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THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

MARCH/APRIL 2008

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Meadowcroft Rockshelter, Avella PA
F. J. Busse Co., Contractor
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MBA

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Publisher's Note

A couple of months ago the Sunday Pittsburgh Post-Gazette ran an opinion/editorial piece by an Allegheny County forensic scientist named Korey Coulter, which trotted out some very tired presumptions about the transition, or lack of transition, of the region's economy from blue collar to white collar. Coulter takes the county to task for allowing forensic scientists to make less money than the trades people, machinists, police, and others considered blue collar. Coulter also cited a half-dozen cities where forensic scientists do better than in Pittsburgh.

Even a casual reader of *BreakingGround* knows this is a subject that gets me pretty fired up. Part of my issue with this article is that it cites as facts, some limited data from the Pittsburgh Future website, which shows the region as ranking between 25th and 35th in miscellaneous engineering salaries, compared to the 40 largest regions, while ignoring other facts on the site which directly undermine that position. All of the data on salaries cited was almost three years old, and all from the Bureau of Labor Statistics (BLS), part of the Department of Census.

Relying on government data for facts on population and employment is a risky proposition, particularly when measuring regions that are changing. BLS methodology isn't particularly suited to identifying small business employment or growth industries.

Korey Coulter's salary problem starts with being a government employee, particularly an employee of a government that is aggressively trimming costs to meet budget shortfalls. Coulter may work for Allegheny County out of a sense of public service, but the unfortunate reality is that public service doesn't often pay that well. Coulter also writes as though there is someone who manages the compensation of all private and public sector workers, imploring the mythical "they" that should do something about the inequity.

My biggest issue with the op/ed piece is that it presents the argument as though all scientists and engineers are being "paid less than a school bus driver or a cement finisher helper," concluding the editorial by opining that future Pittsburgh kids will aspire to be parking lot operators when they grow up.

An underpaid Forensic Scientist 1 is entitled to the opinion that the region's salaries will chase away talent. When the opinion is printed as an editorial in the region's largest newspaper, however, it can take on the aura of reality. Treating opinions as reality can be a dangerous thing.

How dangerous? Anybody who actively trades in the stock markets understands that opinion or sentiment can be as important as reality. Apple Computer has been a market darling for the last year or so, more than tripling in value. The stock recently fell 15% in one day, the day it announced record earnings of \$1.5 billion, because the company acknowledged that sagging consumer spending could knock its second quarter earnings under \$1 billion.

Korey opinions, represented the kind of thinking that used to pervade the region. One unhappy forensic scientist won't change the tide of positive opinion that has been growing, but the truth is that salaries for scientists and engineers aren't lower than carpenters and tile setter helpers, even if publicly-employed scientists' salaries are. Letting this pass as truth is a mistake Pittsburghers shouldn't let happen, and so I won't.

I'm glad to work in a place where skilled workers in the construction industry can still be well paid, but the prosperity of the workingman doesn't preclude the prosperity of the scientist or engineer or banker. This kind of thinking helped pigeonhole Western PA in the minds of developers of lifestyle and leisure destinations, as a "too blue collar to work there" kind of place. This edition of *BreakingGround* features the booms in leisure activity destinations that bookend the past decade. The growth of leisure destinations has paralleled the attraction of higher-end retailers and restaurateurs that weren't supposed to work here either.

There's room in a healthy economy for all sorts of collars. Racetracks, pro sports, water parks, casinos, museums and the arts won't all thrive unless there's disposable income across all walks of life. Right now, Western PA is supporting all kinds of distractions, and within the next year or so, three casinos and a new hockey arena will come online to test our appetite for spare time activity. The early returns from the Meadows and Presque Isle Downs in Erie suggest that the appetite exists.

The region's entrepreneurs are creating great careers and high paying jobs for engineers and scientists. Korey's future as a scientist is brighter than ever in Western PA, even without a change to parking attendant

Sincerely,



Jeff Burd

News From The Street

MBA Announces Building Excellence Awards

The Master Builders' Association of Western Pennsylvania has selected its winners and finalists for the 2007 Building Excellence Awards. Winners were chosen in four categories; for projects over and under \$5 million, design/build projects, and excellence in craftsmanship.



Plumbers Local #27 HQ & Training Center, Mascaro Construction, Perfido Wesikopf Wagstaff + Goettel architects.

The winning project over \$5 million was the U. S. Post Office and Courthouse renovation in downtown Pittsburgh. Dick Corporation was the project's contractor, working for the General Services Administration. The architect was Shalom Baranes. MBA member subcontractors involved were Franco, Spectra Contract Flooring, Wyatt Inc., and Loveday's Flooring.

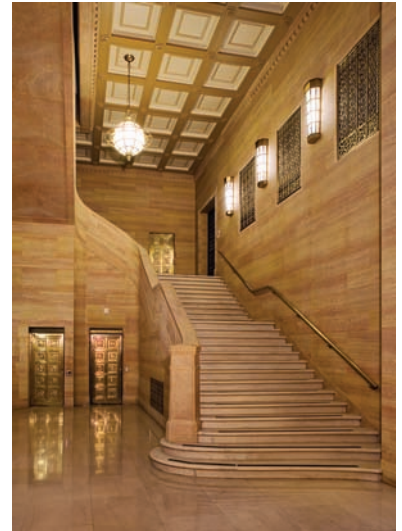
Finalists in the over \$5 million category were the WPXI Broadcasting Facility, built by Mascaro Construction, and the Water's Edge at Pittsburgh Zoo & PPG Aquarium, by Zambrano Corporation.



Copper Falls Residence, Jendoco Construction, Desmone Associates Architects.

Copper Falls private residence was selected as the winner of the project under \$5 million category. The contractor was Jendoco Construction Corp. and the architect was Desmone Associates Architects. The project involved MBA member subcontractors Harris Masonry and Flooring Contractors of Pittsburgh.

Finalists in this category were St. Benedict the Abbott, A. Martini & Company, and the Gailliot Center for Newman Studies, P. J. Dick, Inc.



Post Office & Courthouse Renovation, Dick Corp., Shalom Baranes architect.

In the design/build category the award went to the Pittsburgh Plumbers Local Union #27 Headquarters & Training Center, and contractor Mascaro Construction Co. The project's architect was Perfido Weiskopf Wagstaff + Goettel. MBA member subcontractors were All Purpose Cleaning Service, Giffin Interior & Fixture, Frank Bryan Inc. and M.I. Friday, Inc. Finalist in the category was The Art Institute, built by Massaro Corporation.

Giffin Interior and Fixture Inc. was awarded the excellence in craftsmanship category for its renovations to St. Joseph Roman Catholic Church. The Design Alliance was the architect for the project.



St. Joseph Roman Catholic Church, Giffin Interiors, The Design Alliance architect.

FORECLOSURES			
Rank	Metro Area	Filings	% Change
1	DETROIT, MI	72,616	68.2%
2	STOCKTON, CA	22,184	27.1%
3	LAS VEGAS, NV	59,983	16.9%
4	RIVERSIDE, CA	102,506	18.6%
5	SACRAMENTO, CA	49,532	27.3%
6	CLEVELAND, OH	49,071	11.2%
7	BAKERSFIELD, CA	13,682	24.5%
8	MIAMI, FL	51,662	10.6%
9	DENVER, CO	49,519	27.8%
10	FORT LAUDERDALE, FL	45,367	11.0%
11	ATLANTA/MARIETTA, GA	81,038	52.2%
12	AKRON, OH	12,359	10.8%
13	MEMPHIS, TN	22,654	30.4%
14	FRESNO, CA	12,330	16.8%
15	DAYTON, OH	14,285	14.6%
16	OAKLAND, CA	39,483	19.1%
17	WARREN/TROY, MI	30,378	95.2%
18	INDIANAPOLIS, IN	25,695	78.9%
19	TOLEDO, OH	10,056	11.8%
20	ORLANDO, FL	24,004	11.7%
21	PALM BEACH, FL	18,561	88.9%
22	PHOENIX/MESA, AZ	56,040	17.7%
23	TAMPA/ST PETERSBURG, FL	41,539	95.9%
24	SARASOTA/BRADENTON, FL	11,807	22.7%
25	COLUMBUS, OH	24,055	86.4%
86	PITTSBURGH, PA	9,012	-29.6%
U.S. Total		2,203,295	79.2%
Top 100 Metro Areas Total		1,774,778	78.2%

The 25 cities with the highest foreclosure rates in 2007.
Source RealtyTrac®

Pittsburgh Foreclosures Drop Nearly 30 Percent in 2007

Against a national backdrop of soaring foreclosures, mortgage failures here declined dramatically in 2007, down 55.2% from 2006. There were 4,040 filings of foreclosure in 2007 in metropolitan Pittsburgh (comprised of Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland counties) compared with 9,012 in 2006. One of only 14 of the top 100 largest cities to experience a decline in foreclosures, Pittsburgh had the fourth largest decline, behind only Philadelphia, Baton Rouge and Greenville, SC.

Not surprising is that four of the top ten cities for foreclosures were in California, one of the most widely effected by subprime mortgage problems. Two more California cities ranked in the top 25, along with five Florida cities. The highest rate of foreclosures occurred in Detroit, which has been hit harder by the woes of the auto industry than the fallout of subprime mortgages. Nearly five out of every hundred mortgages went into foreclosure in Detroit in 2007.

More surprising was the fact that five of the top 25 foreclosure rates were in cities in Ohio. In fact, Cincinnati was the only Ohio city with more than 100,000 people not in the top 25.

Pittsburgh's low foreclosure rate of .367 percent is generally attributed to a more conservative borrowing and lending culture, and low presence of subprime mortgage marketers, however those theories may be offset by evidence of increased economic viability in the region. Double digit growth in higher-paying jobs in healthcare, science and engineering professions, and the significant increase in the construction of new office and manufacturing space suggests that the higher mortgage performance rates simply reflect better economic health in the region.

Alternative Dispute Resolution Service Revised by Local Bar Association

The Allegheny County Bar Association (ACBA) has revised its service for assisting in the resolution of minor disputes. "The bar association came to us last year and said it wanted to re-energize the Construction Dispute Resolution Group," said Scott Cessar, managing partner of the Pittsburgh office of Eckert Seamans Cherin & Mellott who also chairs the ACBA's Construction Law Section. "In November, we formed a committee of section members with the specific purpose of wanting to increase the use of the CDRG." The program is now called the Construction Arbitration Service.

Working with Cessar on the committee were Douglas LaSota of Dickie, McCamey & Chilcote; Thomas Weiers, Thorp Reed & Armstrong; David Sweitzer, Meyer, Unkovic & Scott; and Jack Perkins, a local arbitrator/mediator. Cessar said construction professionals, such as architects, contractors and engineers, who are not attorneys, have been invited to be on the panel. Requests had been made in the past to have individuals who are involved in the profession serve on the panels that hear cases.

Prior to the changes being made, each party was responsible for paying a one-time cost of \$750 in addition to the arbitrator's hourly fees, which can range from \$250 to \$450, plus a surcharge. Cessar said the parties will now pay an upfront cost of \$850, but there will be no surcharge of the arbitrator's hourly fee, meaning the process will actually be cheaper to use. If an arbitrator charged \$250 an hour, for example, the surcharge could be \$50 an hour, but that additional amount will no longer be added to the costs.

"The Construction Arbitration Service will provide an efficient, economical, and fair way to address disputes," said Cessar. "Experienced people will be making the decisions."



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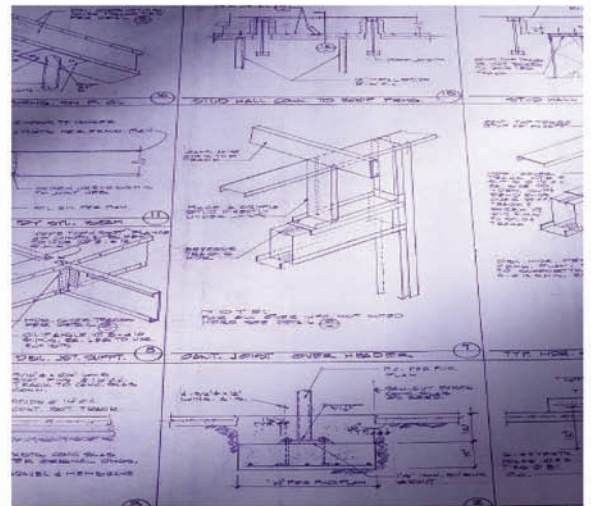
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Congress Moving SAVE Act Forward Against Business Wishes

The SAVE Act (HR 4088), Federal legislation introduced in late 2007 as a tool intended to help defend national security, would mandate the use of the E-Verify (formally called Basic Pilot) system for all employers to use on both current employees as well as new hires. Large employers and federal contractors would have to use the program immediately upon enactment of the legislation, with medium and smaller employers having to use the system within four years. Those current employees who cannot be verified through E-Verify would have to be fired immediately, with no opportunity to try and fix any problems.

The bill would also require that the Social Security Administration (SSA) issue "no-match" letters to any employer with one or more employees with a "no-match" and give only ten days for the employer and/or employee to fix the problem. It would also allow for information sharing between the Department of Homeland Security (DHS), the Internal Revenue Service (IRS) and SSA. The legislation already has 136 co-sponsors from both sides of the aisle.

Nationally, the Associated General Contractors of America (AGC) continues to fight the mandated use of a program that has a high error rate without including language that would set thresholds for SSA and DHS to improve their databases. AGC will work to see improvements made to the liability protections for employers who are required to use the system and take action based on the E-Verify results.

GREEN BUILDING NEWS

Pittsburgh Ranks 4th in Green Cities

Between higher gas prices and an elevated level of environmental consciousness in the United States, going green is a hot topic these days—and it's at the forefront of business, political and personal agendas. Due to increased concerns by companies on this topic, *Business Facilities* has included a Green Cities category in its third-annual published rankings of locations across the country and abroad that best reflect the needs of corporate site selectors. The report used LEED buildings as its criteria in this category, causing Pittsburgh to land in the #4 spot.

Moshier Studio Helping Cumberland Go Green

Pittsburgh architects Moshier Studio have been selected to design a new LEED Silver community center for the Allegany County Human Resources Development Council in historic Cumberland MD. The \$3 million project will be the first LEED-certified building in

Allegany County. The building will be a 20,000 square foot infill of new construction in an historic neighborhood targeted as a keystone to the revitalization of Cumberland, which is transitioning to tourism based economy.

Founded in 1998, Moshier Studio is owned by partners Cherie and Gary Moshier, LEED AP. Moshier Studio is also the LEED consultant for the Phipps Conservatory Living Education Center and the Century Building Renovation.

Changes for LEED AP Candidates and LEED APs


As the Green Building Certification Institute (GBCI) takes over all aspects of the LEED Accredited Professional program this month, two changes will affect LEED AP candidates: exam scheduling will be unavailable between January 1 and January 10, 2008; and exam fees will increase by \$50.

In case you missed it, GBCI is now the place to learn about LEED Professional Accreditation, register for the LEED AP Exam, find LEED Accredited Professionals in your area, access your LEED AP exam records, and manage your LEED AP Directory listing. The U.S. Green Building Council will continue to manage the development of LEED and to provide related resources and educational offerings. Current LEED APs will not be affected by this change. If you have any questions, please contact exam@usgbc.org or visit GBCI for more information.

Affordable Comfort, Inc. Home Performance Conference 2008

The 2008 ACI Home Performance Conference in Pittsburgh, PA promotes the value of treating the house as a system and conducting performance testing to assure that the home functions at peak potential. Tacking on green components will not increase overall energy efficiency unless the building is proven to be air tight, insulated right, and ventilated.

Without fundamental building science principles, the home might leak conditioned air (heated or cooled) or have moisture or duct leakage problems. These problems undercut the value of any home, reduce comfort, compromise the health and safety of occupants, create higher than necessary utility bills, and release carbon into the environment. The ACI Home Performance Conference is the premier venue for deploying residential building basics into the marketplace. With the ACI principles of building science in place, green technologies and high efficiency building elements can function optimally.

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REGIONAL MARKET UPDATE

There definitely seems to be two different markets in Western PA at the start of 2008. Like the past few years, there is a handful or more projects moving forward that will cost more than \$100 million. Unlike 2006 and 2007 however, the market for smaller projects (which is served by the majority of businesses in our region) has tightened significantly since the third quarter of last year. At this juncture, the fate of the mainstream construction market in Western PA could go either way, depending on which leading indicator you choose to believe.

Two of the best indicators of the coming health of the non-residential market are the trend in housing activity, and in architectural and engineering activity. So far, these indicators are positive in Western PA, bucking the direction of the national market.

Housing starts and permits finished 2007 with a whimper. Though the number of permits for new construction declined in metropolitan Pittsburgh only 7%, compared to a national decline of 24%, the pace in the fourth quarter was slower than the previous two quarters, compared to 2006. Permits in January and February were flat as well, but homebuilders and realtors were reporting significantly higher traffic and sales since the beginning of 2008. If this trend is real, permit activity will begin to trend upward in March and April.

The underlying implication of increased housing activity is that the consumer is feeling better about his or her situation for the coming years.

Business owner confidence is expressed in increased hiring of engineers and architects. While the cost of the professional services is less than ten percent of the total cost of the development, design fees are significant enough that owners won't usually incur the expense until they are confident the project will proceed.

In an anecdotal survey of architects in the region, more than 80% said that their backlog was as high now as at the beginning of 2007. Asked about requests for proposals, almost two-thirds said that they were responding to at least as many as in early 2007. RSSC Architecture's Ralph

Sterzinger's response was typical. "We've seen a bit more RFP's than last year. It's always hard to say what it will be like, and it seems to change every year where the requests are coming from."

One of the concepts gaining momentum here of late is that Pittsburgh is becoming "recession proof," or at least we'll miss out on this one. History may prove that out, but it's unlikely that any region can ever be immune to recession. So many of Pittsburgh's employers and professionals do business on a global scale. If economic conditions become recessionary in the U. S. or in any major overseas market, there will be an effect felt here.

**The office market
experienced a
positive absorption
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The current trend in commercial real estate in our region does suggest that whatever recessionary pressures are coming may have a reduced impact. The office market experienced a positive absorption of 1.8 million square feet in 2007, nearly half of that in downtown. Vacancy rates in the greater Pittsburgh market fell for the third straight year, settling at 16.5%. Industrial space also experienced positive absorption, even though construction of manufacturing and warehouse space increased by double digits in 2007. Industrial market vacancy for the region was at 13% as 2008 began.

The retail market here followed suit with the national market, and net absorption was negative, with 216,000 square feet more available at the end of 2007. Still, vacancy rates remained below 12%, keeping Pittsburgh as one of the steadiest markets nationally. The overall retail slowdown, which reflects the national concerns about recession, does cast a shadow over the region, adding uncertainty to the development of large projects like Settlers Ridge, the Tanger Outlets at the Meadowlands, Newbury Market, Southpointe Town Center, and the proposed Simon project.

Positive absorption in office and industrial properties bears good news on two fronts. First and more obviously, the trend encourages construction of new space. Second and more fundamentally important is that these real estate sectors represent jobs. Stores and institutional space can be built without strong occupant support (in fact, at the end of cycles retail is always built without strong tenant support), but expanding offices and plants reflect employee growth.

It's almost impossible to talk about the outlook for the region's construction without talking about the big projects, and we won't disappoint here.

Among the projects expected to start this year are Dick's Sporting Goods new \$100 million facility in Findlay Township, with 670,000 square feet preliminarily approved; VA Hospital projects: \$45 million project bidding in Aspinwall and another \$100 million-plus project in Oakland expected to contract by mid-year; the first phase of U. S. Steel's \$1 billion modernization to the Clairton Works; Dick Corporation's 150,000 square foot office building in South Side Works, along with a \$48 million mixed use hotel/condo/retail project developed by DOC Economou; Allegheny Technologies \$300 million expansion of the Allegheny Ludlum plant in Canton Township outside Washington, and the proposed \$800 million new construction in Brackenridge; the remaining (and larger) phases of the Westinghouse Nuclear Cranberry Woods campus; the \$100 million Simon Properties mall in Cranberry; plus, in case you forgot, the \$320 million Penguins Arena.

Having an equally important impact on the local market is the ongoing construction of projects which contracted

or started in 2007, many of which are just heating up, like the Majestic Star and Meadows Casinos, Bakery Square, the \$90 million Passavant Hospital addition, Three PNC Plaza, and several hundred thousand square feet of leasehold improvements for projects in the Central Business District.

The best indicator for how the regional market is performing will come in mid-April, when the national economic reports on first quarter job creation and GDP growth hit the streets. Analysts are now almost universally expecting these to be negative for the first time in six years. Should that happen, all eyes will shift to measure the Federal Reserve's response to clear recessionary numbers. Sadly, the mood on the street could go either way on whatever the reaction is. A steep cut could signal panic, and send the economy into negative territory in the following quarters. The same could happen if the Fed holds the line.

Why this will matter in Western PA is that the health of our construction market is more tenuous than in recent years. Turning the spigot off on just a few of these big projects, could cause the same ripple effect described above. Stay tuned... 

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NATIONAL MARKET UPDATE

The possibility of recession in 2008 moved from unlikely to the number one concern in the economy in about five days in mid-January. As one year-end report after another became public, the equity and credit markets began to panic. While the reactions were probably overstated, the concerns were real enough that the Federal Reserve's Open Market Committee made an unscheduled reduction in the federal funds rate of three-fourths percent on January 22. The move was the first time since 2001 that the FOMC had cut the funds rate between scheduled meetings. When the Fed continued with its expected half-point cut the following week, it signaled that its focus had shifted from preventing inflation to preventing recession.

While the long-term outlook for the direction of the U. S. construction industry isn't materially altered by a short burst of bad news, the psychological impact of a short, sharp drop can have a more chilling effect on development than a more prolonged and deeper decline. The big problem is that a period of bad news, like we experienced in January, can get the attention of businesses that were planning construction projects, making them more cautious even if their business has felt no such decline. In a few months like this, the construction decline can become a self-fulfilling prophecy.

There was a bit of bad news:

- The U.S. economy lost jobs in January, as the U.S. Bureau of Labor Statistics reported that payroll employment dropped by 17,000. This was the first monthly job loss since mid-2003, and covered a range of industry sectors, including manufacturing (down 28,000), construction (down 27,000), and government (down 18,000).
- The U.S. economy grew just 0.6% in the fourth quarter of 2007, much slower than the 4.9% pace in the third quarter, according to the advance estimate issued by the U.S. Bureau of Economic Analysis. Residential investment plunged 24%, the largest quarterly decline so far since the housing correction began in early 2006. Nonresidential investment for structures climbed 16%, the same pace as the third quarter, but slower than the 26% jump in the second quarter.
- The Federal Reserve's January survey of senior loan officers showed a substantial tightening of lending standards. For commercial real estate loans, 80% of the respondents said that they had tightened standards over the past three months, compared to 50% of the respondents in the October survey. The 80% of loan officers that reported tightening is the highest percentage since this survey question was introduced in 1990. The January survey also found that over the past year, 55% of the respondents were requiring lower loan-to-value ratios, and 40% said that they had reduced the maximum loan size they were willing to grant.
- The fourth quarter 2007 GDP report showed a price increase for personal consumption expenditures of 3.9% in the fourth quarter, and the important core reading (excluding food and energy) was up 2.7%. The higher inflation was also reflected in the consumer price statistics. For December, the consumer price index was up 4.1% over the same month a year ago, and the pace for November and December combined was 4.2%, compared to the 2.6% for the first ten months of 2007.

**The BIG PROBLEM is
that a period of bad
news, like we
experienced
IN JANUARY, can
get the attention of
businesses that
were planning
CONSTRUCTION projects.**

The signals from these year-end reports create a quandary for the Fed, whose role over the past two

decades has been to control the economy through interest rate manipulation. The weakening jobs picture, slower GDP growth and brutal lending climate suggest a continued easing of rates, but the uncomfortable rise in the inflation rate urges caution in increasing the supply of money, pressuring against rate cuts. The specter of a stagnating economy and inflation (so cleverly labeled 'stagflation' in the late 1970's), should send a chill down the collective spine of the Federal Reserve Board's governors.

At this point in the year very little real construction activity measures exist, however, the January data from various sources all indicate a slower pace than 2007. Reed Construction Data reported non-residential starts in January were 13% lower than the same period in 2007. The most recent data for warehouse construction showed a 4.8% increase in contracting compared to the previous year's period. Lodging construction came to a shrieking halt in December, but was up 66% for the full year of 2007. Most hotel chains have lowered their 2008 estimates for revenue per available room (the key measure of strength) downward from the third quarter of 2007.

A couple of important construction segments, which didn't have early year reports, still had some interesting news. Retailing continues to take it on the chin from the consumer. Consumer confidence has fallen to levels comparable to those of 2002-2003. On the upside, there are still a number of growing franchises in specialty retail and restaurants that are planning expansion in 2008, although these will not offset the reduced programs of bellwethers like WalMart and Target. Construction of manufacturing facilities rose 9% last year compared to 2006, but industrial production has flattened, and capacity utilization slipped below the long-run average of 79.8% in January, to 79.7%, not an encouraging sign for more industrial construction.

One emerging boom sector of the market that is enjoying a renewal appears to be communications facilities. Rapid construction of data and call centers for the telecommunications industry drove overbuilding in the late 1990's, but the dry spell seems to be over, at least in selected regions. In northern Virginia, for example, Dominion Energy reported that 22 data centers were under construction, with 24 more ready to start. These centers use about 25 times the energy of a WalMart.

As if the year-end round of reports wasn't enough gloom, the cost escalation in basic construction materials and labor last year has begun to weigh on some of the larger projects in the country. Projects like Denver's \$6 billion FasTracks rail system or the \$1.8 billion FutureGen greenhouse gas recycling power plant in central Illinois have had long planning cycles and the escalation in energy costs and from materials like steel, cement and copper have added 25% to 50% to original budgets.

The only mitigating factors on the horizon for the national market are the continued easing of interest rates by the Fed, which may not stimulate the economy but might lessen the impact of another round of mortgage resets this spring, and the potential positive response by businesses to the economic stimulus package passed in early February. In particular, the provision for expensing up to 50% of the purchase of new equipment, may spur some expansion in the middle of the year.

By November 4, we'll know if the time honored saw that there is no recession in an election year will hold true in 2008. What we know by March is that the national construction market isn't off to a flying start. **BG**

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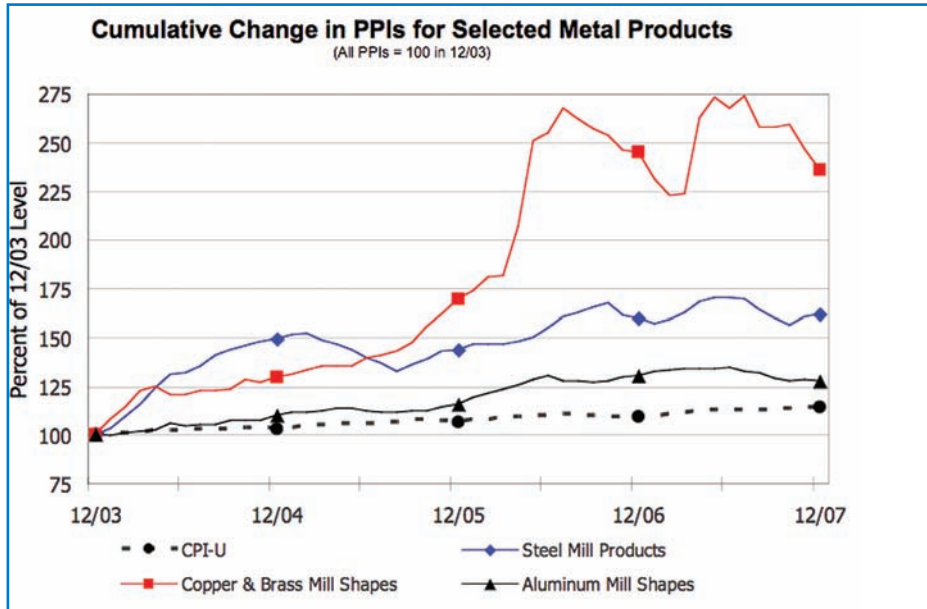
WHAT'S IT COST?

As the housing construction depression stretches out, appearing now to extend into 2009, the costs of building products and materials has reached a point of diverging directions. On the national level, the dramatically reduced level of demand for drywall, plywood and lumber had depressed prices to numbers not seen since the bottom of the last business cycle in 2003. At the same time, rising energy costs and higher global demand have driven the price of metals, and petroleum-related products upward again.

Aluminum and copper prices continue to respond to increased global demand. Global consumption of the metals grew between 5% and 10% in 2007, and there are no signs yet of a slowdown. Adding to the price pressure on copper are supply problems. Severe winter weather has slowed mines in several countries, notably China, and power rationing in Zambia, a major copper producing nation, has resulted in operational shutdowns. These production issues have a whiff of the infamous "Korean memory chip plant fire;" nonetheless, the impact on the market is real.

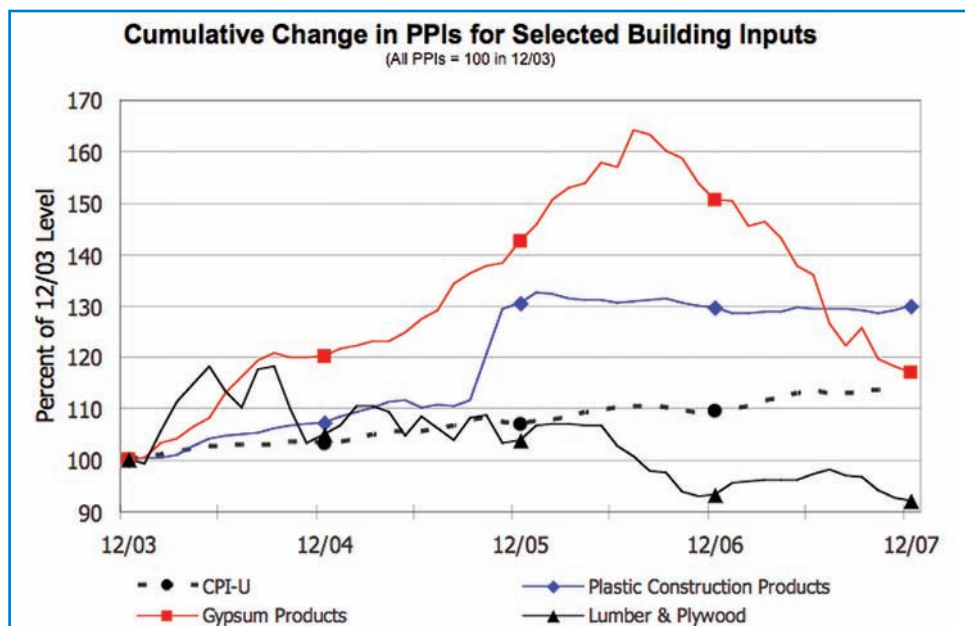
Oil prices continue to be like a bad cold that won't go away. The supply and demand fundamentals for oil are essentially at levels that supported a sweet light crude price of \$60/barrel, but speculators continue to buy futures contracts that point higher. After slowing in early 2008, prices pushed past the \$100/barrel in late February, ahead of news that supplies had increased. The outlook for oil in the critical spring construction period is for buyers to continue to search for reasons to keep prices up, meaning that #2 diesel, paving materials and shipping charges will reflect pricing that is 30% above spring 2007.

The danger for our region from the escalation is that it is occurring in materials that have volatility in spot pricing, which will be difficult to



Price stability in steel and aluminum mirrors the Consumer Price Index, while global demand has lifted copper prices to records in recent years. Source AGC of America.

Since the beginning of 2008, the cost for steel has been rising again. Citing higher energy costs, higher exports, particularly for scrap (there are no vertically-integrated structural mills), production problems and solid domestic demand, steel manufacturers have raised the price of hot-rolled coil to between \$680 and \$700 per ton. These levels are 12-month highs, and don't bode well for spring shipments if oil prices continue to flirt with \$100/barrel.



The costs of materials closely associated with residential construction continue to slide. Source AGC of America.

negotiate around, and which could have a big impact on the very large projects which will dominate the regional market this next 18 months. Steel and energy costs are difficult to control on large, long lead time projects, like the casinos, the Penguins arena, or the plant work that is planned. These kinds of building are also more electrically intense than the average commercial building, so the rising cost of copper will be felt more.

Contracting is being done on several of these large projects as spring approaches, so the answer to how well the budgets are holding should be known within months.

One cost-driven trend that is taking hold nationally is the shift in design towards using more residential materials, to take advantage of the softer costs. Thus far, the trend seems to be manifesting itself in ways that haven't altered designs toward a more residential style of building, but rather in using more products or materials that are typically residential. Locally, though few architects seem to be aware of that trend.

"We have been using wood trusses or wood joists on smaller commercial or retail projects, directly as a result of

the higher cost of steel," noted Chip Desmone, of Desmone Associates Architects. "But we don't have many projects that really offer the opportunity." Most architects in the region echoed Desmone's caution, often citing the existing architecture as a less residential backdrop than say, California or the suburban South.

Another regional influence that has already shown as a moderator, at least to contracting, is the competitive environment. The bid market in December and January was slow, and the bidding early in 2008 reflected the fact that there are still more contractors operating in Western PA than a slower market can support. Low bids on most public projects, particularly those under \$500,000, have come in more than 10% below the middle of the pack, and the middle has been tightly packed. Owners should view these numbers with extreme caution. Bids that come in below the market when the market slows have traditionally foreshadowed higher change orders and claims. Wishful bids won't change \$3.30 per gallon diesel or \$725 per ton steel.^{EG}

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The Majestic Star Casino. Rendering courtesy Strada Architecture LLC



BUILDING^{FOR} OUR SPARE TIME

The construction boom that has occurred throughout Western PA the past two years or so has been dissimilar to the one that was winding down at the beginning of this decade. Unlike that market, dubbed 'Plan B,' the impetus behind the expansion that started in late 2005 was largely funded by private money.

What is interesting is that the common thread of both cycles is the construction of new entertainment venues, which bookend the two booms. Two of the three legs of 'Plan B' were PNC Park and Heinz Field. The projects were designed to help a struggling team, the Pirates, compete, and a thriving one, the Steelers, become even more competitive. The boom cycle today has lost some of its speed, but in 2008 will get fresh wind in its sails, as construction will be taking place on the new Penguins arena, and three new casinos.

The construction of these new facilities, particularly the three sports stadiums, isn't out of step with what is happening nationwide with major league sports. The long-term wisdom of publicly financed stadiums for private enterprises, and the social value, won't be judged until more time has passed. As a strictly construction and real estate issue, however, these projects have ushered in related construction booms in almost every city, often creating profitable real estate opportunities in backfilling the former stadiums. The movement has been so pervasive that the Mellon Arena is now the oldest venue in the NHL.



Phipps Conservatory's LEED-Silver expansion. Photo by Alexander Denmarsh Photography, courtesy IKM Inc.

Urban planning experts hold that big sports venues don't drive development, yet sports stadium construction has had that effect in Denver, Columbus, and other cities in recent years. Certainly, the development of Pittsburgh's North Shore got a boost, if not a driver, when Three Rivers Stadium was replaced.

If nothing else, the cycle of replacement of sports venues is a reflection of a more expansive economy, with fans willing to buy tickets. In the years following the construction of new stadiums, the resident teams became profitable or more profitable. Camden Yards, the progenitor of the new stadium movement, has been home to a bad baseball team for a number of years now, and yet the average attendance has been between 26,000-30,000 per game during the past five years. You need look no further than the North Shore, where the Pirates averaged more than 22,000 fans per game last year, to see the impact.

Consumers have been willing to increase their spending, and corporations have looked at the opportunity to entertain customers, particularly in venues with hard-to-get tickets, as a better buy in the new stadiums.

In fact, American consumers have increased their spending on leisure activities right in step with the construction of more and more facilities, whether they are for professional sports, water parks, ski resorts, or gaming. It's not a new phenomenon.

One of the hallmarks of modern American prosperity is the amount of leisure time we've created for ourselves compared to our ancestors, and even recent predecessors. The farmer didn't get a whole lot of time off. When the work moved from the farms to the mills, things didn't get much better. In the first half of the 20th century, the wealthy began to have the time and means to look for a leisure life, but the bleak condition of the sky and rivers in Western PA dictated that the leisure class went elsewhere to spend their time.

As the labor movement grew stronger in the early decades of the 1900's, workers began reaping benefits beyond a fair wage and safe conditions. One of those benefits was reasonable time off to spend outside of work. After World War II, the average American workweek contracted to 40-hours, allowing us the weekend to pursue something other than work. And the American worker's plight improved so that there was excess income to use on extras like going to a ballgame, or amusement park, or theater.

Here in our neck of the woods, much of the land that would be most desirable for building attractions for leisure and tourism was underneath factories. When the factories no longer operated, the perception of the region's economy didn't attract investment for riverfront amusement projects, nor did the condition of the rivers and the former plant sites encourage development.

By the early 1990's the investment in brownfield cleanup had gained momentum as a redevelopment strategy. At the same time, The Pittsburgh Cultural Trust had begun to make real headway in transforming the Penn-Liberty corridor downtown, pouring \$43 million into renovating the Stanley Theater into the Benedum Center for the Arts, and renovating Heinz Hall in 1995. By the end of the decade, a long-suffering plan for a theater-centered commercial complex had been crystallized into plans for the first freestanding theater built east of the Mississippi in almost two decades.

Parallel to the arts district, on the north side of the Allegheny River, Lincoln Properties had developed upscale apartments that were an unexpected success. Alcoa built a new headquarters just west of the Ninth Street Bridge, and had plans for a technical center another block west. The Warhol Museum had been established, and earlier in 1991, the Carnegie had been the Carnegie Science Center at the far end of the North Shore. The area was ready for the next big thing.



The permanent gaming facility and hotel at the Meadows, slated to open in May 2009. Rendering by Climans Green Liang Architects.

The 'Plan B' Era

The Murphy administration had struggled throughout the mid-late 1990's to bring its vision of a revitalized downtown into fruition. Construction of the Lazarus and Lord & Taylor Department Stores had not attracted residents to downtown, initiatives to redevelop the Fifth and Forbes corridor failed to attract a permanent developer, and the Pirates were threatening to bolt again if a stadium couldn't be built. Tom Murphy took a controversial path, and burned some serious political capital, but managed to secure funding to build new stadiums for the Pirates and Steelers, and a new Convention Center.

While these were 'build it and they will come' propositions, the Cultural Trust made plans for the O'Reilly Theater, a 'build it because they've come' project. The \$25 million, Michael Graves designed building would be the permanent home to the Pittsburgh Public Theater, and would open up the block connecting Heinz Hall and the Benedum, on the north side of Penn Avenue.

The O'Reilly opened up in December 1999, at the time when construction on the North Shore stadiums was getting serious.

The construction management team of Dick Corp. and Barton Malow started work on PNC Park in April 1999. The new stadium was the first two-deck stadium built in America since Milwaukee's County Stadium in 1953. PNC's architects, HOK Sports and Astorino, used the project to take the evolution of the single-sport venue to the next level. Smaller than all but Fenway Park, the new field had all of its seats within 90 feet of the field, with two-thirds on the lower deck.

The new \$237 million PNC Park opened March 31, 2001 for an exhibition game with the New York Mets. The first official game was April 9, 2001. Upper St. Clair native Sean Casey hit a two-run homer for the first hit and RBI's in the new stadium (unfortunately he played for the Reds at the time). In a foreshadowing of the events to come, the Pirates lost to the Reds, and the game was a sellout.

HOK Sports also designed Heinz Field, which followed a few months behind PNC Park. The construction team of Mascaro Construction and Hunt Construction also had just over two years to build the stadium, which opened on August 25, 2001. Also costing more than \$200 million, Heinz Field takes in almost 1.5 million square feet, and seats more than 65,000 fans. The first official game was played against the Bengals on October 7. Unlike their neighbors, the Steelers opened with a win.

The Time Between the Booms

Following the completion of PNC Park and Heinz Field, the national economy hit a rough patch, and the local construction economy slowed as well. During the six years that followed up until today, there were still a number of projects built that served the leisure time of Western PA's citizens and the region's visitors.

Off the beaten path a bit, just outside Uniontown, is the Nemacolin Woodlands Resort. Built in the 1990's, Nemacolin Woodlands experienced growth in the first half of the decade. Two major additions to the property were done in this period. The first was the construction of the Falling Rock Lodge, a \$20 million hotel designed in tribute to the architecture of Frank Lloyd Wright. In 2005, a 51,000 square foot expansion of the main resort was built. During this time Nemacolin Woodlands also hosted Pennsylvania's only PGA Tour stop, the 84 Lumber Classic.



The proposed Valley View Downs west of New Castle, PA, scheduled to open in mid-2009. Rendering by Cope Linder Architects.

More central to the city, two more pieces of the Cultural Trust's plan were put into place. Theater Square was designed to connect the main theaters of the Cultural District to a 790-car parking garage, and give home to the Trust's offices. Also included in the project was space for a cabaret theater and commercial space along Penn Avenue. The project also provided the impetus for downtown's first new residential high-rise, The Encore on 7th, on adjacent property.

The museums were especially active during the past few years, expanding in a number of directions. The Children's Museum expanded on the North Side with an award-winning project designed by Koning Eizenberg Architecture. The John Heinz History Center put on a five-story addition in 2003-2004, bringing the size of the museum to a total of 200,000 square feet. And the most venerable of Pittsburgh's museums, the Carnegie Museum in Oakland, completed a \$25 million expansion and reconfiguration of its dinosaur exhibits, which opened to rave reviews in late 2007.

Phipps Conservatory and Botanical Gardens completed an ambitious \$30 million expansion in February 2005, adding almost 11,500 square feet to its welcome center. The LEED-silver project, which was designed by IKM Inc., made use of the grade to create an earth-sheltered center, which did not obscure the glazed Palm Court that so easily identifies the Phipps.

In 2006, the Pittsburgh Zoo & PPG Aquarium expanded its aquatic exhibits, creating the Waters Edge for polar bears and otters. The \$12 million Waters Edge, built by

Zambrano Corp, features the Underwater Polar Bear Tunnel, which gives visitors the chance to view the bears from below the water. The Zoo also invested in a medical facility for elephants, and has begun development and construction on a preserve in Somerset County that will promote natural breeding for elephants in captivity, and allow for further education for elephant handlers.

The Coming Wave

As 2007 wound down, the activity on the largest of the leisure activity projects since Plan B was heating up. Foundation work got underway on two of the region's new permanent casinos, demolition was being done on the site for the Penguins arena, and the site was finalized for the final casino and racetrack to be included in Pennsylvania's current licensing program.

The latter project, called Valley View Downs, will be developed by Indianapolis-based Centaur Inc. at the intersection of Route 422 and 551, just northwest of New Castle. The permanent facility, being designed by Cope Linder Architects, will be a 260,000 square foot, \$428 million project, with a one-mile lighted racing oval. While well behind the timetable of the Meadows and the Majestic Star casinos in licensing, Valley View Downs expects to get under construction within months and open in the second half of 2009.

Construction manager, Ciminelli Construction of Buffalo, held pre-bid meetings in February that were well attended, and announced schedules and prequalification requirements.



HOK Sports rendering of the main entrance of the new Penguins Arena, along Washington Place at Fifth Avenue. Used courtesy of Pittsburgh Penguins.

Bid packages have been put out by Ciminelli, who is also the construction manager for Cannery Casino Resorts, for the Meadows permanent gaming facility in North Strabane Township, just north of Washington, PA. Contracting is wrapping up on the main packages for the 350,000 square foot, \$150 million project. Site work started in the fourth quarter of 2007, with an early 2009 opening planned. Gaming revenues from the temporary facility, which opened in June 2007, have exceeded expectations.

Work on the foundations of the largest of the three casinos, the Majestic Star, got underway in late 2007. Travelers on the North Shore sections of I-279 can already see signs of the construction, which is scheduled to be complete in May 2009. The buildings are being designed by Bergman Walls Associates of Las Vegas, in collaboration with Pittsburgh's Strada Architecture.

Totaling 480,000 square feet, the casino is expected to generate more than \$200 million in revenue for the state, with 10% of that going to Allegheny County. The project's construction manager, a joint venture between Smoot Construction of Indianapolis and Keating Construction of Philadelphia, has been actively bidding packages for several months as well.

When all three casinos are fully operating, the gaming revenue for the state will be in the neighborhood of \$500 million per year. There is no way to judge whether or not the long-term well being of the region will be harmed by opening up the Pandora's box of gaming. In the short-term, however, the most tangible benefit from all this gaming is that the Penguins arena found a funding source that didn't increase regional government's debt or raise

taxes. By viewing the gaming revenue as a windfall, and peeling off a portion of the local share, the state was able to provide the funding needed to build the arena, and keep the Penguins in Pittsburgh.

The Sports and Exhibition Authority has begun letting contracts for the demolition of the neighboring buildings, and some of that work is completed. The arena is being designed by HOK Sports, and the construction management team of P. J. Dick Inc. and Hunt Construction have begun bidding contracts.

While the Penguins have been the focus of the arena negotiations, it's important to remember that they will be only the lead tenants. "We're tremendously excited to see the arena moving along," says Pens spokesman Tom McMillan. "We've worked on this a long time, and it's going to be great, not only for us but for entertainment for the whole region."

McMillan points out that the Mellon Arena was designed in the 1950's and isn't adequate for today's acts. "It's not the fault of the design, but Mellon isn't a venue that works for much but sports. This place is different from the other two stadiums in that it's open more nights for something other than hockey. We've all heard stories about having acts bypass Pittsburgh, but now we're going to be a player with the top arena acts."

One of the opportunities that the new arena presents is the re-opening of the corridor connecting downtown, uptown and the Hill district. Cut off when the Civic Arena closed down Wylie Avenue, the lower Hill will be more accessible from downtown and uptown for the first time in two generations. The economic distance between the neighborhoods has probably never been greater, but the opportunity for the Hill to be a vibrant conduit between Oakland's spread and a downtown with a growing residential population is unlike any in recent history. And the move across Centre Avenue creates something unusual in urban markets, 28 available acres right next to the downtown.

The cyclical activity of the construction industry suggests that the natural end of the up market is imminent in Western PA. For the leisure market, however, 2008 looks more like a launching pad than a turning point; and, the \$1 billion or so that these four projects represent will probably keep the market as a whole near the \$3 billion mark for the third straight year.

For Western Pennsylvanians, a short drive will be all that separates us from attractions that have begun to draw travelers from all over the country. If the new economic drivers for our region continue to take hold and flourish, this decade will be viewed by future Pittsburghers as the time when tourism was reborn. **BG**



Looking across Cross Creek to the Meadowcroft Rockshelter.

Meadowcroft Rock Shelter

One of the more amazing feats of engineering and problem solving in a recent construction project involved one of the more simple structures, designed to house the oldest dwelling in North America.

In 1955, a farmer named Albert Miller discovered some flint flakes and bits of pottery on his farm along Cross Creek north of Avella, in Washington County. Almost two decades later, an archaeologist named James Adovasio, began an excavation of the site that would lead to the discovery that the area had been used as a travel stop and shelter for 16,000 years. That dated some 3,000 years earlier than the Clovis, NM sites, which had previously been thought to be the oldest in North America.



Several feet of the Meadowcroft archaeological dig, with key striations noted.

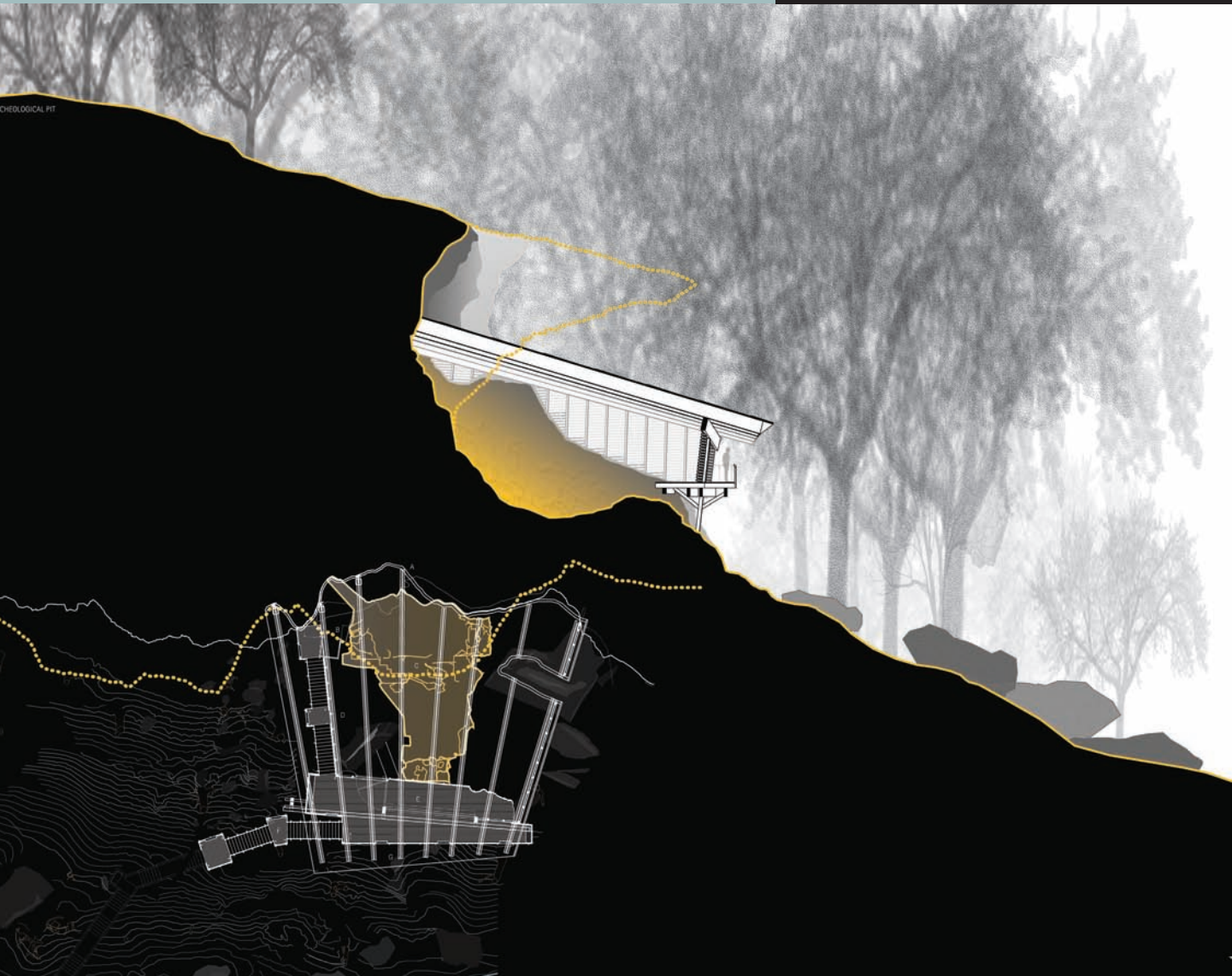
The Meadowcroft site was an excavation into a shelter carved out of an overhanging, and geologically delicate rock formation, which to this day has the disconcerting habit of falling down bit by bit. To protect the delicate archaeological dig, the scientists built a wooden lean-to, covered in tarpaper and shingles, to keep out the elements, and falling rocks.

By the early 1990's the Shelter had a working relationship with the Western Pennsylvania Historical Society, and under the direction of John Herbst, architect Rob Pfaffmann (who was working on the Heinz History Center while with Bohlin Cywinski Jackson) began to work with John Adovasio to explore ideas for protecting the site and making it available to the public. "I looked at the project from the viewpoint of the public wanting to see the site, not just creating a new shelter," explains Pfaffmann.

It's important to remember that when this planning was going on in 1994, the dating of the dig was still being

validated, and the archaeological community had not yet accepted the importance of Adovasio's work. Moreover, there was no means of pedestrian access to the site, nor any way to get more than a single auto over Cross Creek. Still, Meadowcroft's director, David Scofield, welcomed Pfaffmann's approach. "We wanted to honor the significance of the site, and felt a responsibility to preserve it for scientific purposes and public access," he said. Scofield feels Pfaffmann's design had an appreciation for the mission. "We expected it to draw visitors from all over the region, and all over the world."

It's difficult to look at the final design and structure and get a true sense of the difficulty of the project, especially since the visual elements of the design were intentionally simple. "The architectural concept was to mimic the rock outcropping that had fallen 10,000 years earlier," says Pfaffmann. "The challenge was in anchoring the structure to the rock-there was good rock and bad rock-and the lean-to solution was the simplest." While early designs



Cross section rendering of the finished shelter with framing plan, by Pfaffmann + Associates.

had the observation area wrapped in glass, the cost and security considerations forced another approach. "The final solution was to honor the barn tradition of the area, using slatwall and polycarbonate sheets behind that."

The project that went out for bid in June 2006 called for a massive, laminated-timber lean-to shelter covering the 5,500 square foot dig site and public area, wrapped by an observation deck that looked out over Cross Creek, and a long stairway connecting the public access to the shelter above. In the period leading up to the contracting, Meadowcroft received over \$2 million from a variety of grants and funding from state, federal, county and private sources, including about \$1.3 million for construction.

Though publicly bid, the complexity of the project attracted contractors who normally eschew the public market, including the successful bidder, F. J. Busse Company. After reviewing the scope of Busse's \$1,298,000 bid, Meadowcroft awarded the project in August 2006,

and the process of verifying the engineering and preparing the shop drawings started. It was also the beginning of what Paul Harvey would call "the rest of the story."

"The profile of the excavation is essential to showing the site," explains John Paul Busse. The dig painstakingly revealed layer after layer of cultural material, and the exhibit consists of expertly marked striations that denote the inhabitants throughout the millennia. "The site is delicate and dry. There was a real fear of damage from the vibration that investigative equipment would cause," says Busse.

The fragility of the archaeological site and the limited access for equipment meant that almost no subsurface investigation was possible during design. The means and methods for installing the structural support for the shelter and museum began to unravel early in the preconstruction process.



F. J. Busse superintendent Joe Zielonka measures to locate the receiving plate for the rafter anchor plate shown at right (in inset).

Bedrock below the shelter was found to vary dramatically across the face of the site, meaning foundations (which were going to be hand dug) could be as deep as twenty feet. The shelter had a southern exposure, part of what attracted the ancient visitors, and therefore had maximum freeze thaw movement. This, and the sandstone geology, meant that the overhang was not made of rock so much as boulders, which was why so much material fell each year. That was especially bad news for the project, since anchoring the rafters into that rock was critical to the shelter's structural integrity. Without bedrock above to anchor the beams, extraordinary measures would be needed for lateral support.

By mid-December 2006, any solution to the lateral support problem was proving to be sufficiently expensive to kill the project. "We had a meeting scheduled for

December 15, I think, where we told the owner that it would cost another \$350,000 to do the project," remembers John Paul Busse. "They let us know that was enough to cancel the job." Instead, the design and construction team looked at the huge boulders on the ground below the shelter as a solution. Rob Pfaffmann remembers, "The rocks hadn't gone anywhere in thousands of years, and if we could design a way to use them as bracing, we wouldn't need to use the rock above."

After running the calculations on the weight of the rocks, tubular bracing was designed to provide the structure's lateral support below the deck, at the foundation level. The cost impact of this solution was limited, and the project was given the green light.



The shelter roof beams are tied in to varying rock locations with unique compound angle anchor plates at differing lengths.

While a major hurdle had been cleared, the difficulty was far from over. Another major obstacle was the uneven rock face above the excavation. Even though the face of the wall would not provide the lateral support for the structure, it was still necessary to hang the rafters on the wall face. "Laying out where the beams would hit the wall was impossible to do manually," says F. J. Busse's superintendent, Joe Zielonka. "The surface was uneven, no spot on the wall was perpendicular to the rafters, and each rafter was going to rest on wall that had a different angle from the others."

To solve the layout problem, Busse turned to Gateway Engineers, and some interesting new technology for surveying. Gateway devised a plan to create a three-dimension model of the precise points on the rock face where the shelter canopy's beams were to be anchored. Using a laser device called the Trimble 56 Robotic Total Station, Gateway laid out a two-foot by two-foot grid, which would represent the plate coupling used to attach the rafter to the rock. Shooting three readings each, every tenth of a foot, in all directions, the engineers took 24,000 readings and could ultimately provide a precise model for use in fabricating the compound angles of the anchor pad, and identify the exact spot to pre-drill and tap the pins that would receive the anchor plate.

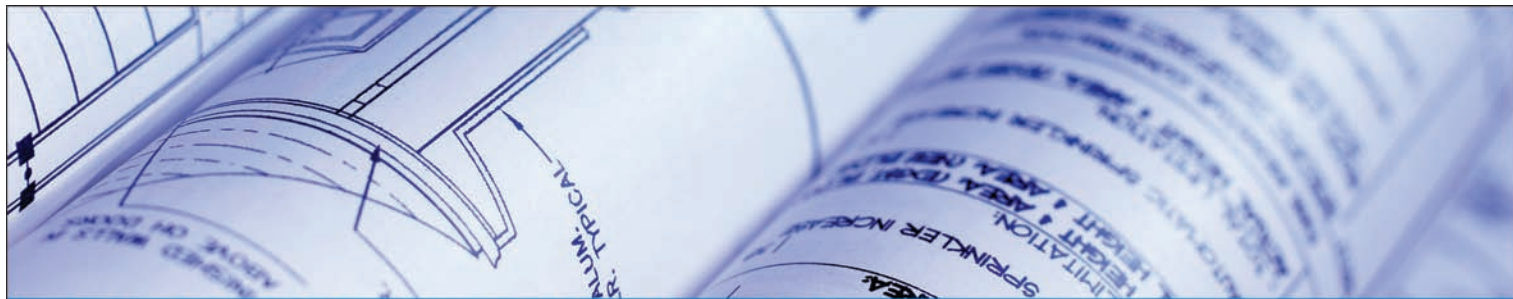
The technology wasn't cheap, or unnecessary. "We had one of our laser scanners down there at first," says Gateway's Tom Turner. "But it wasn't nearly specific enough to pinpoint the locations, let alone create the kind of model needed." When asked about the performance of the Trimble, Turner says, "We rented it to see it in a real time situation. After we finished the Meadowcroft job, we bought one!"

Shop drawings for the canopy and shelter were able to get underway by the end of January 2007, and fabricator Seech Industries was able to begin the process of designing and manufacturing the laminated beams and anchors, and the remaining structural components. The finished rafters were 80-foot long beams, weighing 6,000 pounds. And, of course, after all the headaches in engineering and fabricating, getting the material to the site wasn't going to be any easier.

Though PennDOT had replaced the bridge over Cross Creek with one that could accommodate buses, Meadowcroft Road hadn't been turned into a four-lane. "Getting 80-foot beams down to the site was almost impossible," says Joe Zielonka. "The road is narrow, and there are a couple 120° turns. We couldn't tear out any trees, so we had to weave the beams into place after they had been lifted by All-Crane. The operator from All-Crane was a real pro."



The finished observation deck above Cross Creek.



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Architect Rob Pfaffmann is dwarfed by the roof framing as the eighth and final rafter is set. (all photos by Pfaffmann + Associates).

Even the scaffolding and protection required an extraordinary approach. Because the site remained open during the construction, the old lean-to roof stayed in place to protect the dig. Scaffolding would have to penetrate the roof without weakening it, or causing any damage to the site. "I had to figure the approach to the temporary work to prepare the site and the scaffolding as detailed as the project itself," explains Busse. "There was a lot of time in the preparation and we had as much risk in that as the construction itself." Indeed, the project required nearly a year of preconstruction and preparatory site work, but the installation of the main structure and canopy took only eight days in August 2007.

The project was completed in December 2007. The final product pleased architect Rob Pfaffmann. "The beautiful aspect is that even if you're not into archaeology, the

design interprets the site so well." Asked if he was concerned that Mother Nature might someday shrug the entire structure down the hill into Cross Creek, Pfaffmann laughed and replied, "That would be OK too. That would fit with the native tribes' view of the land, you know, that the land is only temporary, to be used not owned."

Pfaffmann was also pleased with how the team of players dealt with the challenges of the project. "There were a lot of difficult days on this job. I can't say enough about Joe Zielonka's problem solving and attitude. He is a real craftsman."

Gateway Engineers' Tom Turner would agree. "Busse was amazing to work with. They really were like the old master builder. They just kept working the problems until they were solved." BGS

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Massery Photography

Photography is an art. Regardless of its subject, the composition of a photograph is the result of the artist's eye, seeing in advance how light will compliment or contrast the object of the camera.

Ed Massery's work is artistic, but his approach to architectural photography belies both a sharp aesthetic sense and an engineer's meticulous attention to technical structure and detail. "My job is to make a photograph of a building, inside or outside, maybe without the best lighting or environmental conditions to begin with, and come up with a game plan to recreate that three-dimensional space in the two dimensions of a photograph," he explains. "I love the challenge of photographing buildings, objects that can be studied and evaluated under a variety of changing circumstances, where I can decide upon the right conditions to photograph, or create them."

Listening to Ed Massery talk about his craft, you hear much more about preparation, study and planning than about art. In fact, Massery's interest in photography grew from his first love, aviation. Growing up near Intercounty Airport, a small municipal grass airport between McKeesport and Irwin, Massery's first subjects were the small Piper Cubs and Cessna's that came in and out of Intercounty.

The urge to fly naturally led Massery to US Air Force pilot training, but it took very little time for him to realize that the grind of military life dissipated the thrill of flying. Instead, Massery shifted direction, earning a degree in mechanical engineering at Penn State in 1985.



Ed Massery

After graduation from Penn State, Massery worked for a local manufacturing firm, but in 1988 began following his growing interest in photography in his spare time. His first commercial client was a cemetery management company, for whom Massery photographed mausoleums & cemeteries. During the next two years, he taught himself architectural photography, approaching the practice systematically. "My engi-



The main lobby balcony of Heinz Hall, after its restoration. Photo by Ed Massery

neering discipline taught me how to solve problems," explains Massery. "I approached photography that way, researching what I didn't know as I went along."

In 1990, Massery left mechanical engineering as a profession and began Massery Photography Inc. With an office in Mt. Lebanon, Massery operates in the 600-mile-radius surrounding Pittsburgh, photographing projects in Chicago, New York, Boston, and Washington, DC, along with his primary market of Western PA.

One of the distinguishing aspects of Massery's approach to architectural photography is his comfort with the role as 'amplifier' of the architect's design solution and the client's vision. "My gratification comes from understand-



The newly built WPXI facility blends into its Ivory Avenue neighborhood. Photo by Ed Massery.

ing the architect's vision and making the building come alive within it," he says. "I try to make the lighting and composition take the building up another notch— to tell the story of the space, not just in an accurate way, but to create a higher truth that attempts to recreate what it actually feels like to be in the space."

Massery acknowledges that the job isn't always easy. "Some jobs are tough because of realities outside the scope of the architects' vision — budgetary constraints, facilities management guidelines that haven't been followed to spec, seasonal impacts on landscaping completion, the day-to-day requirements in spaces built for office operations, and so forth," he notes. "There is also difficulty in transferring the 'stereo' image of three dimensions—the perspective advantage of seeing with two eyes—into the 'mono' image of 2-D."

To solve these problems Ed Massery goes to great lengths to study his subjects, often 'staking out' a building through various times of the day, and varying types of weather, to arrive at what he thinks presents the building in its most alive state. "Buildings are like people; some don't photograph well in the morning," he laughs.

The result of this preparation is a plan for photographing the building at a particular time of day, from a very specific vantage point, or series of vantage points. Beyond 'casing the joint,' Massery has learned to get a lot of information from project documents. "If I can't get into the building, and sometimes the owners are restrictive about that, I'll study the site plans, and look at the topographical drawings," he explains. "I know from 18 years of doing this what questions to ask to find out what I need to develop the best plan — and who I need to get on board with the project to assure that it comes off as smoothly as possible." The best method is still studying the building and site, however, and Massery can be dogged in getting what he needs. "I photographed a

sports facility in the New Jersey area, and saw that it needed long shots," he remembers. "We scouted the adjacent properties for the best building to work from, but couldn't get permission from any of those building owners." Massery recalls his solution: "I had to let myself in and out of the buildings anyway — professionally of course — to get what turned out to be the winning shots."

No matter how thorough the plan, however, photographers still end up with shots that can be troubled by inconsistent light, reflections in glass that distract the eye, or grass that hasn't grown in yet.

Ed Massery's solution for overcoming these kinds of challenges was to form a partnership with Tom Underiner, and his digital reproduction business Pixel River, essentially bringing these capabilities "in house" to produce his finished photos. "Tom can do things with light in post-production that allow me to shoot more during a day," notes Massery. He is a master at making pixels behave like light. Tom and I have a long history of working together, and we're able to anticipate each other's capabilities to an uncanny extent. Most days it's as if we're looking at an image through the same pair of eyes."

This value-added digital facility can salvage a great photo with a minor lighting flaw or an unwanted object, or achieve an extraordinary photograph from separate elements that never actually existed together in the first place. The capability can also get out of hand. Massery acknowledges the temptation to get carried away with the enhancements, but says, "Tom has a good eye, and we keep each other in check, so that the effects we come up with serve only to heighten reality, not replace it."

Like most professions, architectural photography has seen a shift towards commoditization over the past decade or so. Competition has increased from photographers from other agencies, and commercial photographers who specialize in other disciplines. Massery Photography combats price competition by working to keep its focus, and the client's, on the prize: putting the project's best foot forward.

Ed Massery likes to point out that this kind of value often counts most at the other extreme of the architectural spectrum. "Most buildings aren't going to be architectural marvels," he points out. "Good photography is a lot more important to the average project. Shooting them in the right light, at the right time of day, helps my client — whether it's the building's architect, one of its contractors, the developer or owner of the property — show the building at its best, recreating the feeling of being there on a really, really good day." 

Legal Perspective

One Call and Bilt-Rite: Can they be Reconciled?

By Eric Kimbel

On November 7, 2007, the Pennsylvania Superior Court issued a decision limiting the scope of Bilt-Rite claims in the context of the One Call Act. In *Excavation Technologies, Inc. v. Columbia Gas Co. of PA*, the Superior Court, en banc with one dissent, held that the economic loss doctrine, the One Call Act and the purposes of the Act prevented recovery on a Bilt-Rite claim for negligent misrepresentation against Columbia Gas as a facility owner for failing to adequately mark its lines pursuant to One Call. The Court held that plaintiff, Excavation Technologies, Inc. ("ETI"), could not recover damages for cost overruns and downtime under a Bilt-Rite theory based upon Columbia Gas' failure to mark its lines.

Less than one year earlier, however, the Commonwealth Court issued a decision finding that the Latrobe Municipal Authority ("Authority") could be liable as a facility owner to a project owner, LeNature's, under a theory of negligence when the Authority failed to mark its sewer lines in accordance with One Call. (*LeNature's Inc. v. Latrobe Municipal Auth. and City of Latrobe*.) However, the Court also held that because LeNature's had not alleged that the Authority's sewer lines were a "dangerous instrumentality," LeNature's could not recover against the Authority as it is immune from such liability under the Political Subdivision Tort Claims Act.

There is a real conflict in these two interpretations of the One Call Act, and the impact of Bilt-Rite on such claims. Columbia Gas stands for the proposition that a facility owner cannot be held liable in negligence under a Bilt-Rite theory for failure to adequately mark its lines and that there is no private cause of action for negligence under One Call. LeNature's stands for the proposition that a facility owner can be held liable in negligence and that there is a private cause of action for negligence under One Call, but there was no recovery because of governmental immunity. The inconsistencies underscore the need for caution, knowledge and counsel when asserting or defending a claim in these areas.

ETI was engaged to perform excavation for a waterline extension project in North Bethlehem Township. ETI notified One Call who in turn notified Columbia Gas of the excavation activity. Columbia Gas marked the project area, but, according to ETI, failed to accurately mark some of its lines and did not mark other of its lines. ETI

allegedly struck Columbia Gas' lines 11 separate times due to the inadequate or non-existent markings and incurred cost overruns and downtime. ETI filed suit in the Court of Common Pleas of Washington County asserting a claim for damages based upon a Bilt-Rite theory of negligent misrepresentation and a claim for breach of contract. The trial court dismissed both counts, and ETI appealed only the dismissal of the Bilt-Rite claim.

The Superior Court affirmed the dismissal of ETI's action, reasoning that unlike the architect in Bilt-Rite, Columbia Gas was not supplying information for pecuniary gain and had no contractual relationship with the parties to the project. The Court explained, "consequently we find that Columbia Gas does not provide information for pecuniary gain or engage in a commercial transaction when it responds under the One Call Act." ETI's claim did not fit into the Bilt-Rite exception to the economic loss rule, which barred recovery by ETI.

The economic loss rule states that "no cause of action exists for negligence that results solely in economic damages unaccompanied by physical injury or property damage." The majority in *Columbia Gas* explained the application of the rule as follows: "without physical harm to either the person or the property of the plaintiff, i.e. some physical impact, the plaintiff does not recover for a defendant's negligence." Bilt-Rite provides an exception to long-standing economic loss rule.

The Court also cited two public policy reasons embodied in One Call for dismissal of ETI's claim. First, the Act does not provide a private cause of action for negligence. The Court explained that the legislature had determined that a private negligence action under the Act was not in the public interest, stating, "unlike the Illinois and Florida statutes, the Pennsylvania One Call Act does not provide for a private cause of action for negligence." Second, the Court then explained that the damages suffered by ETI were not the type the Act seeks to prevent. Instead, the Act seeks to "protect against the potential types of harm immediately occasioned by a breach of underground lines, i.e., disruption of service to the public and physical harm ... as well as property damage"

The *Columbia Gas* court did not include in its decision any mention of LeNature's and did not try to reconcile the conflict which exists between the two. It must be noted, however, that the Commonwealth Court and the Superior Court are not bound by each other's decisions. In *LeNature's*, the Commonwealth Court held that a facility owner could be liable to a project owner for negligence in failing to mark its lines. LeNature's engaged TEDCO as general contractor to install

improvements at its facility in Latrobe. TEDCO notified One Call on July 16, 2003 of the forthcoming drilling and excavation. Despite notification through One Call, the Authority and the City of Latrobe never responded. The drilling subcontractor, Shelly Drilling Company, struck and damaged the Authority's sewer lines when drilling on October 3, 2003. LeNature's paid for the repairs to the sewer lines and other damages. LeNature's then filed suit against the Authority and the City asserting that the failure to mark the lines was negligent and a breach of implied contract.

The trial court dismissed the complaint finding that LeNature's, as a project owner, was not one of the entities which is protected by One Call and further held that the Authority and City could not be held liable because of the immunity provided by the Tort Claims Act.

On appeal, the Commonwealth Court examined the One Call Act to determine that facility owners have a duty to respond to all One Call notices received from a contractor or subcontractor within two working days of the notice. The Court further held that facility owners do owe a duty to owners under Act, stating, "by expressly providing for 'any other person' covered by the Act besides a contractor, the Act obviously was not intended to be limited to protecting only contractors and designers but also was intended to cover the other party necessarily involved in the excavation or demolition work associated with the project, the owner." The Court further explained, "LeNature's was an intended beneficiary of the One Call statute as the owner, i.e. the person who engaged the contractor. Thus, a review of the One Call statute reveals that the 'owner' is a person covered under this Act."

The Columbia Gas decision may or may not be the last word on ETI's claim. ETI filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court on December 5, 2007. The Supreme Court had not ruled as to whether or not it will hear the appeal at the time of this publication. The Court did, however, decline to hear LeNature's appeal on December 6, 2007.

The actions of the courts have left uncertain the application of the Bilt-Rite case to the ability to pursue private causes of action for negligence under the One Call Act. Based upon the current state of the law, Columbia Gas certainly limits the ability to pursue a Bilt-Rite claim based upon flawed One Call information that is provided without pecuniary gain; LeNature's, however, seemed to allow a claim under the same circumstances, except for the governmental immunity. Whatever the reasons for the split in authority, it is safe to say that the current state of the law is unclear at best and the Pennsylvania Supreme Court could clarify this area by accepting the appeal of Columbia Gas. **BG**

Eric Kimbel is an attorney in the construction practice of Cohen Seglias Pallas Greenhall & Furman PC in their Pittsburgh and Morgantown offices.

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Financial Perspective

Should My Corporation Be Filing Taxes as an "S" Corporation?

By Matt Costigan and Richard Spence

The underlying goal of all for-profit businesses, regardless of what mission motivates them, is to make a profit. Reaching that goal creates the need for clear tax planning strategies, which are by nature meant to be tax-limiting strategies. Choosing how your new or existing corporate structure is treated for income tax purposes is an important decision, and one that can have an enormous impact on the portion of the business's profit you get to keep.

The Subchapter S corporation designation allows an eligible corporation to get the advantages of the corporate structure, but with the principal advantage that partnerships or sole proprietors enjoy, that of passing the income or profits from the business straight through to the shareholders without two levels of taxation.

This article outlines the principal advantages and disadvantages of an "S" corporation relative to a regular "C" corporation. Depending on the particular circumstances surrounding your business, some of the factors will be more important than others.

Advantages to "S" Status

- The S corporation will generally not be subject to corporate-level federal or state income taxes. Rather, the corporate income, deductions, gains, losses and credits will flow through to be taxed on the individual returns of the shareholders. The fact that corporate losses can be claimed on the shareholders' individual returns (subject to certain basis, at-risk and passive loss limitations) may be a significant S corporation advantage.
- Because S corporation earnings flow through to be taxed on the individual returns of the shareholders, a second level of tax is not imposed when the earnings are actually distributed in cash. In a regular corporation, the earnings are first taxed at the corporate level, then again at the individual level upon distribution.
- S Corporation liquidating distributions are also generally subject to one level of tax. Over the long term, a significant amount of asset appreciation may build up within the corporation. Upon an asset sale or other disposition, "S" status may provide the shareholders with significantly more after-tax proceeds. In an S corporation, the asset sale gain will flow through

	C-Corporation	S-Corporation
Total taxable income	1,000,000	1,000,000
Corporate Level Tax (combined federal and state)	(400,000)	N/A
Individual Level Tax (combined federal and state)	N/A	(380,000)
Total Tax	(400,000)	(380,000)
S-Corporation Tax Savings in year income is earned		20,000
Remaining after tax cash ultimately distributed	600,000	620,000
Tax on distribution (capital gain combined federal and state)	(108,000)	0
Ultimate after tax cash to shareholder	492,000	620,000
Overall effective tax rate	-50.8%	-38.0%

to be taxed on the individual returns of the shareholders. No taxes are imposed on the distribution of proceeds by the corporation to the shareholders. In a regular corporation, again, asset sale gain will be taxed first at the corporate level, then again at the individual level upon distribution.

- The S corporation is also not subject to the corporate Alternative Minimum Tax (AMT), although corporate preference and adjustment items that flow through to the shareholders may affect their individual AMT liability.
- The S corporation is not subject to the so-called "accumulated earnings" tax, which is generally applied against the excess undistributed earnings of a regular corporation.
- The S corporation may own 100% of another S corporation, whereas a regular corporation is not permitted to be an S corporation shareholder.
- S corporations may generally avoid the reasonable compensation issues that trouble many regular corporations.
- Capital gains recognized by an S corporation flow through to be taxed at the preferential individual capital gain rates. Capital gains recognized by a regular corporation are taxed at the regular corporate rates. In addition, S corporation capital losses can offset up to \$3,000 of shareholder ordinary income.
- Charitable contributions of S corporations flow through and are subject to the individual income limitations, which may be as high as 50% of adjusted gross income. Charitable contributions of regular corporations are limited to 10% of corporate taxable income.
- Interest expense on debt incurred to acquire S corporation stock is generally fully deductible as trade or business interest. Interest expense on debt incurred to acquire regular corporation stock is treated as investment interest, deductible only to the extent of investment income.

What's the Real Advantage?


Generally speaking, the 'C' corporation is needed for complicated ownership structures, involving great numbers of shareholders or shareholders that are corporate entities themselves. C corporations also allow for the transition of ownership over a long period of time, particularly when there are no issues of passing the business ownership down to family or chosen individuals.

The price for that insulation from individual liability is that the corporation is treated as a tax liable entity, requiring that the business income be taxed first at the corporate level. Owners who receive distributions of the company's income are then taxed individually on those distributions. The result is that every dollar of profit is taxed twice.

A simple example of the potential difference is shown on the table below. The income, or profit, passes straight through to the owners' personal tax return in the S corporation, while the C corporation owners see the personal tax on what remains after the corporate tax is levied. If there were but a few owners of the business shown in the example, the impact would be painful.

Disadvantages to "S" Status

- The S corporation cannot have more than 100 shareholders, although a husband and wife and all lineal members of a family are treated as one shareholder for purposes of this count.
- Corporations, partnerships, limited liability companies, nonresident aliens and most trusts are not permitted to be S corporation shareholders. However, special Qualified Subchapter Trusts (QSSTs) and Electing Small Business Trusts (ESBTs) are permitted to be S corporation shareholders. In addition, estates and certain grantor trusts are permitted to be S corporation shareholders for a limited period.
- The S corporation may only have one class of stock. This limitation will prevent the S corporation from allocating income, deductions, gains, losses, credits and distributions in a manner other than in accordance with the shareholder's ownership interests in the corporation. It is important to note S Corporations are allowed to have voting and nonvoting stock.
- Employees of an S corporation with more than a 2% ownership interest are generally not eligible to participate in tax-favored employee benefit programs. In addition, health insurance premiums paid by the corporation on behalf of more than 2% shareholders must be reported as wages to the employee-shareholders. However, the shareholders are entitled to a self-employed health insurance deduction on their personal returns equal to 100% of the premium amount.
- The S corporation must generally operate on the calendar year, whereas a regular corporation may select any fiscal period. An S corporation may elect a year other than a calendar year (September, October or November) so long as a certain cash deposit is maintained with the IRS.




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- If a regular corporation converts to "S" status, certain taxes may be imposed. If the corporation maintains its inventory on the LIFO method, the LIFO reserve balance must be recaptured upon conversion to "S" status.
- A corporation with accumulated earnings and profits may ultimately lose its S election if it realizes a certain level of passive investment income over a three year period.
- A corporation that converts to "S" status will be subject to a corporate level built-in gains tax on the gain inherent in an asset that was on hand at the conversion date and sold with ten years of conversion.

Mechanics and Timing of the S Election

The S election is made by filing Form 2553. All shareholders must consent to the election. Pennsylvania does not require a separate state "S" election, although some states do.

The deadline for filing the election form differs depending on whether the corporation is converting from regular status, or is newly-formed. A regular corporation converting to S status may file an election during the year preceding the first tax year for which the S election is to be effective, or on or before the 15th day of the third month of the initial S corporation year. A newly formed corporation must file the election on or before the 15th day of the third month of its initial tax year.

If you haven't examined the reasoning behind your business's tax identity in a while, the exercise would be worthwhile. From year to year the changes in how your business operates, and in its complexity may be small, but the cumulative changes over a decade or more can be dramatic. It's best to routinely have your financial and legal advisors ask the appropriate questions to assess that you're tax filing status matches the best interest of your ownership. 

Matt Costigan is a tax supervisor for Hill Barth & King. Dick Spence, CPA CVA CCIFP, is the partner in charge of the construction practice of Hill Barth & King, located in the Wexford office.

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Management Perspective

Hiring a Client for Fun and Profit

One of the reasons that the real estate and construction industry is appealing is that the collaborative nature of the business offers many more opportunities for developing great relationships than a lot of industries. On any given project, most companies end up with as many non-contractual 'customers' as the ones they have contracts with. For example, a subcontractor works for the general, but also has to think of the building owner as his client. Even the architect or engineer behaves like a customer to the subcontractor, or at least the sub should keep them happy.

The changing landscape of delivery systems puts architects and contractors increasingly in the position of teaming up for design/build projects. In most cases, the selection of the team precedes the submission of proposals to the project owner, so different criteria come into play.

"The way we do it is to look at the requirements of the owner first, and try to figure what will make us successful in responding to the proposal, rather than choosing someone we're comfortable working with," explains John Sebastian, Senior Vice President at Dick Corp. Dick Corp. has performed a number of design/build projects throughout the western hemisphere, and has plenty of experience responding to RFP's. "Most RFP's have very specific requirements, so we try to match those to the designer's skills and experience. After that's done, we might look at who we have had previous experience working on the same team."

That may sound like a common sense approach, but more often than not contractors and architects team up based on comfort and history, willing to overlook areas that will be shortcomings for a specific proposal.

Because there are so many crossbred relationships in this business, there are a lot more potential conflicts of interest when it's your turn to hire a professional.

If you only do **ONE** thing
right, let it be
this: don't lie to anyone
about the job.
The other sacred
'do' is, **DO** expect
someone to be
unhappy when you
don't choose him.

Not sure what I mean? Let's say you own a nice commercial door distributorship. You've grown the business over a couple of decades by providing great service to the subcontractors you sell to, and the generals who hire them, and you, directly sometimes. You do a lot of business with the many building owners and property managers in the region, and you've always tried to cultivate the architects to keep your lines mentioned prominently in the Division 8 specifications. You've done such a great job that you've outgrown your building. So, who are you going to hire to design and build the building?

There are a lot of ways to skin the cat on this one, and a few simple 'do's' to doing it right. If you only do one thing right, let it be this: don't lie to anyone about the job. The other

sacred 'do' is, do expect someone to be unhappy when you don't choose him.

One of the classic blunders in building your own project is believing you can keep it quiet from everybody you don't want to know about it. First, this is still America's biggest small town; it won't work. Even if you could manage to keep the customers in the dark, that you'd like to keep in the dark, most will eventually come to your new place of business (your marketing staff will probably

invite them to the open house, for crying out loud). Even your worst customers will probably notice you've moved, and you'll still have some explaining to do.

An example of the right way to approach this kind of problem was the new Scalise Industries office in Lawrence, PA. Scalise is a mechanical and electrical subcontractor, with relationships with a number of general contractors. To keep the peace, Mark Scalise chose the handful of contractors that he did the most business with, and invited them to bid on the project. On bid day, the bids were opened in front of all the contractors, and Scalise worked with the low bidder to get to the price and scope he wanted.

The key was that Scalise avoided the temptation to open the bids privately and then use the low number to hand the job to someone else. Aside from being unethical, that practice usually gets exposed.

For the most part, the reasons your customers buy from you or hire you won't change just because you select a competitor to design or build your project. Keeping communication open and honest will minimize the hurt feelings. If you want to give the work to Architect Smith because he always specs your product or Jones the Contractor because he takes you golfing at Oakmont every year, then tell their competitors that.

An interesting strategy is to select a company that isn't working with you, but that you'd like to work with in the future. An engineering company in Western PA used that strategy when hiring an architect for their building. Figuring that they would only make one customer happy by choosing from among their clients, they picked a non-client firm they had been targeting for business. The architect was more than qualified, and the engineer stood to add another customer.

In January, the Master Builders' Association found itself in the position of having to hire an architect to design the renovation of the building it bought for the association's new offices. The MBA has a staff, but the hiring decision was to be done by the board of directors, an entity made up of Executive Director Jack Ramage, and thirteen owners or executives of general contractor members.

Most of the board regularly find themselves on the proposing side of the table, across from the architect. For their association's project, they sought to set an example of how they felt a qualifications-based selection should go. The first step in that process was to select a group of potential architects based on qualifications, rather than friendships. "The board threw out a lot of names, firms

that members felt had done good jobs with them in the past," relates Jack Ramage. "Everyone was encouraged to share any valid concerns or experiences. Some of the names stuck, some didn't".

What stuck was a short list of five firms. The next step produced the first bit of controversy. The MBA wanted the shortlisted firms to do a conceptual drawing or sketch to illustrate the architect's ideas. To respect the firms' time, the board decided to pay a \$1,500 stipend. One of the firms balked at the idea.


"I don't think anyone minded getting \$1,500, but one architect was concerned that we were going to share ideas with the lowest bidder," Ramage laughed. "Of course, that's one of my guys biggest gripes, that they are asked to provide VE ideas that get shared with everyone else. To make everyone comfortable, I assured the firms in writing that there would be no sharing of ideas."

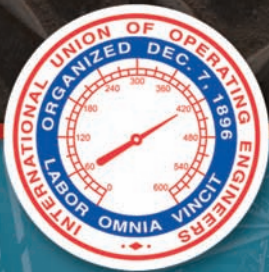
The interview process ended up being simpler than expected. While no firm was the first choice of every board member, the directors came to a consensus fairly easily.

"In the presentations, Rothschild Doyno just seemed to match the expectations we had," explains Ramage. "We couldn't really put into words what we wanted, but they did. All of the firms had good ideas, but when Rothschild Doyno told us what they thought we wanted to do with this project, our response was 'yeah, that's it!'" Staying true to the mission of choosing by qualification, the MBA selected the firm that was the best fit, not necessarily the lowest in fee.

Dan Rothschild was pleased to hear that his firm was considered a good fit. "We're often asked by a client to recommend contractors, and we always say it's about fit, matching the client's brand with the unique qualities of the contractors."

"I was somewhat surprised that our board chose Rothschild, because I thought he had the most non-traditional approach to the job," says Jack Ramage. "Our otherwise traditional board wanted to use the project to demonstrate leadership in the business."

How does a group of general contractors decide who gets to build the group's offices? "We asked the board members which ones wanted to do the job," remembers Ramage. "Only one guy, John Busse, raised his hand. Everyone else was fine with that-Busse's been doing office fit-outs for decades-so he's doing the work. How's that for qualifications-based selections?!" 



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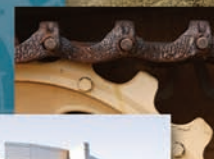
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Trend to Watch



What's Westinghouse Doing to the North Hills?

Scarcely has a government leader announced the landing of a new employer or the retaining of an existing business without minimizing the concessions that were made and maximizing the potential upside. Politicians remind us of the jobs saved, and trumpet the number of potential new jobs, if the planned expansion takes place.

Perhaps the cynicism that surrounds even a big announcement like the Westinghouse Nuclear deal in Cranberry Woods is the reason that there hasn't been much follow up by our local media. It may be that they are waiting for the facility to get closer to opening, or that they expect the secondary wave to follow more slowly.

If that's the case, they clearly haven't spoke to any of the local brokers.

Patrick Sentner is one of the principals at NAI Pittsburgh. He feels the Westinghouse deal changed the market overnight. "Within a few days of the announcement we were getting calls already from businesses who serve Westinghouse, trying to get ahead of the move." Sentner recalls, "I had been trying to put two tenants together into about 13,000 square feet of extra space in one of our client's buildings for about six months, and inside one month I could have put five companies in the whole space."

One of the attractive aspects of the Cranberry Woods deal was that it was a convenient commute for those long-time employees with houses in the Monroeville area. While nobody wants to have an extra half-hour added to their commute, the travel was not as punitive as it could have been. Many observers reasoned that the housing impact wouldn't be all that significant until Westinghouse started bringing in those new hires after the buildings opened in 2009. The observers may have been wrong.

While the region's new housing dropped about 7% last year (after an 11% drop in 2006), several homebuilders in southern Butler County had better years than before. The reason: Westinghouse employees were looking to move. It appears that the Westinghouse move turned into a good excuse for many of its employees to make a change they were already thinking about.

If the employees and businesses that will follow Westinghouse aren't waiting until the move, there will be increased pressure on an area that is already tight for space.

"We track 6.8 million square feet in the Cranberry area, including Tri-County Park in Beaver and Thornhill in Marshall," notes Rich Gasperini, an industrial broker for CB-Richard Ellis. "The vacancy rate for flex office, warehouse and industrial space is 5.7%, and that includes an entire building in Buncher's park (Tri-County) because U. S. Foods closed down." Removing that recently vacated space from the equation leaves an occupancy rate of 97% in the greater Cranberry market.

Competitive Office Space Cranberry Market Vacancy Trend

(excludes owner occupied)

	As of Dec '05	As of Dec '06	As of Dec '07
Available sq. ft.	549,434	257,081	224,725
Total inventory	1,597,582	1,597,582	1,877,017
Vacancy rate	34%	16%	12%
Net absorption 2005-2007			644,113

Source: Grubb and Ellis

Peter Licastro, a vice-president with Grubb & Ellis who specializes in offices, thinks the announcement was more a tightening of the noose. "It had already been tight in Cranberry, and the announcement was icing on the cake," he says. Licastro already sees a problem with office flex space availability. "I had a client looking for seven or eight thousand square feet, and there were only two options in the area. The client probably thinks we're not doing our job but that kind of space just isn't there now."

Another interesting twist is the fact that the Westinghouse deal has also created other deals for related Westinghouse businesses. Two other divisions have signed deals for 63,000 and 92,000 square feet in new space at Cranberry Business Park and 800 Cranberry Woods respectively. The tenant improvement work is being handled now, effectively filling up two more buildings. Asked if he could remember the last time there was a 155,000 square foot office deal in Cranberry, Pat Sentner could only respond, "No."

It's important to remember that the market being discussed here is the office and industrial space, which doesn't include the high profile projects that have already been announced along Route 228 or Rochester Road. Those projects, like the Simon mall or Lauth Development's Summit, or Don Rodgers' Park Place, are really aimed at serving the future Westinghouse employees by building mixed-use town centers with retail and alternative housing. That's not to minimize how hot the demand for retail has become in Cranberry, even in a dead national retail market, but the real long-term problem appears to be in the business to business space.

Rich Gasperini sees a supply and demand imbalance already. "There's very little supply and way too much demand for flex and industrial space," he explains. "If new product doesn't come along soon I expect to see people start to look elsewhere for space."

Cranberry Township's manager, Jerry Andree, has noted a difference in activity since the Westinghouse announcement, although it's hardly been a land rush. "We've seen an intensification of interest, particularly from higher end products, offices or high tech buildings." Andree also feels a change in the developers' tone. "We've always had a certain number of developers coming in, just bouncing things off the planning staff," he observed. "The developers are demonstrating resolve to get the deal done now. Instead of talking, they are securing the land first, hiring architects and engineers before they approach us."


Higher resolve on the part of the developer won't create more of what is needed in Cranberry, more available non-retail land. Cranberry Township is trying to take a lead in dealing with the problem applying form based zoning and codes to increase the potential land uses. Form based zoning emphasizes uniformity in a building's physical form and characteristics, with less regard to typical zoning concerns of density and land use.

"It creates an opportunity for better aesthetics for the community, at the same time giving the developer more flexibility," explains Jerry Andree. "It's being used in the eastern part of the state much more. Form based codes don't relax requirements. They'll still be stringent here, but they give more flexibility." For example, developers may be able to use land, which had unrealistic setbacks for retail, for office space by designing the exterior in a more residential scale, or by providing more green space in exchange for more vertical space.

Cranberry is scrambling to develop the codes and apply them as overlay districts, but in the meantime the shortage of sites may be getting ahead of any curative measures. In fact, there is anecdotal evidence that the buyers of space may already be approaching Westinghouse as something more than a Cranberry phenomenon.

Cranberry Township Supervisor, John Skorupan, has already heard rumblings from the Seneca Valley School Board. "It's still early but I think they are feeling a little concern because they are hearing that most of the people moving into the area are going to Pine Richland or North Allegheny neighborhoods," Skorupan related. "The Seneca board was the one that had to approve the TIF, and they don't want to give up the taxes, and watch the other districts get all the people."

Even if Seneca Valley's concern is justified, the long-term impact on the area will be great enough that every surrounding school district will feel the pinch. For commercial space, the fallout is likely to goose up demand in any area within fifteen minutes of Cranberry Woods.

Pete Licastro reports that he is already trying to turn the lemons of the tight market into lemonade. "We're representing Don Cella's Stone Quarry Crossing on I-279. Out pitch is that it's a great alternative to the crowds, and a better value." The building is located about ten minutes south of Cranberry. Licastro smiled, "We're only 12 minutes to downtown!" 

Best Practice



There's No Business Like Repeat Business

By Jon O'Brien

Depending on which economist you hear from, our economy may be teetering on the edge of a recession. Design and construction firms have been known to scramble to increase their backlog before bad times hit and many firms are responding to RFPs and/or meeting with potential clients that they may have not worked with in the past. They might even be meeting with your client.

While attracting new clients will be part of every business' plan for an economic slowdown, the most important clients will be the ones your business is currently serving. The process of winning a new customer is expensive, taking time on both sides of the table before the change is made, and in adjusting to the new relationship after the work begins. Familiarity may breed contempt, but it also adds to the bottom line. Over the course of a few projects, expectations become clearer, processes are streamlined and less time and money is wasted getting to know each other.

The motivation to perform well for your current customers is strong, but the buyers may view a tightening market as an opportunity to trim a few more dollars themselves.

For the most part, hanging on to a client was historically not much of a concern to Pittsburgh's architectural

community, but then sometime around the mid-1990s something happened: "I blame it on Wal-Mart," jokes Chip Desmone, Principal, Desmone & Associates Architects. "Wal-Mart created a culture in America that believes everything is a commodity, including professional services. While this commoditization has hurt local architects, we've been able to create a culture that focuses on repeat clients."

**"Wal-Mart created
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in America
that BELIEVES
EVERYTHING IS
A COMMODITY,
including
professional
services."**

During these competitive times, the design community finds themselves alongside the entire construction industry focusing on retaining its clients. Some local firms have created policies, both formally and informally, that focus on repeat business.

At Civil Environmental Consultants, they created a culture of repeat business from day one, nineteen years ago when the firm had four employees to today when CEC now has over 400 people employed. According to Gregory Quatchak, CEC Senior VP and one of the original four, seventy to seventy-five percent of their business is from repeat clients. This fact is not something CEC takes for granted. "We created a model to create future leaders within CEC. The model, DM²L

stands for Do, Manage, Market, Lead. When we hire someone we expect him or her to Do the work and work towards Managing the process. As employees proceed through this process we keep an eye on future leaders and direct them to Market themselves and the firm through presentations and public recognition. These three items will result in a Leader to emerge," said Quatchak.

Along with producing leaders, CEC also believes that getting to know their clients is a tremendous reason for repeat business. "CEC is a member of numerous associations, like the Master Builders' Association and the Construction Legislative Council. We encourage our future leaders to get involved with the associations to understand what issues are facing our clients," said Quatchak.

In the design and construction industry, firm principals must rely on their leaders to represent their company name and to understand the client. At Desmone, the firm may not have a formal policy or a model for its employees to learn, but understanding the client is of the utmost importance. "My dad and I try to lead by example with our employees, although we do have two rules we expect everyone to abide by: Rule 1, the client is always right; and Rule 2, when the client is wrong see Rule 1. When meeting with clients, our employees see how we interact with the clients, placing their needs above everything else," said Chip Desmone. "The culture here is: client-service, not self-service."

Building and maintaining strong relationships is paramount to client loyalty. This cannot happen unless the entire staff buys into it, whether it's an engineering firm, an architectural firm or a construction company. A loyal client base helps keep the bottom line healthy today, and can also be the source of a good reference in the future.

Zambrano Corp has developed an informal process during the interview process that focuses on the applicant. In this market, everyone knows each other and a phone call can be made to ensure an applicant is qualified to fill the position they are seeking. "During the interview, I want to get to know the applicant on a personal level. I need to know if his or her philosophy is comparable and can coexist with the philosophy of Zambrano," said Rob Sklarsky, Vice President, Zambrano Corporation. "Yes, we build buildings, but we also build relationships. Relationships depend on trust and result in repeat clients."


While every firm is responsible for retaining its clients and getting its own repeat business, Joe Tavella of Massaro Corporation believes that collaboration of the designer, the contractor and owner can help each other. "It's been my experience that the best way to improve a relationship with an owner is to involve them early in the process and have them know what's going on from day one of the

project. The worst thing that can happen on a construction project is for the owner to select an architect and a contractor but then neither talks to the other during the pre-construction phase. Then the owner is called in and is bombarded with a laundry list of value engineering items. At that point the owner might think he is receiving an inferior building." By including the owner, they feel part of the process and each entity can live with the design.

When it comes to focusing on repeat business, internal policy and collaboration are two keys. Also important is your performance, or as Scott Keener of Eckles Architecture puts it: "The best marketing for repeat business is to do a good job." Eckles works primarily in the public school arena, once a bastion of loyalty but now subject to the whims of local politics. Architectural firms are often victims of a 'throw the baby out with the bath water' battle between rival school board factions. The only defense that a professional can mount to protect itself is to have unassailable performance.

One overlooked strategy that is especially valuable in a market where your client's door is being knocked on regularly by competitors, is to remind the client how valuable the relationship is to both sides. More than just not taking a customer for granted, the process of reminding your client of the value of your relationship focuses on quantifying those benefits you presented to get the work in the first place, and reinforcing how disruptive change can be. If your client relationship is as strong as you think it is, he's looking for ammunition to convince his boss that yours is one service that doesn't need to be shopped.

Of course, the urge to shop is what puts you in peril with a repeat customer in the first place (assuming you haven't performed badly). The natural prejudice that businesses swoop in low to get work and then jack prices up later, can't always be overcome, but keeping a close eye on the market, and staying competitive ahead of it, will give your customer a reason not to look elsewhere.

In the end, business cycles go up and down every decade, and markets will get more and less competitive with the changes. Successfully keeping clients over the long haul will depend upon business strategies that defend the client's business, even when no one else is trying to take it away. 

AWARDS & CONTRACTS

TEDCO Construction was awarded the Carnegie Hall Alumni Center at Grove City College. The \$6 million project involves a 6,000 square foot addition and approximately 12,500 square feet of renovations. **IKM Inc.** is the architect.

TEDCO was the successful contractor for the University of Pittsburgh's Space Research and Coordination Center project. **DRS Architects** is the architect. McKesson Automated selected **TEDCO** to renovate approximately 9,000 square feet of offices in their 700 Waterfront Drive facility.

Mosites Construction has started construction of the new Walgreen's store in East Liberty. The \$1.2 million, 14,550 square foot store is being developed by **Paradise Group. Cole + Russell Architects** is the architect. **Mosites Construction** was also awarded a contract by Robert Morris University for renovations to the library cooling tower.

Rycon Construction is the successful contractor for the Mt. Nebo Family Practice tenant improvements for the University of Pittsburgh Medical Center at Mt. Nebo Pointe in Ohio Township. **Radelet McCarthy Architects** designed the \$400,000 renovation.

Duquesne University selected **Rycon Construction** for the renovations to the second floor of the Duquesne Union. The \$1.8 million project involves 18,900 square feet of renovations for student services and retail space. The architect is **dggp Architecture**.

Rycon Construction was awarded a contract for renovations to the Kohl's store in Cranberry Commons. The \$1.6 million project involves 86,000 square feet of renovations to the existing Kohl's. **Casco** from St. Louis is the architect. **Rycon** is also the general contractor for the construction of the new 88,000 square foot Kohl's at the Richland Mall in Richland Township.

Rycon Construction is renovating 35,878 square feet at RIDC Park West for additional space for Dick's Sporting Goods. **McCormick Architects + Planners** are the architect.

Nello Construction was awarded a \$41,807,000 contract for General Construction of the Additions and Alterations to the Chambersburg Area Senior High School. **Crabtree Rohrbach & Associates** is the architect for the \$60 million overall project.

P. J. Dick has been selected as the Construction Manager for the Washington Park Condominium Residence located in the Mt. Lebanon area of Pittsburgh. The architect on this housing, garage, and retail project is **Indovina Associates** and the owner is **Zamagias Properties**.

P. J. Dick has been selected as the General Contractor on a \$3.5 million dollar, four-story addition to The Pittsburgh Hilton and Towers in downtown Pittsburgh. This construction project entails selective demolition, concrete foundations and auger cast piles, and structural steel framing. The architect is **Stephen Berry, R.A.**

Landau Building Company was recently awarded a contract from The Edgeworth Club for the construction of Phase II which includes additions and renovations to the kitchen and dining room. Construction will begin in February and is scheduled for completion in March 2008 in time for Easter. Phase I which included a new board room was recently completed.

Landau was awarded contract for the construction of the The Y at US Steel Tower, a 14,000 square foot wellness facility for the YMCA of Pittsburgh in the lower level concourse of the US Steel Tower downtown. **DRS Architects** designed the \$2 million project.

Robert Morris University selected **Landau Building Co.** to construct a new art gallery at the Downtown campus. The project involves renovations to 2,600 square feet at RMU's 600 Fifth Avenue building.

Jendoco Construction is renovating 20,000 square feet of new space for Redpath Integrated Pathology in Spring Way Commons on Penn Avenue in the Strip. The \$1.2 million project, which involves building out two floors in the former Kerotest Manufacturing facility, was designed by **Landmarks Design Associates** in conjunction with **Biospace Development Company**.



Pittsburgh Technology Center garage. Image courtesy of Indovina Associates Architects

Jendoco Construction is underway on a new press box, bleacher replacement, and sitework at Reeves Field for Geneva College in Beaver Falls. The \$2.6 million project was designed by **Performa**. St. Vincent College selected **Jendoco** for the Monastery Renovation at the Latrobe campus. The project involves renovations to the 5,100 square foot basement of the Monastery. **TKA Architects** is the architect for the \$730,000 project.

Pioneer Supply awarded **Jendoco Construction** a contract for a \$660,000 renovation to their North Side warehouse. Work includes renovation to 40,000 square feet of offices, exterior repairs to building, and paving improvements. **WTW Architects** is the architect.

Conco Systems, Inc. selected **Jendoco** for its Office Building Renovations. The \$480,000 project involves 8,500 square feet of renovations to an office building in Verona, PA. **Design 3 Architecture** was the architect. **Jendoco Construction** was the successful contractor on the construction of a new chiller shell at Duquesne University's A. J. Palumbo Center. **DRS Architects** is the architect.

Dick Corporation is providing Commissioning Agent Services on four new two-story housing unit additions at four State Correctional Facilities located throughout the state. The projects are known as SCI-Muncy, SCI-Laurel Highlands, SCI-Mercer, and SCI-Smithfield. Construction costs are estimated to be approximately \$40 million. Dick Corporation's role is to develop contract bid specifications and training schedules for commissioning, and serve as on site commissioning agent.

Dick was selected by the Ohio Schools Facilities Commission (OSFC) to provide construction management for the Edgerton Local Schools in northwest Ohio.

Construction Management services for this \$15 million project will include a new middle school and elementary school for the District.

Carl Walker Construction recently was awarded the contract to construct a new, 726-space parking garage at the Pittsburgh Technology Center, located on Second Avenue in the City of Pittsburgh. The company will be responsible for all phases of construction, from planning and zoning approval to managing day-to-day work at the construction site. **Carl Walker Construction** partnered with the architectural firm **Indovina Associates Architects** to develop the project plans.

Carl Walker Construction has recently been awarded a \$40 million contract from Sands BethWorks, LLC to construct the structural frame for a 1.1 million square foot, 3,200-car casino parking garage at the Sands BethWorks in Bethlehem, PA. The garage project will be delivered on a fast-track basis. The design will be done by **RTKL Architects**.

Zambrano Corporation has started construction on the \$2 million first phase of a Conservation Center for the Pittsburgh Zoo in Somerset. The center will encompass more than 400 acres, and includes facilities for training elephant handlers, as well as preserves to allow for wider roaming and natural breeding conditions for elephants, cheetahs and wild dog breeds. The first phase includes a 10,000 square foot elephant barn. **Indovina Associates** is the architect.

Kratsa Properties has selected **Zambrano Corp.** as the contractor for a new Residence Inn by Marriott on the North Shore, and a Hilton Garden Inn on Ross Street downtown. **Burt Hill** is the architect for both projects, which will cost approximately \$20 million each. Work is getting underway on the Residence Inn, which will be a ten-story, 145,000 square foot hotel with 180 guest rooms.

F. J. Busse Company has started work on the renovations for the new offices for the Master Builders' Association of Western PA, Construction Advancement Program and Rebuilding Together Pittsburgh. The project involves \$1 million in renovations to the former Iron City Sash & Door facility in Green Tree. **Rothschild Doyno Architects** is the architect.

F. J. Busse is the successful contractor for renovations to 22,348 square feet of Buncher Company's Penn Liberty Plaza for offices of Heinz SAP. Work started in January on the \$225,000 project.

University of Pittsburgh awarded a contract to **Poerio Inc.** for renovations to the Miller Athletic Offices in the Peterson Events Center. The project was designed by **JSA Architecture**, and involves renovations to 2,360 square feet of space.



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Poerio Inc. was awarded a contract for an addition and major renovations to the Federated Logistics Center in Youngstown. **JSA Architecture** is the architect for the \$2.5 million project for Federated Department Stores.

WESCO International selected **Poerio Inc.** to be the construction manager for a new facility in Phoenix, AZ. The \$2.8 million project involves construction of a mezzanine and offices, and fit-out of existing distribution shell space.

Pittsburgh Pirates awarded a contract to **A. Martini & Co.** to renovate the former Outback Steakhouse space in PNC Park. The \$2 million project involves constructing a new club space in left field prior to the start of baseball season in April. **Integrity Design** is the architect.

A. Martini & Co. was the successful contractor for the \$300,000 Wound Care renovations at the Armstrong County Memorial Hospital in Kittanning. **Paul Slowik & Associates** is the architect.

Massaro Corporation was awarded a contract by HealthSouth Corp. for a \$1 million renovation to the Harnmarville Rehabilitation Center in Harnmar Township. **The Burrell Group**, of Birmingham AL, is the architect.

Massaro Corporation was hired to be the General Contractor for the new PNC Bank located in Pine Township. This 3,700 square foot, one story facility is located in the new 174-acre Village at Pine Lifestyle Center. This branch is seeking silver LEED certification and will be completed in May of 2008. **Gensler** is the architect for this \$1.4 million project.

Point Park University has appointed **Massaro Corporation** to continue work on Phase III of Lawrence Hall. The 35,000 square foot project includes renovation to the basement, lobby, mezzanine & common areas, as well as adding a new stair tower. This \$2.3 million project is scheduled to be complete in August of 2008. The architect is **Landmarks Design Associates**.

Volpatt Construction was the successful contractor on the Ruby Memorial Hospital Northeast Medical Center project for the West Virginia University Health system. **IKM Inc.** is the architect for the \$3.5 million project.

University of Pittsburgh Medical center has awarded **Volpatt Construction** a contract for \$2 million renovations to Scaife Hall 9 NE Labs in Oakland. The architect for the work is **IKM Inc.**

FACES & NEW PLACES

The Board of Directors of the **Master Builders' Association** (MBA) announced the appointment of **Michael Mascaro** to its Board of Directors. Mr. Mascaro is Chief Communications Officer for Mascaro Construction Company, L.P., a general contractor headquartered in Pittsburgh's North Shore.

Nello Construction welcomes **Jack Gearhart**. He joins Nello as Chief Estimator.

P. J. Dick is pleased to welcome **Ralph Melocchi** to the position of Senior Superintendent for the UPMC Passavant Pavilion Addition project.

The Gateway Engineers, Inc., a full-service civil engineering firm based in Green Tree with offices in Butler and Washington Counties, recently announced new shareholders. The new shareholders are: **James A. Brethauer, Patrick T. Cooper, Sean M. Donnelly, Kevin P. Hannegan, Jason D. Jesso, Richard D. Minsterman, W. Scott Rusmisel, Joseph H. Sites, Thomas B. Turner, and Justin C. Wagner.**

Celebrating 20 years in the construction business, **Mascaro Construction** announces several appointments to support its strategic growth for the future. Immediate promotions include **Jeffrey M. Mascaro** as chief operating officer (COO) and **Michael R. Mascaro** as chief communications officer (CCO). Jeffrey is responsible for the finance, legal, administration, estimating, and preconstruction services at the firm. Michael heads up business development, marketing, information technology, and employee development / human resources. Together, they support their father, Chairman John C. (Jack) Mascaro, and brother, John C. Mascaro, Jr., President and CEO. Additional promotions include **Ron Cortes** as Vice President – Buildings Operations, **Bob Breisinger** as Vice President - Heavy Highway and Industrial Operations, **Steve Powell** as Vice President of Information and Technology, and **Christy Uffelman** as Vice President of Employee/Organization Development.

Ron is a 14-year veteran of the construction industry and has extensive experience in the management of operations and estimating. He is a LEED Accredited Professional and received his bachelor's degree in civil engineering from the University of Pittsburgh. Bob

Breisinger brings 14 years of specialized experience in heavy and highway project management. Bob received his civil engineering degree from The Pennsylvania State University. Steve Powell has been working with Mascaro for the past 14 years, and became a member of the staff in 2006. He has over 25 years in the industry and is an accredited certified public accountant and certified information technology professional. Christy Uffelman has over 14 combined years of sales and human resources coaching experience. Christy holds two bachelor's degrees, one in corporate communications and the other in business psychology, both from Duquesne University.

Spectra Contract Flooring welcomes **John Chmill**, a disabled Iraq marine veteran and alumni of the University of Pittsburgh to their office. He has been newly hired as an account manager, focusing on government projects.

Carbis Walker LLP, certified public accountants and consultants, has promoted **James Slater** to the Manager level. Slater has been with the firm for over three years, and is a member of the Construction & Real Estate Services Team. **Janet Schaefer, Joelle Mancini** and **Jessica Kline** have all been promoted to the Senior Associate level. Schaeffer and Mancini are members of the firm's Tax Services Team, while Kline is a member of the Health Care Services Team.

H. John Buechli recently joined the **Massaro Corporation** team. John interned with Massaro during the summer of 2007 and joined the company as a full-time Engineer in January of this year. He received his Bachelor of Science degree in Civil Engineering from West Virginia University in December of 2007.

Zachary Walters joined **Massaro Corporation** as a Design/Build Engineer. Zach interned at Massaro during the summer and fall of 2007. He earned his Bachelor of Arts in Architectural Studies from the University of Pittsburgh in December of 2007 and joined Massaro Corporation full-time in January of this year.

Dennis Astorino is pleased to announce the formation of D. L. Astorino, a new architectural firm with offices in Southpointe. Dennis Astorino can be reached at dlastorino@dlastorino.com. 

THE INDUSTRY in the COMMUNITY

Master Builders' Association Annual Meeting

The Master Builders' Association of Western Pennsylvania held its annual membership dinner on January 18, 2008 at the Duquesne Club downtown. Approximately 260 executives from the MBA's membership, and industry guests, enjoyed an evening of networking, highlighted by the presentation of a regional and national construction forecast for 2008, given by McGraw-Hill Construction Vice President William Paolillo.

Another highlight of the evening was the presentation of the Construction Advancement Program/MBA scholarship winner for 2008. University of Pittsburgh student Jesse Takosky, a junior Construction Management major, was awarded the \$7,500 scholarship, which is open to civil engineering and construction management students at the University of Pittsburgh.



Greater PA Carpenters Executive Secretary Jack Brooks (l) with Rob Sklarsky of Zambrano Corp.



(left to right) Richard Kotaraba of Meyer Unkovic & Scott, MBA Executive Director Jack Ramage, with keynote speaker William Paolillo, Vice President, McGraw Hill Construction.




MBA Board President Cliff Rowe of P. J. Dick Inc. with 2008 scholarship winner Jesse Takosky, flanked by parents Paula and David Takosky.



Enjoying the MBA dinner are (l-r) Houston Harbaugh's Joe Bucci, Kurt Fernsler and Matt Jameson of Babst Calland Clements & Zomnir, Jay Black of Seubert Associates, with Dave Meuschke of Burchick Construction.

First Evening of Excellence Celebrates Construction Industry

On February 28, PNC Park's Lexus Club was the site for the inaugural Construction Industry Evening of Excellence, presented by *BreakingGround* and the Construction Advancement Program of Western PA. More than 500 developers, building owners, architects, contractors, real estate professionals and regional political leaders attended the networking event, which celebrates the commitment to excellence, and the region, that the construction and real estate industry has made.

The evening was also the occasion for the public announcement of the Master Builders' Association's Building Excellence Awards. Winners in each of four categories were presented by the evening's Gold sponsors, Meyer Unkovic & Scott and The Builders' Guild, and the Silver Sponsors, Maiello Brungo & Maiello LLP and PNC Institutional Investments. 



Master Builders' Association Executive Director Jack Ramage welcomes the crowd to the Evening of Excellence.



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Pittsburgh Builders Exchange's Melodee O'Brien with Bob McCall of the MBA.



(left to right) Jason Fincke of the Builders Guild with Rep. Tim Murphy and Steve Massaro, Massaro Corp.



(left to right) David Vater, Jim Droney Jr. of Mt. Lebanon Office Supply, Chip Bartlett of F. J. Busse Co. and A. J. Vater's Andy Vater.



Mary Coffey and Rosanna Greer, from All Purpose Cleaning.



(left to right) Tom Turner of Gateway Engineers, Mabon Lichtenfels of Soffer Organization, Joe Carozza and Cliff Rowe from P. J. Dick Inc.



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Del Walker, Executive Director of the Builders Exchange with the MBA's Jack Ramage.

MBA Membership

MBA MEMBERSHIP

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

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

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Closing Out

The Future of the Construction Industry - Problems or Opportunities

By Michael Kuhn

I have heard the stories about the “glory days”. I have seen first hand how our industry has changed over the past 10 years and I am certain that it will continue to change over the next thirty. Whether these changes will be negative or positive depends on how we view and react to the challenges before us as problems or opportunities.

Owners have become more demanding, expecting lower costs, shorter schedules, and better quality while stipulating much more for us to do. From LEED to MBE/WBE, the constraints under which we are bound to complete projects are greater.

The changes over the past generation have made construction and real estate more difficult industries for the next generation of leaders. Even in a region that is prospering, like Western Pennsylvania is, there remain several major obstacles to smooth sailing in our industry. We ‘thirty-somethings’ are already working to change these problems into opportunities for growth. So consider the opportunities:

Technology - The resistance is due to two things – fear and complacency. This comes from a generation of individuals who did not grow up with computers or have been doing things a certain way for so long that they do not want to change. Our generation is more tech-savvy, which will make the integration of such systems easier, and will in fact return the efficiencies that we have been waiting for.

Sustainable Design and Construction or “Green Building” - Was considered an industry trend 10-15 years ago, but has now become the most significant movement since ADA. If you haven’t yet taken the test to become a LEED Accredited Professional, now is the time to do so. For architects, engineers, contractors, and subcontractors, this knowledge will be imperative for future projects.

Personnel Shortages - Both in the trades and management, presents a problem, however the opportunity comes in the form of growth and advancement. Take advantage with commitment, education, enthusiasm, and experience. ACE Mentoring is dedicated to attracting and developing future talent at the high school level. They are seeking to attract members for all aspects of the industry including Construction Management, Architecture, Engineering, and Trades. We have an opportunity to get involved with

ACE to ensure that members of the next generation join our industry and remain in Pittsburgh.

Recruits into the trades are harder to find, and the faces in the field are changing. Active support of Union programs, training, and recruitment are opportunities for us to show our commitment and appreciation, which will go a long way towards building the future workforce and lasting relationships.

Relationships – The foundation of the future. The project architects, project managers, and journeymen of today are the Principals, Presidents and Superintendents of tomorrow. The key to success on a project is the team that is put in place to execute it. The only way that a project can be a success is if this team works together from day one.

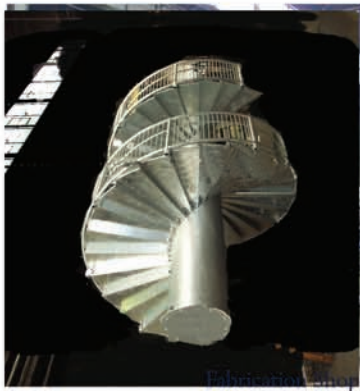
Take pride in your work, but don’t be too proud to admit that you make mistakes. With everyone on the same side of the table, problems will be resolved amicably. This attitude will foster relationships that will sustain over the life of our professional careers, while opposition can fester into mistrust of not only individuals, but of the industry as a whole.

Become leaders. Understand the Pittsburgh market. Learn about the many organizations, in and out of our industry, that make our city great. Learn how you can be involved. There is enormous opportunity in front us. We, as a generation within an industry, need to seize these opportunities.

The MBA Young Constructors is a group of individuals who care about the future of our industry. We seek to provide education and networking opportunities to industry members (contractors, architects, engineers, subcontractors, developers and owners). We support and align ourselves with parallel missions such as those of ACE Mentoring, the Green Building Alliance, and the Builder’s Guild. We are developing leaders, and ultimately positively influencing the future of our industry.

For more information about the Young Constructors or future Young Constructor events contact Jon O’Brien at 412-922-3912.

Michael Kuhn is a project manager and Assistant Vice President at Jendoco Construction. He chairs the Master Builders’ Association’s Young Constructors.



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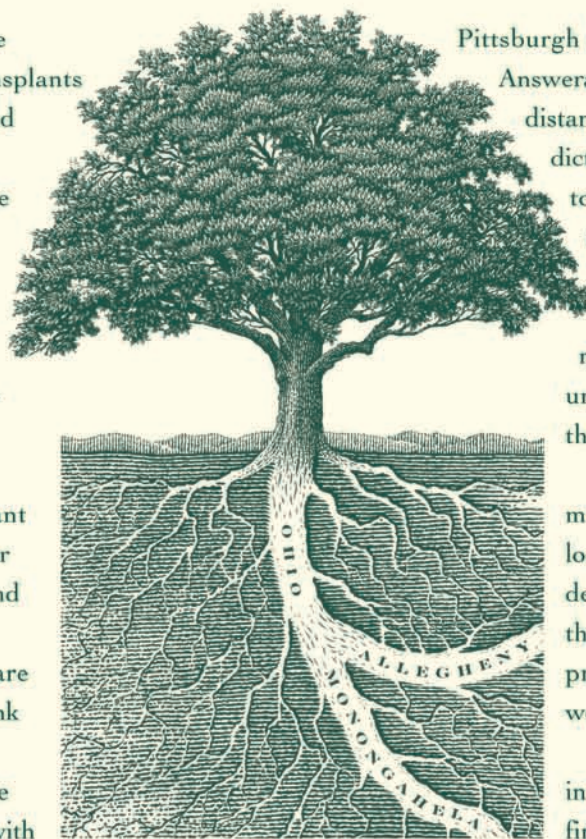
What's the difference between a bank that transplants itself from very distant and different soil and a bank headquartered here whose roots in the Pittsburgh region go back a century and a half? After all, a regional outpost is just about the same as a headquarters. Or is it?

Banks based in a distant city that transplant themselves by buying other banks simply cannot attend to regional issues and opportunities with the care and understanding of a bank rooted here.

The relationship these transplanted banks have with the community is not based on shared history, but is predicated on how much profit they can harvest here and send back to the corporate coffers located in another state or another country.

In contrast, each year Dollar Bank returns billions of dollars to the regional economy. Not New York, Providence, or Cincinnati.

Our roots go deep here. For over 150 years, Dollar Bank has remained headquartered in



Pittsburgh and steadfastly independent. Answerable not to the demands of a distant corporate office or to the dictates of Wall Street. But only to the main streets of this region we call home.

And because of our longstanding headquarters relationship, we share a unique interdependence with this region.

One that is based on mutual respect, trust, and deep local insights that guide the decisions we make, as well as the innovative, customized products and services that we offer.

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available to the people of Pittsburgh, to our on-going support of the David L. Lawrence Convention Center, we have remained true to our roots here. Growing and helping the region to grow.

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