovations. **The Design Alliance** is the architect for the \$700,000 project.

A Martini was also hired by Select Medical to construct the new acute care facility at the Latrobe Area Hospital. The 3.1 million dollar project was designed by **Burt Hill**. **A. Martini** has been selected as contractor for the \$2.5 million expansion of the Emergency Department at Bradford Regional Medical Center. The project, which is being designed by **KTH Architects**, will start in spring 2007.

Landau Building Company was awarded a \$21 million contract to build The Augusta, the first phase of the \$250 million Square at Falling Run development in Morgantown, WV. The Augusta is a two building apartment complex, designed by **Alpha Associates**, which will consist of 138 two-bedroom and 20 one-bedroom apartments. Also included in the project is a fitness facility, a courtyard with a fire pit and grills, a cafeteria, and a state-of-the art security system. The Square at Falling Run is a mixed-use development on 30-acres of choice land adjacent to West Virginia University's Downtown Campus.

Massaro Corporation was selected to provide Construction Management Services for Castle Ventures II Avery Court located in Parkersburg, West Virginia. Avery Court is a mixed residential complex including town homes, urban mansions, a main

condominium building, clubhouse and pool. **Paradigm Architecture** of Morgantown, West Virginia is serving as the project architect. **Massaro Corporation** is serving as general contractor for this \$1.6 million, 10,500 square-foot interior renovation of West Virginia University Hospital's 5th Floor Post Anesthesia Care Unit (PACU). **IKM, Inc.** of Pittsburgh is the project architect.

Massaro Corp. was also awarded the general construction contract by the Department of General Services for the \$13 million Fischer Auditorium project at Indiana University of PA. **IKM Inc.** is the architect. **Massaro** is starting construction for the new Lamar Outdoor Advertising Headquarters building in Green Tree. The \$9 million project is a 48,000 square foot office and warehouse designed by **Renaissance 3 Architects**.



Rendering of Avery Court by Paradigm Architecture, courtesy of Massaro Corp.

P. J. Dick Inc. is providing Construction Management at Risk services for a 28,000 square foot addition and general renovations to the Falk School on the upper campus of the University of Pittsburgh. The Falk School is widely recognized for academic excellence for students in grades K-8. The construction project is scheduled to start early this summer and will modernize the instructional space at the school and add space to accommodate additional students and faculty.

P. J. Dick Inc. is a proudly sponsoring two local agencies, the Pittsburgh Green Building Alliance (GBA) and the Girl Scouts Trillium Council. The GBA is holding its 2007 GreenSense conference in March, which is held to educate building owners, architects, contractors, facility managers, real estate developers and financiers about the benefits of using green building products to deliver and operate environmentally-sound, high quality, and high performance structures. The Girl Scouts' "Build a Dream" event is being showcased at the Pittsburgh Home & Garden show and is designed to raise funds for their good work. Several dream playhouses have been designed and built and will be auctioned online. **P. J. Dick** is working with architect, **Mimi Jong**, on a playhouse called "Curtain Call," which is designed as a theatre/stage playhouse.

John Deklewa & Sons was the successful contractor for the Presbyterian Hospital JROC Renovations project. **Burt Hill** is the architect for the nearly \$1 million project.

Rycon Construction has been awarded contracts to renovate two Giant Eagle stores in Frederick MD. The projects will involve approximately \$3 million in alterations. **Rycon** has also been awarded new Kohl's department stores in Frederick, Germantown PA, State College and at the Highlands Power Center in Wheeling WV. The \$4.5 million stores are approximately 86,000 square foot each.

Rycon Construction has also been awarded contracts for the first two phases of renovations to the Highmark headquarters building in Harrisburg. The \$6 million project will be followed by additional phases later in 2007 and 2008.

Mascaro Construction Company received a contract from the University of Pittsburgh for the \$12 million modernization of the existing kitchen and dining facilities at Litchfield Towers. Construction work on the 50,000-square-foot renovation project will begin in March 2007 and complete by August 2007. **MacLachlan Cornelius & Filoni** are the architects.

By the end of March, **Mascaro Construction Company** will have completed a \$2 million renovation to the building that housed the Carnegie Library of Pittsburgh - Allegheny Regional. The building's clock tower and roof sustained damage in April 2006 when it was hit by a bolt of lightning.

Mascaro Construction Company has been selected as the contractor for the University of Pittsburgh Medical Center's 200,000 square foot corporate headquarters located in the USS Tower. Construction will begin in June 2007.

Jendoco Construction was awarded a contract for renovations to the Center for Education at the

Carnegie Museum. The \$1.5 million project was designed by **Desmone Associates Architects**. **Jendoco** is also doing a \$3.2 million renovation and new press box at the Reeves Stadium of Geneva College in Beaver Falls.

Jendoco Construction has started construction on the \$2 million renovation for the Laborer's Council. **EDGE Studio** designed the project, which involves interior renovations to the Forbes Pride building in the Hill District. **Jendoco** was selected to do a \$209,000 tenant fit-out for APPTIS in the Riverwalk Corporate Center in South Side. **Landmark Design Associates** is the architect.

Volpatt Construction is underway on a \$244,000 renovation of the West Penn Hospital EP Lab. **IKM Inc.** is the architect for the project.

Mosites Construction was awarded a \$9.2 million contract for South Hills Junction Improvements Phase II by the Port Authority of Allegheny County.

Uhl Construction has been awarded the Building #2 Packaging Center Upgrade at Neville Chemical Company's Neville island facility. The 6,400 square foot facility, designed by **Hatch McDermott** involves a state-of-the-art packaging system for filling 50 lb. bags and super-sacks of various sizes up to 2,200 lbs.

TEDCO Construction has completed construction of the Amphitheater and Operations Buildings at the new Adventure Sports Center in Garrett County MD. The two buildings are built along the new re-circulating whitewater course built near the Wisp Resort in Deep Creek. The \$5 million project was designed by **John Anderson Architect**, and involved 12,000 square foot of new construction.

TEDCO was the successful contractor for three projects totaling \$1 million at Allegheny General Hospital. Work is underway on James Street Corridor, Snyder Pavilion Lobby and Unit 9-A Renovations. **TEDCO** was also awarded the \$5.5 million Colson Hall Improvements at West Virginia University. **McKinley Associates** is the architect. **TEDCO** was selected to build out approximately 40,000 square foot for Wachovia Bank on the 47th floor of USS Tower.

Dick Corporation was selected by Allegheny County to be construction manager of the \$20 million new office and morgue for the County Coroner's Office. The project involves build-out of 78,000 square feet of space in Penn Liberty Plaza II. **Astorino** is the architect for the project.



I. U. O. E. LOCAL 66 · CONTRACTORS · DEVELOPERS

“WORKING *together*”

TO BUILD A BETTER FUTURE

For over 100 years Local 66, in partnership with our employers, has been committed to providing
Qualified and Competent Operating Engineers. For Local 66, meeting your short and long term employment needs is a priority.

What can Local 66 do for you?

The best trained, most capable work force. Professional tradesmen and tradeswomen have received the specialty training needed to meet the complex challenges of your project.

Service you can count on. We'll work with you to answer any questions or solve any problems at your convenience.

Smart business know-how. You'll benefit from our years of experience and a proven track record we bring to the job.

Bottom-line, dollar-for-dollar value. Value is bringing the highest professional and performance standards to your job site- from the beginning of a project to its completion. We at Local 66 are committed to being the premier value provider of operating engineers in the region.

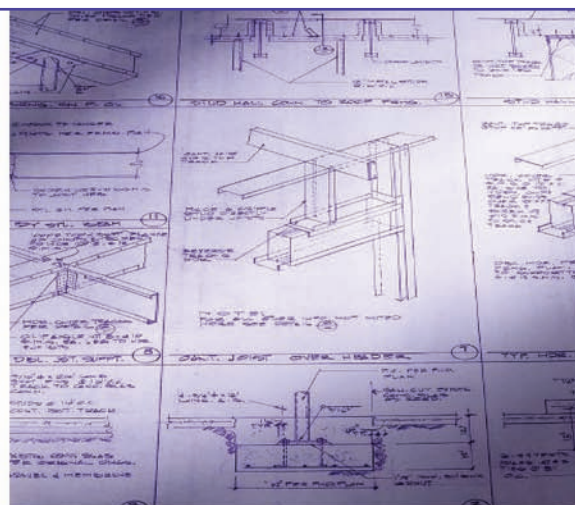


I. U. O. E. Local 66 Headquarters · 111 Zeta Drive · Pittsburgh, PA 15238 · Ph (412) 968-9120 · www.iuoe66.org

YOUR BLUEPRINT TO SUCCESS



Certified Public Accountants ♦ Consultants ♦ Planners
7000 Stonewood Drive, Suite 300
Wexford ♦ 724.934.5300
hbkcpa.com



Our construction team is ready to guide you in reaching your financial goals. Contact us today.

FACES & NEW PLACES

Dan Keller has joined **A. Martini & Company** as Director, Business Development, Dan has twenty five years experience in the commercial construction, real estate and finance fields. Dan will be representing the firm to the owner, developer and architectural and design communities.

Kurt F. Fernsler has joined downtown law firm **Babst, Calland, Clements and Zomnir, P.C.** as a senior associate. Mr. Fernsler will be a part of the firm's Construction Services Group and Litigation Services Group. Mr. Fernsler has significant experience in representing contractors, owners, construction lenders, surety companies, architects and utilities in a variety of disputes involving payment and performance bonds, contractual indemnity provisions, mechanics' liens, OSHA compliance, acceleration and delay claims and other construction-related issues. In addition, he has substantial experience in negotiating and drafting construction contracts for both owners and contractors.

TEDCO Construction has hired **Dan Bell** as Project Manager. Bell has extensive experience in project management with several Pittsburgh-area general contractors.

P. J. Dick Inc. announced that its Chief Executive Officer, **Clifford R. Rowe, Jr.**, has been appointed as President of the Master Builders' Association. The company is also pleased to welcome a few new employees: **Michael Chambers**, Project Manager; **Dean Marraccini**, Project Engineer; **Shannon Slater**, Project Engineer; **Tim Wadas**, Project Engineer; and **Susan Benintend**, Constructware Administrator.

Michael Tarle, Director, Pre-Construction Services at **Massaro Corporation** received "Designated Design-Build Professional" Certification from the Design-Build Institute of America (DBIA). Tarle is one of only ten individuals in the state of Pennsylvania to successfully complete the education, experience and examination requirements set forth by the Design-Build Institute of America (DBIA) to achieve this certification.

The Design-Build Institute of American (DBIA), founded in 1993, is a membership based organization, which advocates and advances single source project delivery in construction.

The Deep Foundations Institute is pleased to announce **Larry Rayburn, P.E.**, Chairman of the Board and past President of **Richard Goettle, Inc.**, is the recipient of the DFI 2006 Distinguished Service Award. This unique honor is awarded to individuals who have made lifetime contributions in the deep foundations design and construction industries. Rayburn is a long-time resident of Cincinnati, OH, where he began his career over 40 years ago as a Draftsman for the city's Engineering Department. His entire career with Goettle has been dedicated to designing and promoting deep foundations of all types. Most notably he is credited for introducing the "Steel City" to auger cast pilings in the mid 1970's.

Mascaro Construction Company is pleased to announce that **Bill Schweikart** and **Bob Breisinger** have joined the company. Both are assigned to the Western Maryland Health System's Willowbrook Hospital project. Bill is the on-site project safety manager and Bob is the project manager for the foundations package.

The **Construction Advancement Program of Western Pennsylvania** (CAP) announced the following: Joseph E. Burchick of Burchick Construction Co. was appointed CAP Chairman; Clifford R. Rowe, Jr. of P.J. Dick Incorporated was appointed CAP Secretary/Treasurer; and Shawn M. Fay, Sr. of Joseph B. Fay Co. and Lee Harris of Harris Masonry, Inc. were appointed to CAP Board of Trustees.

THE INDUSTRY in the COMMUNITY

Master Builders' Membership Honors Building Excellence

On January 19 at the Duquesne Club, the Master Builders' Association of Western PA celebrated its annual membership meeting, and honored five projects with awards for excellence in craftsmanship and construction. The dinner which attracted 260 people, celebrated the achievements of the MBA's members in 2006.



(Left-to-right) John Prim of Construction Insurance Consultants, Ray Volpatt Jr., Ray Volpatt Sr. and Jeff Leech from Tucker Arensberg.



Jeff Turconi (l) and Brett Pitcairn (r) of P. J. Dick Inc. flank Ralph Pagone of Richard Goettel Inc.



(Left to right) Michael Klein and Matthew Carl of Bluming & Gusky with Todd Dominick, Pres. of Rycon Construction

MBA & Construction Advancement Program Award Scholarships

Also at the January 19th MBA Membership dinner the Construction Advancement Program of Western PA, in conjunction with the Master Builders' awarded two \$4,000 scholarships to Scott Hunter and Bradley Lawer. Both men are students at the University of Pittsburgh's School of Engineering.



(Left to right) John E. Dekelwa, Ray Volpatt Sr. and Jack Mascaro congratulate scholarship winners Scott Hunter and Brad Lawer (center)

Massaro Corporation and United Way Reach Milestone



Charlie Batch with Tyler and Katie Stone

Massaro Corporation's United Way Committee celebrated its most successful event of their annual campaign this month. The committee held a raffle for an autographed football by Steeler Quarterback, Mr. Charlie Batch. The event was punctuated by a personal appearance, and presentation of the football to the lucky winner, Tyler Stone, son of Mr. Pat Stone, Senior Project Manager with Massaro Corporation.

Following the presentation, Mr. Batch addressed the group and shared many stories of his life growing up in the Steel City, and how he came to play for the Pittsburgh Steelers. Batch has founded "Best of the Batch" which offers these children and families' purpose, desire and resources to give their best efforts in life. The Best of the Batch Foundation, headquartered in Charlie Batch's hometown of Homestead, PA, provides after school programs, scholarships for students, playground restoration, sports and other activities for local youth. To learn more about the Best of the Batch Foundation visit their website at <http://www.batchfoundation.org>.

The Ligonier Camp and Conference Center

Beginning in September of 2006, Burchick Construction and Harris Masonry donated goods and services for a construction project at the Ligonier Camp and Conference Center in Ligonier, Pennsylvania.

The Ligonier Camp and Conference Center is an intra-denominational ministry extension of the First Presbyterian Church of Pittsburgh. The camp has been in existence since 1914 and hosts over 1,600 children for camp and an additional 5,000 adults for retreat and adventure programs each year.

The building, which is currently undergoing renovations, is the existing pool house/bath house which supports the swimming pool operations within the campus. RSH Architects is the Architect for the project.

Patrick Myers, Executive Director of the Ligonier Camp, recently remarked, "A study done several years ago revealed that the top two reasons why children do not return to camp are due to bad food and bad bathrooms. Ligonier Camp and Conference Center is already known for its good food and now because of the amazing generosity of Harris Masonry, Burchick Construction and all of the other companies they lined up to spend time and money on this project at Ligonier Camp and Conference Center, we can now be proud of its first class boys bath house. We are so thankful for all of those involved with making this great improvement in our program".

The excavation began in September and the foundations were complete in October. The interior and exterior masonry walls were completed in November and the superstructure and roof was complete in December. Interior work is projected to be complete by May of 2007.

MBA Members Burchick Construction and Harris Masonry assumed lead roles in the development of this project. Landau Building Company also provided labor support for the project.



Camp Ligonier Pool & Bath House

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.

MBA OFFICERS

Clifford R. Rowe, Jr.
President
P.J. Dick Incorporated

Thomas A. Landau
Vice President
Landau Building Company

Steven M. Massaro
Treasurer
Massaro Corporation

Jack W. Ramage
Secretary/Executive Director
Master Builders' Association

BOARD OF DIRECTORS

Joseph E. Burchick
Immediate Past President
Burchick Construction Co.

John C. Busse
F.J. Busse Company, Inc.

John E. Deklewa
John Deklewa & Sons, Inc.

Todd A. Dominick
Rycon Construction, Inc.

Anthony Martini
A. Martini & Company, Inc.

John C. Mascaro
Mascaro Construction Co. L.P.

Thomas L. Milletary
MICA President
Easley & Rivers, Inc.

M. Dean Mosites
Mosites Construction Company

Thomas J. Murphy
Jendoco Construction Corp.

Raymond A. Volpatt, Jr. P.E.
Volpatt Construction Corp.

REGULAR MEMBERS

Allegheny Construction Group, Inc.
Michael Baker, Jr., Inc. Construction Services Group
A. Betler Construction, Inc.
Burchick Construction Co., Inc.
F. J. Busse Company, Inc.
John Deklewa & Sons, Inc.
Dick Corporation
P. J. Dick Incorporated
Joseph B. Fay Company
Jendoco Construction Corp.
Landau Building Company
A. Martini & Company, Inc.
Mascaro Construction Co., L.P.
Massaro Corporation
Mosites Construction Company
Nello Construction Company
Poerio, Incorporated
Rycon Construction, Inc.
Stevens Painton Corporation
TEDCO Construction Corp.
UHL Construction Co., Inc.
Joseph Vaccarello Jr. Inc.
Volpatt Construction Corp.
Walbridge RB, LLC
Carl Walker Construction Group, Inc.
Zambrano Corporation

ASSOCIATE MEMBERS

Advantage Steel & Construction, LLC
All Purpose Cleaning Service, Inc.
Amthor Steel, Inc.
Brayman Construction Corp.
Cost Company
Douglass Pile Company, Inc.
Easley & Rivers, Inc.
Ferry Electric Company
William A. Fischer Carpet Co.
Flooring Contractors of Pittsburgh
FRANCO
Fuellgraf Electric Company
Futura Corp. Floor Covering Group
Gaven Industries
Giffin Interior & Fixture, Inc.
Richard Goettle, Inc.
Harris Masonry, Inc.
Howard Concrete Pumping, Inc.
Keystone Electrical Systems, Inc.
J. R. Koehnke Flooring, Inc.
The L. & E.T. Company, Inc.
Loveday's Floorcoverings
M.I. Friday, Inc.
Mar Ray, Inc.
Marsa, Inc.
Master Woodcraft Corp.
McKinney Drilling Company
Minnotte Contracting Corp.
Nicholson Construction Co.
Noralco Corporation
Paramount Flooring Associates, Inc.
PDG Environmental, Inc.
Pevarnik Brothers, Inc.
Phoenix Roofing, Inc.
Precision Environmental Co.
RAM Acoustical Corp.

Redstone Acoustical & Flooring Company, Inc.
Schnabel Foundation Co.
SPECTRA Contract Flooring
J. Stecik Interiors
Team Laminates Co.
Wellington Power Corp.
Wyatt, Incorporated

AFFILIATE MEMBERS

AISC Marketing LLC
Alpern Rosenthal
American Contractors Equipment Company
American Contractors Insurance Group
AmeriServ Trust & Financial Services Co.
AON Risk Services of PA, Inc.
Babst, Calland, Clements & Zomnir, P.C.
Blumling & Gusk L.L.P.
Bronder & Company, P.C.
Frank Bryan, Inc.
Carbis Walker LLP
Case I Sabatini
Cassady Pierce Company
Chartwell Investment Partners
Chubb Group of Insurance Companies
Civil & Environmental Consultants, Inc.
Cleveland Brothers Equipment Co., Inc.
Cohen, Seglias, Pallas, Greenhall & Furman
Computerease Software
Construction Insurance Consultants, Inc.
Crown Advisors Inc.
Duane Morris LLP
The Duggan Rhodes Group
Eckert Seamans Cherin & Mellott
Foedisch & Free, Inc.
GAI Consultants
Henderson Brothers, Inc.
Liberty Mutual Surety
Lutz & Pawk
Maiello, Brungo & Maiello
Marsh, Inc.
McCrary & McDowell, LLC
McGraw-Hill Construction
Meyer, Unkovic & Scott, LLP
Mobile Medical Corporation
One Call Rentals
Pepper Hamilton, LLP
Pittsburgh Business Times
Port of Pittsburgh Commission
Reed Smith LLP
Henry Rossi & Company
Schnader, Harrison, Segal & Lewis LLP
Schneider Downs & Co., Inc.
Sebring & Associates
Seubert & Associates, Inc.
Sinclair, Kelly, Jackson, Reinhart & Hayden, LLC
Sky Insurance
Thorp, Reed & Armstrong, LLP
Travelers Bond
Tucker Arensberg, P.C.
UPMC Work Partners
Wells Fargo Insurance Services
West Elizabeth Lumber Co.
Westfield Insurance
Willis of PA Inc.
Zurich NA Construction

Closing Out

Improving Education is Critical to Our Region's Future

by Harold D. Miller

Most jobs in any region will require only a high school education plus on-the-job training provided by the employer. And for those jobs that do require post-secondary education, success in high school is a prerequisite to success in college (either a two-year or four-year degree) or a vocational training program. In the construction industry, many people enter through an apprenticeship program right after high school, and most skilled craft jobs require proficiency in reading and math.

Currently, over 40% of our region's 11th graders are not proficient in math, and nearly 30% of them are not proficient in reading. In addition, about 1 out of every 5 of our ninth-graders don't graduate from high school. That means that nearly half of the 18-year olds in the Pittsburgh Region are unable to read or do math at the level they should.

The solution starts much earlier: in the region's elementary schools and child care centers. Last year, only 66% of the fifth graders in our region were proficient in reading and only 72% in math. That's worse than in 2005. Although our region's students are doing slightly better than the rest of the state, is that any comfort when 1/3 of our 10 year olds can't read adequately and over 1/4 can't do math? If you think your school district doesn't have a problem, you're wrong. Not a single one of the 126 school districts in the region has 90% or more of its fifth graders proficient in reading. Only 19 have 80% or more proficient in reading. In 41 districts fewer than 60% of the fifth-graders can read properly. What business could survive if a third of its products were defective? How can our region thrive if a third or more of our children aren't proficient in basic skills? Schools would like you to believe that 70% or 80% proficiency is the best they can do without more money, particularly if they have a lot of low-income children. But some of our elementary schools are proving that 100% proficiency is possible. In Greensburg, Kiski, Slippery Rock, and Uniontown, schools are achieving 100% proficiency for fifth graders in reading and/or math, despite the fact that over 1/4 of their kids are from low-income families.

IMAGINE
a region where every job
applicant is proficient in reading,
mathematics, and other basic skills.
IMAGINE a region where in every community, children
get the education they need to get a good job or go on
to college. That region would be one of the most
successful communities in the world in attracting new
businesses and new residents.
That region could be the Pittsburgh Region.
But it's not – not yet.

And they do it spending less than the regional average. If they can do it, every school in the region can too.

The Pittsburgh region can and should be the first region in the country where every child is proficient in reading, mathematics, and basic skills. How do we get there?

Establish a Goal of 100% Proficiency in Every School District and Work to Achieve It.

Most school districts don't have explicit goals for student proficiency. If you want to find out how your district is doing relative to others, go to www.schoolgrades.info.

Elect School Board Members Committed to Achieving 100% Proficiency. Despite the fact that education is considered a top priority for everyone, the turnout in most school board elections is abysmal. Citizens need to go to the polls this year and elect school board members who will make proficiency their number one goal.

Change State Law to Better Define the Roles and Qualifications of School Board Members. No one would invest in a business where the directors were chosen without qualifications and micromanage hiring and contracts. Southwestern Pennsylvania has 126 of these businesses, and every property owner is required to invest money in one of them. They're called school districts, and they spend \$4 billion of the taxpayers' money every year.

Improve the Quality of Early Education. Although proficiency depends on the quality of public schools, it also depends on the quality of children's experiences prior to school, particularly in day care centers.

The future of the construction industry, the technology industry, the financial industry – every industry – depends on the quality of the workforce. We need to make improving the quality of education a top priority – our region's future depends on it.

Harold D. Miller is President of Future Strategies LLC, a management and policy consulting firm based in Pittsburgh, and also publishes www.PittsburghFuture.com, an internet resource on regional economic development issues.

Need to spend more time on your business and less time on your banking?

**Managing
Cash Flow**

**Handling
e-Business**

**Easy Loan
Options***

**Competitive
Interest
Rates**

Whether your business is a startup or an established leader, whether it's headquartered at home or in an office tower, whether it's one location or one hundred, PNC can help your business save something just as important as money. Time.

Let our services, technologies and expertise help you solve the financial challenges that every business faces. Quickly. Easily. Efficiently.

Talk to us. And find out how we can make your business banking easy.

To learn more, contact:

Charles M. "Rusty" Rhodes, Jr.
SVP, Commercial Segment Market Manager
412-762-8590

VISIT www.pnc.com



*All loans subject to credit approval. ©2007 The PNC Financial Services Group, Inc. PNC Bank, Member FDIC

BB PDF 1206-056