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THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

MARCH/APRIL 2010

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(Cover Photo) Mascaro Center for Sustainable Innovation, University of Pittsburgh School of Engineering. EDGE Studio, architect. Mascaro Construction, contractor. Photo by Ed Massery.

FEATURES & DEPARTMENTS

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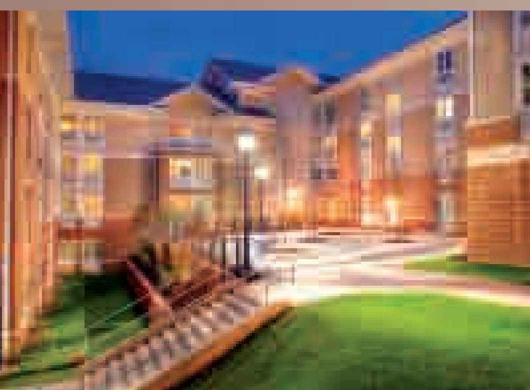

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MBA

Publisher's Note

Ah-h-h Oakland.

I'm finding as I slip from early middle age to just plain middle age that an interesting phenomenon has occurred with my memory. It's not just that I can't remember why I went downstairs when I get downstairs (and please don't pretend you don't know what I'm talking about). I've discovered that there are periods of my life that have randomly gone sort of blank. One of those seems to be the first couple of years out of college, when I first moved to this fair city. And yes, this is where I'll get back to Oakland.

For whatever reason, my recall of high school and college shenanigans is reasonably intact, as is a lot of my vanishing youth, but I have little specific recollection about those first two years post graduation. What still sticks with me, though, is Oakland.

… THERE WAS SO MUCH ACTIVITY, even at that end of Forbes that I remember this sense of the energy of the place vibrating off the sidewalk.

The way my memory is working is that I have vivid impressions of the things that have stuck around in my head, and Oakland is involved in a few of them. The second week I was working was spent on Forbes Avenue and Halket Street doing demolition of a doctor's office space. There was so much activity, even at that end of Forbes that I remember this sense of the energy of the place vibrating off the sidewalk. But the more vivid impressions were of night.

You readers of a certain age will no doubt smile inwardly when I talk of Friday nights at the Decade, listening to the Houserockers before they became a cliché about blue-collar Pittsburgh, or catching the Silencers at the Electric Banana on Bigelow. We could hang out with some of Oakland's celebrities at Peter's Pub. And the best night cap in the world was a pile of fries at the 'O' at 2:00 AM.

When I moved back to Pittsburgh and started the Pittsburgh Construction News in 1994, I was not surprised to see that Oakland hadn't changed much. It was one of the neighborhoods that seemed to survive OK when the steel industry crashed and I suppose I just thought it wouldn't change much. Of course, I could only see the bricks and mortar of Oakland at that point, and didn't fully comprehend what was taking place at Pitt and CMU and UPMC that would so heavily impact the region's economy.

As it turned out, the face of Oakland was about to change quite a bit. In the intervening decade or so there has been tremendous improvement and new construction throughout the 15213 zip code. The emerging technologies have been represented architecturally with buildings like BST3, Rand, CIC, and Gates/Hillman. The parking lot next to the Cathedral became a beautiful plaza. Hundreds of millions of dollars have been plowed into infrastructure for research and education in the industries and technologies that are front and center in the national economy, and that has transformed the regional economy in a very positive way.

Employees of the universities probably still feel like they work for institutions that are like ivory towers, but to the rest of us, Pitt and CMU and the rest seem less like academia and more like incubators for business. Pittsburgh doesn't seem like the kind of place that would be seen as a college town and we're not, but the region owes a bit of debt to higher education for putting the region on the map globally.

To me, Oakland never felt like a college town. Now more than ever that neighborhood is a place of commerce as well as academia. It's exciting to spend some time studying the Oakland sub market, to see that for as vibrant as things are there is so much more pent-up demand for more. More space, more research, more housing. If it weren't for this whole global economic crisis thing we'd probably be seeing more tower cranes now.

Jeff Burd

News From The Street

MBA Announces 2009 Building Excellence Awards

The Master Builders' Association of Western PA announced its 2009 Building Excellence Awards winners at their third annual Evening of Excellence event at Heinz Field on February 25, 2010. Awards were earned in the following categories:

BEST NEW CONSTRUCTION OVER $10 MILLION

Children's Hospital of Pittsburgh of UPMC, Clinical Services Building
Contractor, **PJ Dick Incorporated**; architect, Astorino; client, UPMC

BEST RENOVATION CONSTRUCTION OVER $10 MILLION

William S. Moorhead Federal Building Renovations
Contractor, **Burchick Construction Co**.; architect, Einhorn Yaffee Prescott; owner, U. S. General Services Administration

BEST NEW CONSTRUCTION UNDER $10 MILLION

Sarah Heinz House Expansion & Renovation
Contractor, **dck north america, LLC**; architect, Rothschild Doyno Collaborative/ William McDonough & Partners; client, Sarah Heinz House

BEST RENOVATION CONSTRUCTION UNDER $10 MILLION

Penn State Shenango Sharon & Lecture Hall Renovations
Contractor, **PJ Dick Incorporated**; architect, WTW Architects; client, Penn State University

EXCELLENCE IN CRAFTSMANSHIP - INTERIOR

Anonymous Private Residence
Specialty contractor, **Giffin Interior & Fixture, Inc**.; designer, The Blindside Home Furnishings, Inc.

EXCELLENCE IN CRAFTSMANSHIP - EXTERIOR

Chatham University Mellon Board Room
Specialty contractor, **Harris Masonry, Inc**.; architect, Rothschild Doyno Collaborative; client Chatham University; general contractor, **Mosites Construction Co.**

RECOGNITION OF EXCELLENCE

New Headquarters for the Master Builders' Association of W. PA
Contractor, **F. J. Busse Co., Inc**.; architect, Rothschild Doyno Collaborative; client, Master Builders' Association of W. PA; MBA member subcontractors: American Industrial Contracting, Inc.; Futura Corp; Harris Masonry, Inc.; Master Woodcraft Corp.; Phoenix Roofing, Inc.; **Uhl Construction Co.**

Children's Hospital of Pittsburgh of UPMC.

The new MBA Headquarters Building.

Sarah Heinz House.

Penn State-Shenango Sharon Hall interior.

William S. Moorehead Federal Building.

Pittsburgh Housing Market Ranks #1 with Forbes, Moody's

Moody's Economy.com released its housing market forecast for 2010 and the results were glum for most of the nation, with only Pittsburgh of the 100 largest metropolitan markets forecasted to experience price appreciation.

Mark Zandi, chief economist for Moody's Economy.com pointed to the sluggish employment picture and the stubbornly high foreclosure rate as factors that will keep the overall housing price down for another year in 2010. Zandi expects that another 2.4 million houses will have to clear foreclosure in 2010, and predicts that will be too much downward pressure to offset recovering markets. The good news is that Moody's expects this year to be the last of the decline.

"It's clear we're closer to the end of this crash than the beginning," says Zandi. Housing is more affordable, and construction is still low, so sales will eat up excess inventory. "We're moving in the right direction, and that's reason for optimism," he says.

Rank	Metro Area	Median price	2010 change	2011 change
1	Pittsburgh, PA	$ 114,750	0.41%	2.23%
2	Rochester, NY	$ 114,630	-0.39%	1.93%
3	Birmingham, AL	$ 139,330	-0.78%	1.29%
4	Memphis, TN	$ 107,690	-1.53%	2.41%
5	Buffalo, NY	$ 108,170	-1.54%	0.86%
6	Houston, TX	$ 146,350	-1.75%	0.38%
7	Kansas City, MO	$ 135,420	-1.81%	0.16%
8	Louisville, KY	$ 124,660	-2.24%	1.05%
9	Little Rock, AR	$ 130,380	-2.27%	2.01%
10	Charlotte, NC	$ 185,880	-2.30%	1.42%

The top metropolitan areas ranked by Moody's forecast for housing price change in 2010.

Pittsburgh's appreciation is a reflection of the stability of the region, which also means that the market did not enjoy the unsupported price appreciation that occurred in other regions in the middle of the last decade. Like eight of the other ten best markets, Pittsburgh's median price is still below $140,000.

On February 19 the online magazine Forbes.com released its list of the ten best markets to buy a house and ranked Pittsburgh number one. Using the Housing Opportunity Index, a metric created by the National Association of Home Builders and Wells Fargo, the magazine said Pittsburgh's appreciating prices, affordability rating and low number of foreclosures, which help keep prices stable, all factored into the city's ranking.

According to Forbes, "For a housing market to be attractive it should have appreciating prices that show homeowners are making wise investments; an affordability rating that gives middle-class families with good credit entry into the market; and a relatively low number of foreclosures, which keeps prices stable and indicates there isn't an excess of inventory."

State Prison Expansion Program Update

On March 5 the state's Department of General Services (DGS) issued revised Request for Proposals for the first two of the remaining four state correctional institute expansion projects that were held up from contracting last summer and fall. Best value design/build proposals will be taken for the $15 million, 200-bed expansion of the SCI-Forest outside Marienville and the new 1,000-bed, $200 million unit at the SCI-Benner (formerly known as Rockview) just east of State College. Proposals were due back in early-mid April.

In response to judicial decisions regarding overcrowding, the Department of Corrections is utilizing the DGS best value procurement system, adapting it to a design/build delivery system. Design/build is most efficiently delivered under a single contract and DGS is satisfying the requirements of the Separations Act by mandating that the successful construction manager/design builder take separate bids from HVAC, plumbing and electrical contractors.

Forbes.com Top Housing Markets	
1	Pittsburgh
2	Louisville KY
3	Houston TX
4	Minneapolis/St. Paul MN
5	Indianapolis IN
6 (Tie)	Columbus OH
6 (Tie)	Memphis TN
8	St. Louis MO
9	Dallas/Ft. Worth TX
10	Austin TX

The top ten metropolitan areas for buying a house as ranked by Forbes.com.

Proposals for the 2,000-bed, $400 million expansion of SCI-Graterford in Montgomery County should be taken later this spring. Site selection for the $200 million SCI-Fayette expansion is being finalized and design/build proposals will be requested later in 2010.

Scalise Industries Acquired

EMCOR Group, Inc. announced on February 17 that it had acquired Scalise Industries, a privately held company, founded in 1956 and headquartered in Lawrence, Pennsylvania. Terms of the transaction were not disclosed.

Scalise Industries, with 2009 estimated revenues of approximately $70 million, is a full service engineering, and facilities maintenance and service company providing expertise in mechanical and electrical services, system commissioning, and fire protection services to a broad range of markets including healthcare, commercial, institutional/universities, transportation, and power. Through its 'SI Technologies' division, the company provides integrated building automation solutions, including HVAC, lighting, and access systems. Additionally, Scalise provides complete 24/7 facilities and maintenance services, including emergency repair, scheduled preventive maintenance programs, and break/fix call out repair.

At the time of the announcement EMCOR, based in Norwalk CT, indicated no immediate plans to alter the day-to-day operations at Scalise. Observers expected that Scalise management and key personnel would remain intact.

GREEN BUILDING NEWS

UPCOMING GREEN EDUCATIONAL EVENTS

Register now: "Simple Upgrades for a GREENER, Leaner Government!"

RCX and the Green Building Alliance are sponsoring a breakfast event on April 8 featuring a panel discussion about incorporating sustainable upgrades at the municipal level, along with the related positive economic impacts on our region. A diverse panel of experts will cover several topics; including the financial impact of energy efficiency upgrades, the benefits of energy auditing, the obstacles of integrating these types of initiatives on a large scale and the business opportunities associated with them. Additionally, they will discuss Allegheny County's aggressive sustainability initiative.

The panel will be moderated by Jeaneen Zappa, Allegheny Co., Sustainability Manager

Who should attend: Property owners/developers; local government officials and staff; professionals working in building design, operations, products, and consulting; and interested citizens. The event will be held Thursday, April 8 between 8:00 and 10:00 AM at the Engineers' Society of Western PA, 337 Forbes Ave., downtown. The cost is $35 GBA Members, $65 for non-member. To register contact Karen Puff at karenp@gbapgh.org.

LEED AP Test Prep: BD + C

Green Building Alliance's signature LEED Test Prep sessions are resuming April 21, 2010. The sessions are designed to help prepare you for the LEED AP Building Design + Construction (BD + C) accreditation exam. This four-week, instructor-led study group will focus on the basic requirements of each LEED credit, regulations and intents, reference standards, and an overview of the LEED certification process. Our first such offering of the year sold out in less than two weeks, so we anticipate that seats will go quickly this time as well. Registration is limited to GBA MEMBERS ONLY!

Date: Wednesday - April 21, 28, May 12, 19

Time: 6 – 8 p.m.

Venue: GBA Offices, 333 East Carson Street, 15219

Registration: contact Mike Embrescia
michaele@gbapgh.org.

How to Market Green Building Products: Greenwash or Green Products

This course, developed and delivered by Green Building Alliance, will show building product manufacturers how to best relate their products to the green building marketplace; where to find resources, and much, much more!

Date: Friday, April 16

Venue: Tom Ridge Environment Center
Erie, PA 16505

Details: contact Rob Zahorchak robz@gbapgh.org

Eat 'n Park Starts Pittsburgh's First LEED Restaurant

Eat 'n Park broke ground in February on the region's first new restaurant construction to aim for LEED certification. The new restaurant is under construction along Freeport Road on an out parcel of the Waterworks Mall. Designed by Columbus OH architects WD Partners, the new Eat 'n Park prototype will be 6,776 square feet and will have the first drive-thru in an Eat 'n Park in the region.

"Our hope is to build it so that we achieve a LEED Silver certification," says Eat 'n Park's Bill Bates. "The new design has a very efficient HVAC system, a high percentage of recycled materials, and will be operated in a very sustainable way."

Bates explained that Eat 'n Park was making extensive use of local farmers and vendors, eliminated paper placemats, had developed a composting program to drastically eliminate restaurant waste and provide compost for local growers, and was recycling its cooking oil into bio-diesel fuel.

The Waterworks restaurant will open in summer 2010. Bates said the chain hoped to be able to submit the prototype design for approval by the US Green Building Council to be adapted to future Eat 'n Park sites as LEED buildings.

MBA Headquarters Receives LEED Gold Certification

The Master Builders' Association of Western Pennsylvania's (MBA) 10,000 square-foot headquarters was awarded Leadership in Energy and Environmental Design (LEED) Gold certification from the U.S. Green Building Council. Holly Childs, executive director, Green Building Alliance presented MBA executive director Jack Ramage with the LEED Gold plaque on February 19, 2010. State Representative Matt Smith and architect Ken Doyno of Rothschild Doyno Collaborative also spoke.

"Members of the Master Builders' Association take pride in Pittsburgh being known as "Green" city. When it came time to renovate our building, there was no question that we would seek a LEED rating," said Jack Ramage, Executive Director of the MBA. "As an association that's committed to sustainable ideas for the benefit of the construction industry, it's important for the MBA to lead by example and obtain a high LEED rating for our headquarters."

Located in the foothills of Foster Plaza, at 631 Iron City Drive, Green Tree, 15205, the MBA's headquarters features a high performance exterior that reduces energy use by 37%. Natural light is brought into the heart of the building by creating a dramatic central atrium. The arched wood ceilings are crafted with locally harvested hardwoods. BG

MBA executive director Jack Ramage holds the USGBC LEED Gold plaque, flanked by GBA's Holly Childs and State Rep. Matt Smith. Architect Ken Doyno is at right.

REGIONAL MARKET UPDATE

Not many will remember February 2010 as the month the winter thawed, but for the economic winter that has gripped the nation and region for eighteen months this past February may end up showing the first indications of melting conditions.

It will take several quarters to validate the improved conditions as anything other than a burst of pent up demand or a temporary catch up from the dismal market of mid-2009. For the past eight weeks, however, as the calendar rolls toward spring the activity levels have quickened on many fronts. After twelve to fifteen months of thin opportunities, even short-lived increased activity will bring glimmers of optimism back to the market.

For contractors the most visceral measure of improving or declining conditions is bidding activity. As January gave way to February, the number of projects out for bid grew steadily. While increased bid opportunities were welcome regardless of the source, the more hopeful trend is that the kinds of opportunities were broad based, with bids being sought on privately funded projects to a much higher degree than in the past twelve months. In particular, the institutional owners showed return to bid volumes akin to normal cycles, as the University of Pittsburgh, Waynesburg and Washington & Jefferson all had projects out in anticipation of year-end maintenance.

A good measure of the overall regional activity level, the Online Planroom of the Pittsburgh Builders Exchange was showing nearly 250 projects out to bid at the end of February, an almost 50% increase from the month before.

Among the projects currently going through the contracting cycle are West Virginia University's $30 million White Hall renovation, the $60 million Becks Run Water Plant for American Water, $27 million Slippery Rock student union, $43 million Montour High School, $10 million Ben Franklin Elementary and $26 million Uniontown High School projects in Uniontown. Waiting in the wings are the $30 million River Vue project (the renovation of the former State Office Building by Millcraft Industries), and the $45 million Salk Hall project at the University of Pittsburgh.

Less certain as an indicator is the increased level of proposal requests being reported by regional architectural and engineering firms. Typically a nine-to-twelve month leading indicator of construction, the commissioning of architects has increased markedly over early 2009 but the level of design activity has not gained as much momentum as would be occurring in a recovery that was picking up steam. Like most regions, Western PA is home to mostly small design firms. Smaller firms are more susceptible to the changes in economic condition, generally ramping up marketing activity in response to slower conditions. Increased proposal opportunities may also indicate only that more firms are being asked to compete for the same volume of projects, and increased competition is still the order of the day for architects and engineers.

The more heartening indicators that Pittsburgh's economic engine is building steam are the signs of thawing in financing and the almost weekly announcements of new business being developed in energy, specifically in the nuclear energy and natural gas industries.

Limited financing has lately loomed as a significant stumbling block to a region in economic recovery. As the business media has turned its attention to the injured commercial real estate market, it has been difficult to avoid the feeling of impending doom for commercial lending. The chance to reap no risk profits by borrowing and re-selling the same money from and to the Federal Reserve has been appealing to banks, which are still licking wounds from 2008 and which are accurately assessing the commercial market as depressed. It's difficult to tell which motive was stronger, but the result either way was a climate that allowed lenders to reap 200 basis point spreads for not lending, all the while keeping reserves liquid.

The risk of continued clogged credit channels, particularly for our region, is that rejuvenated demand would go unmet without the lifeline of construction loans and permanent financing. Reluctant financing has been especially frustrating for developers with opportunities to build in Cranberry and Oakland, two submarkets with virtually no commercial vacancy. In both of these markets the vacancy rates are in the mid-single digits statistically, but for practical purposes vacancies of

more than 7,500 or 10,000 contiguous square feet simply don't exist. New construction has been slowed, and what has been started has filled prior to closeout. In recent months similar conditions have developed in the Southpointe area.

Keystone Property Group, owners of the Keystone Summit Corporate Park (formerly the Marconi/Ericsson complex), recently announced a refinancing of that asset that marks a hopeful sign of thawing markets. The Philadelphia-based company secured a $53.5 million loan to pull equity out of the complex, which it had acquired and leased up to 100% this past year. More hopeful than the financing alone was the fact that the loan was part of a larger multi-borrower commercial mortgage backed security (CMBS) issue. According to Keystone the CMBS is the first such offering bought by investors since the crisis in late 2008. Luring investors back into the commercial debt market is a critical step to restoring normal financing conditions, and is surprising in light of the common wisdom that commercial loan defaults are at the beginning of a growth cycle.

The other part of the story for commercial real estate is the role of energy businesses in the currently favorable market. Keystone Summit has filled in part because of an 180,000 square foot lease to Westinghouse. Its plans for a new building, currently being designed by Next Architecture, certainly must include the possibility that Westinghouse may already need another 100,000 square feet or so, or that the needs of those serving Westinghouse will be met by a new building. Favorable conditions in nuclear energy are in part why Elliott Turbomachinery is planning a $15 million expansion and Emerson Process Management a $30 million project.

Natural gas exploration in the Marcellus Shale formation has begun to pop on to the radar in the regional real estate marketplace. The majority of the players in that industry are from out of state, and it has been difficult to identify all who are interested in space here but the brokerage community is tracking around 30 firms looking in the region. Gas companies Range Resources and Chesapeake Energy have been considering options for Marcellus Shale headquarters facilities. PA Commercial Real Estate landed Talisman Energy for its first 50,000 square foot Pennwood Commons building. Morgantown-based Shaft Drillers International announced plans for a 45,000 square foot headquarters building at Meadowridge Business Park in Perry Township, Greene County, also buying the remaining vacant land in the park.

"... The more heartening indicators THAT PITTSBURGH'S ECONOMIC ENGINE IS BUILDING STEAM are the signs of thawing in financing ..."

The growth of the natural gas business also highlights a potential issue with what remains as the number one economic problem of this recession, high unemployment. Western PA has fared better than Pennsylvania as a whole, with its 7.8% unemployment running about a point lower than the state's level, and almost two points better than the national level. Yet the source for the data is the Bureau of Labor Statistics, a federal resource with little methodology in place to measure the magnitude of rapidly growing industries, particularly those that aren't indigenous to the region. According to the natural gas companies, the Marcellus Shale exploration has already created at least 25,000 new jobs and should trend near 100,000 jobs by year's end.

Plenty of anecdotes exist to support the contention of the gas industry players, but almost no quantitative analysis does. Lenders, site selectors, corporate real estate departments and government agencies rely on data to support their decisions about a region. It will be incumbent upon regional economic development leaders to assist the growing industries in verifying their impact on the region, just in case the February thaw evolves into a full-blown springtime of economic recovery this year. BG

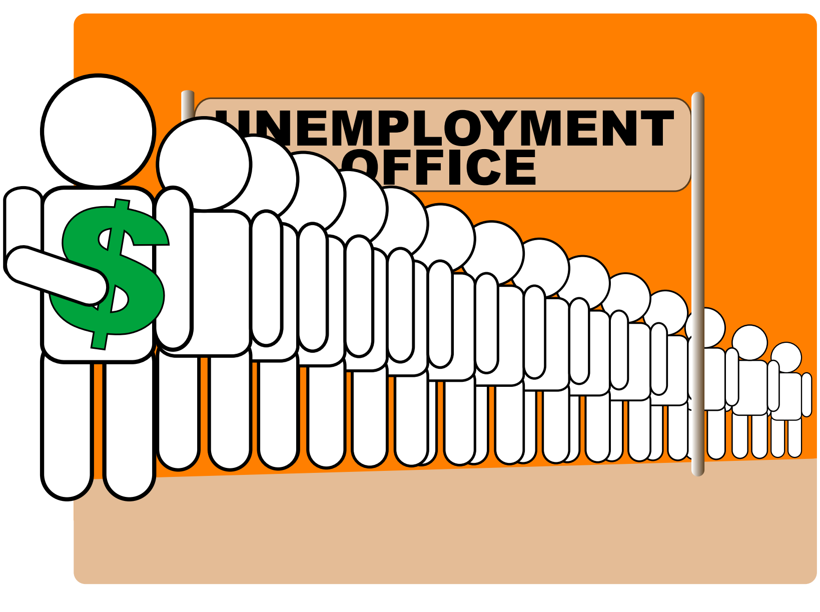
NATIONAL MARKET UPDATE

In late January, data from the government and the private agencies reported the results from December and the full year of 2009 for a variety of construction-related categories. On the whole there were few surprises in what the data showed, and perhaps some comfort in seeing evidence that the recession, however deep, was running its course along historical norms.

The most negative norm at this point in the construction cycle is the high unemployment. In December construction employment turned negative for the year in North Dakota, the final state showing construction employment growth throughout 2009. For the full year, all 50 states showed lower employment than in 2008. Architectural unemployment also peaked at year's end, with 184,600 architects employed compared to 224,500 at the employment peak in July 2008.

High unemployment remains a drag on the overall economy's recovery, but in the design and construction industries the loss of jobs is much more severe. AIA chief economist, Dr. Kermit Baker, explains how unemployment in general becomes magnified in construction. "In the overall economy unemployment is 5.3 points higher now than the last peak, but construction is 21 points higher, and architecture is 17 points higher."

For a consumer-led economy improving employment loosens purse strings and is generally looked to as a spark for renewed health in the commercial categories. For certain, the rapid decline in employment has wracked the sector over the past 18 months, sapping demand for retail, restaurants, hotels, and of course office and industrial buildings. Unemployment also draws down state income tax revenues, sales taxes, and increases the perception of risk for those contemplating a new house. Few analysts see a significant improvement in the general employment or construction employment picture this year, but early signs of the precursors of job growth are appearing.



"There is evidence that the job creation process has already begun," says Ed Sullivan, Portland Cement Association chief economist. "Typically, extended work hours, overtime and temporary hiring precede job creation. November's increase in the length of the average workweek—the first increase in 14 months—was unchanged in December at 33.2 hours. Furthermore, temporary employment continued to rise, as 47,000 positions were added in December."

If the labor market sustains its better than expected performance from the fourth quarter, it could lead to a quicker healing of the underlying fundamentals surrounding construction, Sullivan said. "… a stronger labor market would improve the outlook for single family construction activity in 2010 and 2011 and shorten the period for an easing in lending standards."

An economic recovery is by no means a sure thing at this juncture, but with each week there are growing signs that demand is returning slowly to a broad cross section of the market. If these indicators are predicting a growth trend, the normalizing of lending has become the singular obstacle to a return in capital spending. With commercial loan defaults rising as predicted and residential property values still lagging well below the levels that accompanied the period of easy credit, lenders still face significant headwinds to profitability. And more time needs to pass before judging whether lender reluctance is simply higher risk aversion or a reflection of fears about future regulations on capital, or if the tight credit is due to banks' needing to build capital ahead of another liquidity crisis.

Regardless of the causes, the slow thaw on credit is dragging down construction volume, even in markets where new construction demand is growing.

The other Sword of Damocles dangling over the potential recovery is the reluctant housing rebound. At year-end 2009 the supply and demand dynamics continued to point to conditions favorable to a housing rebound. The Census Department reported a total of 571,600 housing units for which building permits were issued in 2009 nationally and 530,000 units started throughout the country. These levels are roughly 40% of the number of new household formations annually. The drastically reduced new construction has produced a significant decline in inventory. Census also reported in January that the supply of houses for sale fell below 250,000 in the fourth quarter of 2009, a 37% decline from the same period in 2008.

Unfortunately, other data unveiled at the beginning of 2010 underscores why so much uncertainty still haunts residential real estate.

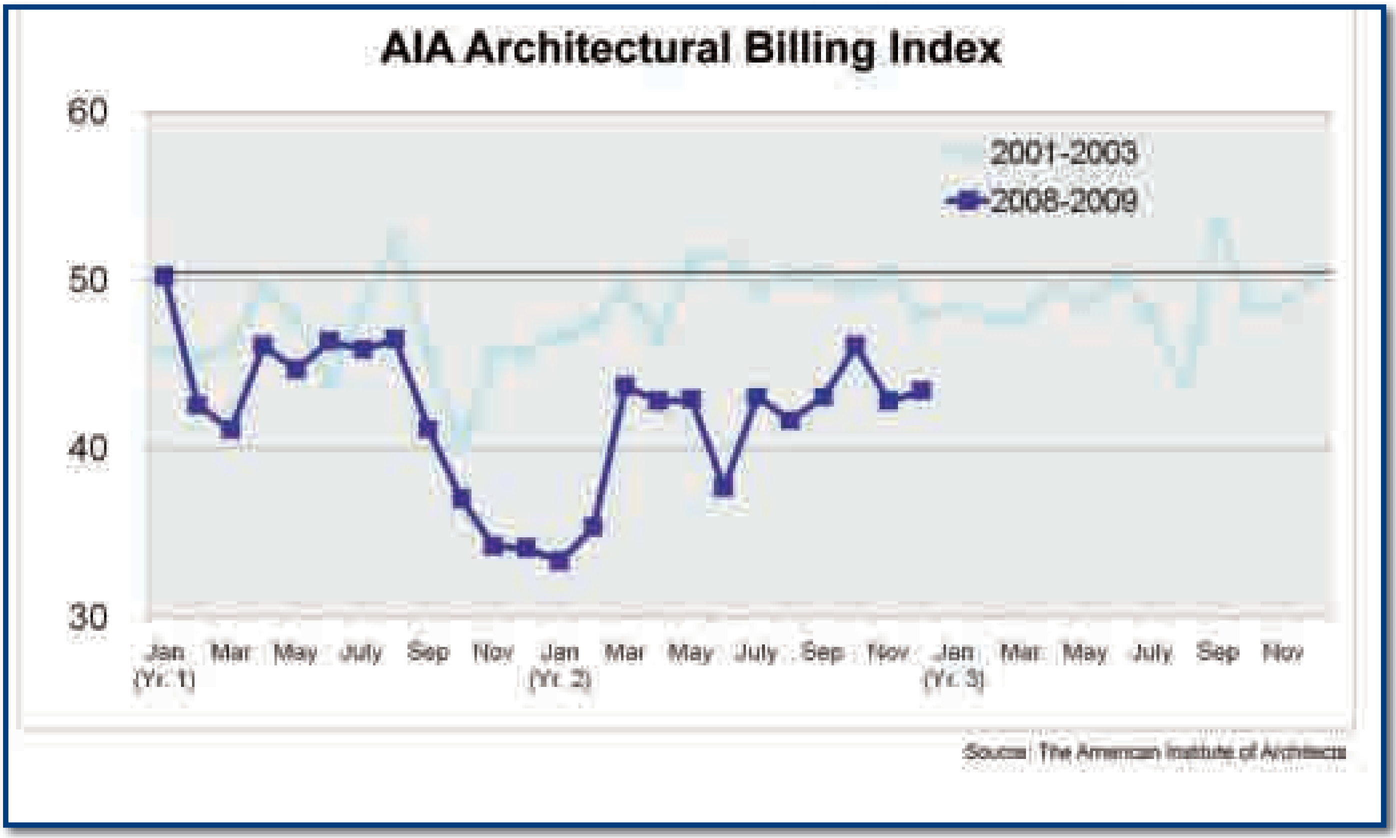
On January 14 RealtyTrac® reported foreclosure filings - default notices, scheduled foreclosure auctions and bank repossessions - on 2,824,674 U.S. properties in 2009, a 21 percent increase in total properties from 2008 and a 120 percent increase in total properties from 2007. The company also reported that foreclosure filings were reported on 349,519 U.S. properties in December, a 14 percent jump from the previous month and a 15 percent increase from December 2008, when a similar monthly jump in foreclosure activity occurred. Despite the increase in December, foreclosure activity in the fourth quarter decreased 7 percent from the third quarter, although it was still up 18 percent from the fourth quarter of 2008.

In its year-end survey the Mortgage Bankers Association identified roughly four million homeowners who were in foreclosure or at least three months behind on payments.

According to a report released February 10 by Zillow.com, a real estate Website, one in five housing markets entered a second leg of home price declines in late 2009, after showing price increases for nearly half of last year. In 29 of the 143 markets tracked by the site - including Boston, Atlanta and San Diego - prices flattened or began to decrease again in the second part of last year, after five or more months of consecutive monthly increases, according to the site's fourth quarter real-estate market report.

The report also found the percentage of single-family homes with mortgages in negative equity rose slightly, to 21.4% in the fourth quarter, compared with 21% in the third quarter. The equity situation was an improvement over the 23% with negative equity in the second quarter of 2009.

Another headache facing the housing market is the plan by the Federal Reserve to cease buying mortgage-backed securities in March. Following the collapse of the market for Fannie Mae and Freddie Mac mortgages, the Fed has been the overwhelming source of liquidity for residential



The American Institute of Architects ABI is following a similar path to the index of 2001-2003.

mortgages. If housing debt must find a private sector market the odds are very good that higher interest rates will be necessary to offer the investors the yields that they will demand for the risk. That is of course, assuming that sufficient numbers of investors can be found. The timing of this pullout by the Fed, within 30 days of the expiration of the homebuyer tax credit, only complicates the market further.

Most housing experts surprisingly see these challenges as insufficient to derail the turnaround in the housing market. Even if none of these problems turns out to be a knockout punch, however, the housing market – which always leads a total market recovery – will not be strong enough to drag the national construction market into a growth cycle by 2011.

So when can the construction industry look to see growth in contracting again? Kermit Baker thinks we can look forward to capital spending growth in 2011, and he gets that answer by looking backwards.

"I like the saying that history doesn't always repeat but it usually rhymes," joked Baker during a January 28 Webcast. He pointed out that the stock market generally changes two quarters ahead of the overall economy, and that employment lags that trend by another three quarters. Once employment has been positive for two or three quarters, businesses will begin investing capital in physical plant again. Using the assumption that the stock market indeed bottomed in March 2009, Baker's math puts growth in non-residential construction in the first half of 2011, a scenario that parallels closely the last recession's playbook.

"In the last recession, stocks hit bottom in October 2001 and recovery in GDP occurred in the next quarter, but there was no job growth until the beginning of 2003," he explains.

Another of Baker's indicators, the AIA Architectural Billing Index (ABI), is a predictor of future construction with a reliable track record. The index, which surveys AIA firms to discover whether billings are increasing or decreasing (an index of 50 is neutral), has shown improvement during the past year but appears to be stuck moving sideways below 50 for more than a quarter. The ABI has been accurate in foretelling what will happen to the trend in construction by about nine to twelve months. Comparing the current trend to that of the ABI during the last recession also seems to indicate that a rise in construction activity won't occur before 2011.

The graph on page 13 shows the track of the ABI during the last two recessions. The ABI turned negative in mid-late 2001, just behind the start of the global recession. It wasn't until the third year of recession, in 2003, that the ABI stayed above 50 again, and it was 2004 until contracting volumes showed year-over-year improvement. If this recessionary cycle shows a similar arc in the ABI, it will be well into 2010 before more than half the firms are seeing increased billings. Increased construction would be unlikely until mid-2011.

> "… If the labor market sustains its better than expected performance from the fourth quarter, **IT COULD LEAD TO A QUICKER HEALING OF THE UNDERLYING FUNDAMENTALS SURROUNDING CONSTRUCTION …**"

With two months of 2010 on the board, the year is unfortunately tracking in the way most expected. February's heavy snowfall and cold hit hardest in many of the nation's larger cities, and the weather will negatively impact first quarter results, potentially giving false signals about the direction of the recovery. Even discounting the winter storms' effects, the smart money should be on the slow recovery gaining momentum in 2010, with the better odds of an outlying surprise coming from a negative event rather than a positive surprise. BG

WHAT'S IT COST?

Perhaps the best news on the building products and materials price front is that there is little or no news. The decline in non-residential construction has thus far not been offset by significant increases in residential construction or exports; so dampened demand remains the driving force keeping prices in check.

The global recession caused producers to reduce capacity rapidly in late 2008 and early 2009 to bring costs in line with the reduced revenue streams. Slower business conditions also offered manufacturers the opportunity to evaluate and shutter operations that were less efficient, less productive or located in strategically poor positions. Thus it was expected that even modest increases in demand for building products and materials would push prices higher because of the lower overall capacity for production.

Recent macroeconomic moves in the emerging markets of China and India, combined with weakness in the European Union countries seem to indicate that overseas markets will not pick up as much slack as was forecasted. China in particular seems to be wrestling with how it wants to stimulate growth without letting its economy overheat. If the Chinese government leans toward restraint, especially if it continues to press its largest banks to tighten lending, capital spending will remain at lower levels. Lower gross domestic product in China and India or lower consumer spending will reduce the market for imports in those countries.

One building product that is bucking the trend is lumber. Futures prices for lumber climbed to a high above $280 per 1,000 board feet on the Chicago Mercantile Exchange in early February, the highest level since August of 2007. That marks a more than 60% climb from a year ago even though the home-building situation hasn't really improved.

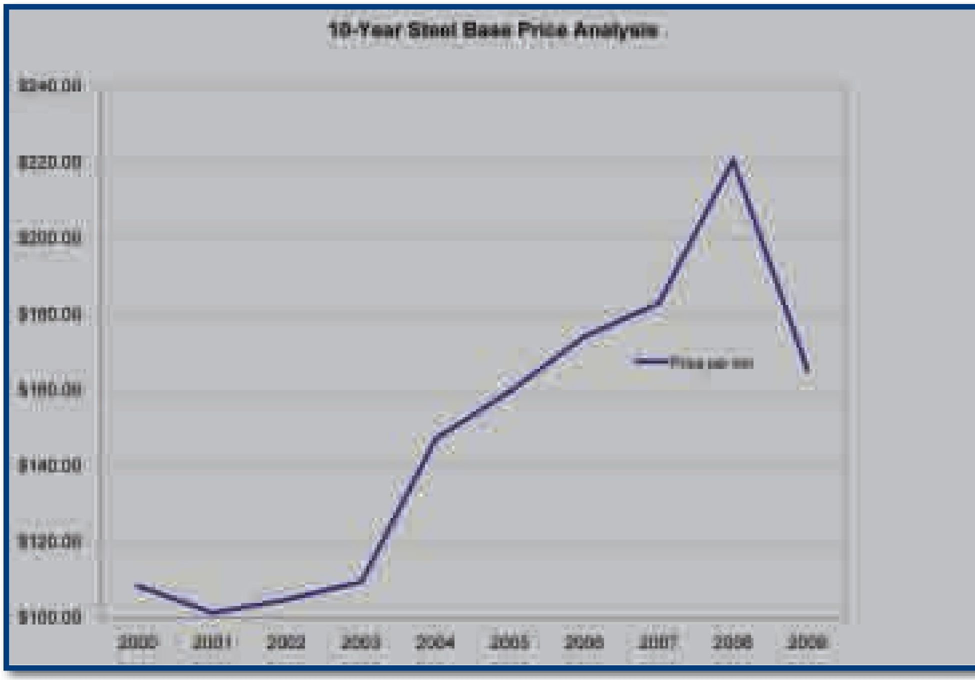
Two of lumber's biggest end use markets, new homes and remodeling, were down 39% and 26% respectively in 2009, so the unexpected rise in price is being seen as a hopeful sign. Lumber mills were one industry that had over built capacity going into the recession, and the current capacity is about 30% less than in 2007. The logistics of lumber distribution also changed from just-in-time delivery to zero inventory, so the uptick in price is being viewed optimistically as a leading indicator of a housing recovery, since lumber yard inventories need to be rebuilt first. Changes in China's building codes, which expanded the allowed use of wood in construction, may also be accelerating demand ahead of capacity.

PERCENTAGE CHANGES IN COSTS	Jan 2010 compared to		
	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	0.3	0.2	2.6
Producer price index (PPI) for finished goods	1.2	2.4	4.6
PPI for construction	1.3	2.1	1.6
Costs by Construction Types			
Highway and street construction	1.5	2.5	-4.7
Nonresidential buildings	1.3	2.1	1.6
New industrial building construction	0.1	0.0	-5.6
New warehouse construction	-0.1	0.2	-5.8
New school construction	0.5	0.8	-1.7
New office construction	-0.4	0.0	-4.7
Multi-unit residential	1.0	1.6	0.2
Single-unit residential	1.0	1.7	0.3
Costs for Specific Construction Inputs			
#2 diesel fuel	11.5	12.5	41.4
Asphalt paving mixtures and blocks	1.9	2.2	-4.1
Concrete products	-0.7	-0.5	-3.2
Brick and structural clay tile	0.7	0.5	0.0
Plastic construction products	-0.4	-1.1	-0.6
Gypsum products	1.2	-3.2	-11.7
Lumber and plywood	0.3	3.4	3.5
Architectural coatings	0.1	0.1	-0.4
Steel mill products	2.0	-1.0	-3.7
Copper and brass mill shapes	5.2	16.6	56.3
Aluminum mill shapes	3.2	5.4	4.1
Fabricated structural metal	-0.4	-1.4	-11.5
Prefabricated metal buildings	0.8	0.7	-13.7
Crude petroleum (domestic production)	15.2	10.2	132.1
Asphalt (at refinery)	-2.8	9.7	33.2
Cement	-0.2	-1.7	-4.5
Iron and steel scrap	17.3	20.4	58.6
Copper ore	-4.4	0.2	88.6
Source: Bureau of Labor Statistics (Updated Jan. 24, 2010)			
Compiled by Ken Simonson, AGC Chief Economist			

More cynical or realistic observers of the lumber market seem skeptical of the price climb as part of a permanent inflation cycle. Acknowledging that a depressed U. S. dollar could be exaggerating the price disparity, lumber industry experts attribute the rise in price to the virtual vacuum in the supply chain and see the trend as short-lived without a prolonged increase in housing construction in the U. S.

Another basic material that is experiencing conflicted market signals is structural steel.

Steel prices had plummeted from the mid-2008 highs and fell slightly throughout 2009. The lower demand had plunged capacity to below 40% at the bottom of the market. For the flat rolled portion of the market, the drop in utilization allowed some plant shutdowns, but for the structural shapes manufacturers, plants remained available to handle any increase in demand. As 2009 ended the steel producers appeared to be positioning themselves to begin raising prices,



The trend line for the base steel price changed dramatically at the start of the current recession. (Source AGC of America)

announcing small increases in the base price and scrap surcharges. Several manufacturers have made attempts at rolling out increases, but the market has not let them stick.

"At the end of the year the mills announced increases of $40 to $60 per ton for February, but by January 12 those were pulled," related Robert Thaw of Little Steel, a New Brighton based fabricator. "In February we've seen a $50 increase in the scrap surcharge from Steel Dynamics first, then Nucor. There are attempts to get pricing up on the part of the producers, but I don't think it is a demand driven thing."

Thaw reminds us that the manufacturers were in the position of liquidating higher priced inventory a year ago in order to get liquid, inventory that started through production when energy and scrap costs were 50% to 100% higher than current markets. He believes that any potential volatility could come from the scrap feedstock, which supports manufacturing of steel for multiple markets and would be snapped up quickly if consumer demand returned in the emerging markets.

John Cross, vice president of finance for the American Institute of Steel Construction in Chicago, can't see a scenario in the near term that would push prices up significantly.

"Demand for structural shapes is down more than 50%. We've not seen any mills mothballed. The capacity is out there," he explains. "Without available credit the demand for the structures that use steel – high rises – is not going to rise any time soon. There may be some minor fluctuations due to volatility in scrap prices but I think we'll ride a fairly narrow band, maybe a change of $25 to $50 per ton."

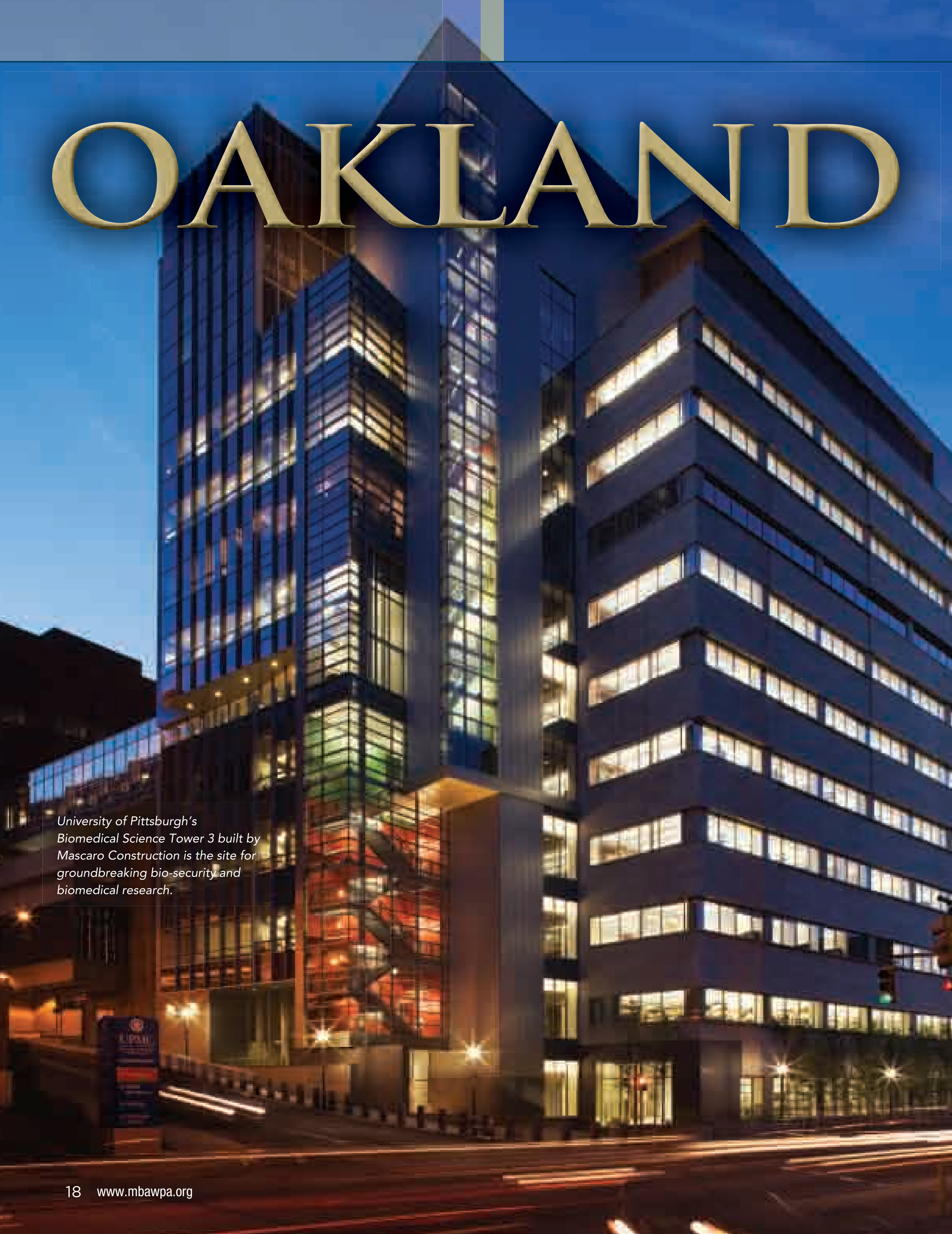
The lack of volatility, especially to the upside, will be an important market condition that supports recovery. One fear about the stimulus programs and the Federal Reserve's infusion of money into the economy was that the policies were almost certain to trigger inflation once demand returned. Managing the Fed's withdrawal from the economy will be an ongoing challenge, probably through more than one administration. The potential for high and extended inflation still exists; however, the market conditions as we enter the spring of 2010 are set up to allow manufacturing capacity to be utilized without overheating prices.

Double-digit rates of product price inflation could chill a recovering commercial construction cycle, and the resultant higher interest rates could freeze demand for what little credit is available. Ninety days into 2010 it appears that these scenarios aren't likely until at least 2011. BG

Commodity	2009 Average	Forecasted 2010
Regular gasoline	$2.36/gal	$2.69/gal
Natural gas	$2.01/mcf	$2.35/mcf
Aluminum sheet	$1.44/lb	$1.57/lb
Copper sheet	$3.41/lb	$3.63/lb
Nickel	$5.76/lb	$6.22/lb
Tin	$7.56/lb	$7.90/lb
Zinc	$0.64/lb	$0.76/lb
Steel sheet	$457/ton	$521/ton
Steel plate	$712/ton	$750/ton
Steel rebar	$505/ton	$485/ton

The decline in construction demand has kept material pricing in check. (Source International Monetary Fund Price Estimates)

OAKLAND



University of Pittsburgh's Biomedical Science Tower 3 built by Mascaro Construction is the site for groundbreaking bio-security and biomedical research.

For a region whose economic rallying cry for the past few years has been 'Eds and Meds', the epicenter of activity has become Oakland. The community that is Oakland has been through an amazing transformation in the past decade or so but the heart of Oakland has not changed nearly as much as the physical surroundings.

A NEIGHBORHOOD IN DEMAND

To many in the region, Oakland is defined by the fifteen block stretches of Fifth and Forbes Avenues that run between the Birmingham Bridge and Schenley Park. That perception sells Oakland short of course (and gives many a good reason to avoid the area), but a trip up or down those two main drags certainly gives you a sense of what drives the commerce in the neighborhood.

Elmhurst's newest office project is Schenley Place.

Close your eyes for a moment and imagine coming off the Boulevard of the Allies at Forbes Avenue. Immediately to your right is the Magee Research Center with the Women's Hospital just beyond. Then comes a half dozen blocks of the commercial district and the first University of Pittsburgh buildings. Ahead lays the towering Cathedral of Learning, which gives way to the Carnegie Library and Museums. Beyond that looms the Collaborative Innovation Center, which serves as the gateway to the Carnegie Mellon campus.

Now mentally turn up Craig Street towards Fifth Avenue. This street acts as the bridge between the two universities, as CMU facilities on South Craig give way to Pitt buildings near Fifth. As you turn west onto Fifth the Rand Building is on your left and the magnificent St. Paul's Cathedral on your right. Within another block you pass the Software Engineering Institute as Pitt comes back into view. Now on your right is the densely packed University of Pittsburgh Medical Center with its five hospitals (one now empty) filling just a few city blocks. As UPMC and Pitt buildings begin to fade you see the Biomedical Science Center 3 on your right and pass by Carlow University as you decide whether to jump on the Parkway or take the Boulevard back into town.

That magical mystery tour of sorts spanned just a couple of miles and with the lights in your favor may have taken only four or five minutes to traverse during a weekday morning. Yet you would have seen the region's biggest employer, several of its greatest architectural achievements, and a handful of the facilities that fostered the turnaround of the region's economy and make the future prosperity seem assured. You would have also missed a lot of Oakland.

"My vision for Oakland is for it to be seen more as a place to live and raise a family," says Wanda Wilson, director of the Oakland Planning & Development Corporation (OPDC), the omnibus community development agency that acts as a sort of clearing house for the different community partners in Oakland. "It isn't a college ghetto. There are 23,000 full time residents in four distinct neighborhoods within Oakland."

OPDC has been proactive in moving the residential vision forward, acquiring and renovating over 300 units of housing for resale over the years. Along with the city of Pittsburgh and the university partners, OPDC has also begun improving the quality of the private student rental housing, establishing life safety and building standards for apartments.

Oakland's residential character isn't a new trend. Pittsburgh residents of more than the past thirty years will remember the hulking Jones & Laughlin works along Second Avenue (now the site of the Pittsburgh Technology Center). Directly above the mill were the homes of many of the J & L workers in South Oakland. That area, which lies south and east of Forbes and west of Panther Hollow, was a blue-collar neighborhood before it became a hot bed of rental properties.

The variety of its housing is manifested in neighborhoods surrounding Oakland's main commercial district. In the corner of Oakland opposite South Oakland, at the junction of Herron Hill, is one of the more successful Hope 6 communities, Oak Hill. To the east of Pitt's upper campus are some of Pittsburgh's more prestigious addresses, Schenley Farms and the beautiful homes along Parkman, Lytton, and Tennyson Avenues.

As a landlocked district, Oakland doesn't have any undeveloped green spaces available for new residential development, but the existing stock of housing provides plenty of opportunities for buying and adding value through renovation. And interspersed throughout the neighborhoods are odd vacant lots that are steadily being acquired for one-off housing projects. As employment in Oakland continues to grow, the attraction – and value – of the remaining property will ensure Oakland will remain a residential community on the way up.

THE EIGHT HUNDRED POUND GORILLAS

The role of UPMC in the region's economy is much documented. UPMC has grown to be far and away the region's largest employer so it's easy to overlook the fact that it is a part of the University of Pittsburgh. It's also easy to forget that while the two entities together employ almost 60,000 people now, the University itself has been the biggest employer in Pittsburgh for many decades, including during the city's industrial heyday.

As an economic driver the hospital system has enjoyed the boost of demographics - aging Baby Boomers – and academics, attracting grants for medical research and recruiting world-class specialists for procedures that are done at only a few hospital systems. As the volume of medical services it provided grew, UPMC added more doctors and health service professionals to meet the demand. It was the research, however, that added the most long-term value to the regional economy, fueling more growth of the UPMC system and attracting still more specialists at the top of their profession.

UPMC's position in the regional healthcare market has allowed it to weather the recession better than many hospital systems; however, the dip in investment value and reduced endowments have slowed the pace of its real estate development. The system's top development priority in 2010 appears to be the completion of the new hospital in Monroeville, but a number of projects are ongoing at Presbyterian University Hospital and Western Psychiatric Institute, and it appears that UPMC will continue to invest in updating the Oakland hospitals, where they regularly spend $20 to $50 million annually on construction. Even with the preoccupation with Monroeville, capital projects at UPMC facilities like Magee, Mercy, Shadyside Hospital and Passavant Hospital will be developed.

The recession probably created more uncertainty about the timeline for the biggest potential project to be built in Oakland, which is the infill of the hole in the middle of the UPMC doughnut, the former Childrens Hospital. Nearly two years ago the system fully depreciated the remaining asset value of Childrens, leaving it free to dispose of the facility without impacting the balance sheet. No hard plan has been released about the future of the facility (for that matter it could not yet be in the master plan), but it is likely that new construction will be the result. It seems likely that a new Presbyterian Hospital or some other version of a flagship super-hospital will emerge on the site. With the uncertainty in the economy and the long-term outlook for the healthcare industry it's unlikely that any major new Oakland hospital project will advance until later in the decade, but such a project would most likely top the billion dollar mark to develop.

The other 'gorilla' on campus, the University of Pittsburgh, faces similar challenges in funding for its capital projects, but as a state-related university, Pitt has options that its medical system does not. For its major building projects the university will follow the road map it has used successfully on the $100 million Benedum Hall and $30 million Chevron Hall projects, that of funding a significant portion of the work through the state and administering the jobs for the Department of General Services.

Pitt's capital spending as part of its last phase of its master plan had a transformational effect on the university, particularly on the upper campus. An alumnus who hadn't been on campus in more than a decade will be forgiven if he or she doesn't

... that added the most LONG-TERM VALUE TO THE REGIONAL ECONOMY...

recognize the upper campus. The Peterson Event Center has given students a state of the art arena and convocation center, but just as impressive are the two high-rise housing complexes, Pennsylvania and University Hall, that sit on the ridge above The Pete. These buildings were designed to give Pitt student housing that was competitive with what was being developed at major universities around the country. Two of its upcoming projects, the $10 million renovation of Bouquet Gardens and the $40 million new housing project are aimed at adding to that competitive advantage, as well as adding another 1,000 beds to the inventory.

As part of its current billion dollar long-term capital plan, Pitt had shifted its focus for capital expenditures to upgrading its facilities for the science programs. While plans for a fourth biomedical science tower remain in limbo, the university is moving forward with other research-oriented projects, including the $45 million Salk Hall expansion, the $45 million second phase of Benedum Hall, and the $34 million Parran/Crabtree Hall project at the Graduate School of Public Health.

Aside from the new construction opportunities that Pitt is programming, the university also remains a driving force in Oakland's commercial real estate market. Already the largest renter in Oakland, the university was the source of the biggest commercial lease in 2009, the 144,000 square feet of research space taken in Ferchill's Bridgeside Pointe II building in the Pittsburgh Technology Center. While no major new leases appear to be in the works in early 2010, there is demand from Pitt and UPMC for more space and those institutions will likely be prospects for new projects like the Schenley Place project developed by the Elmhurst Group.

THE HEART OF TECHNOLOGY

Tracing the arc of an economic renaissance for a region like Pittsburgh is a difficult task, especially if you're trying to find a particular tipping point; however, it would be hard to argue that such a point couldn't be found in the computer research of Carnegie Mellon University in the late 1980's.

CMU's Software Engineering Institute (SEI) was founded in 1984 (coincidentally the same year the USS Homestead Works shut down), and last year celebrated 25 years of continuous growth, reaching 500 employees. In addition to the jobs and granted research, SEI served as a magnet for the university, bringing the federal government regularly onto CMU's campus and attracting more bright young minds to pursue software development and engineering as a career. It also became one of the earliest models for commercializing university research, paralleling on a smaller scale what was going on in Silicon Valley with Stanford. What we now know as technology transfer was a key part of the new economy of Pittsburgh. Companies like Fore Systems started out as the brain children of CMU graduate engineers and developed into businesses that impacted computers, healthcare, logistics, manufacturing and the earliest phases of the Internet.

The intersection of science and technology occurs all over Oakland, but the Carnegie Mellon campus has been impacted by these collaborations quite directly; in fact, one of its newest buildings is named for the concept. Technically speaking the Collaborative Innovation Center, built in Panther Hollow in 2004, was privately developed but even that was a collaboration, as the RIDC acted to finance the development by J. J. Gumberg with a land lease held by a joint venture of CMU and the Carnegie Museum. The 136,000 square foot building, built by PJ Dick, is known for being the only building in which Intel, Google, Microsoft and Apple had leases. A second CIC building is being planned, but the global economy has put the development of that 150,000 square foot building on hold.

CMU's other collaborative new project is the Gates Center for Computer Science and the Hillman Center for Future-Generation Technologies. Housed in one 217,000 square foot complex, the two centers are designed to facilitate interaction between the research and study of new technologies and the unrelated disciplines taught in Carnegie Mellon's other colleges. The Mack Scogin Merrill Elam design physically represents that mission of collaboration and access by the use of five pedestrian bridges and a three-level helix that connects literally with the structures that surround the Gates/Hillman Centers.

Preliminary planning is being done for Carnegie Mellon's next major capital project, a center for the study and research of nanotechnology. The science of engineering functional systems at the molecular level, nanotechnology has already provided mankind with microfiber fabrics and a number of very useful defense applications, but the real long-term benefit appears to be in manufacturing advantages. Nanotechnology allows for making higher quality products in much less time, but also has the potential for nanomanufacturing, in which products can be reproduced in much the same way that computers copy files. It is a science in its formative stage but its exponential potential offers the hope of a new industrial revolution, one that could see a return of manufacturing to the U. S. CMU already participates heavily in nanotechnology research and the new center is being programmed for around 65,000 square feet. Architectural proposals have been received and a naming donor has come forward but the project still faces a lengthy planning and funding phase.

… ATTRACTING MORE BRIGHT YOUNG MINDS

to pursue software development and engineering as a career.

Elmhurst's Rand Corp. building at Fifth and Craig helped raise the bar for Oakland's commercial rents.

THE HIGH RENT DISTRICT

Concurrent with the construction of the Collaborative Innovation Center was the development of the new building for the Rand Corporation at the corner of Fifth and Craig. The project, developed by Elmhurst put 120,000 square feet of new office space in the heart of Oakland, with Rand taking 90,000 square feet as an anchor. The project, along with the CIC building was built with pro forma expectations of rent in the low to mid-30's per square foot. Neither building has had vacancy issues.

Getting a handle on the vacancy rates in Oakland is a bit difficult. Each of the commercial real estate service companies that track and publish market reports have a different opinion of the size of the Oakland office market. The market description varies depending on how far south and east the research goes, with total square footage as low as 1.5 million and as high as 3.6 million. Likewise the vacancy rates are reported as low as 1.4% and as high as 7.1%, although the consensus seems to be below 4%. In any case, office vacancies in Oakland are the lowest in the region and what is available is in small contiguous blocks of space that aren't as responsive to tenants' needs.

"Oakland certainly needs more office space, but it also needs better quality space," observes Grant Street Associates executive Rob Geiger. "There are a lot of beautiful old buildings that aren't logical for modern tenants. Oakland could use newer products with Class A column spacing and floor-to-floor heights. The demand is there to support several hundred thousand square feet with rent in the $30's."

The unbalanced supply and demand dynamics in Oakland have had one undesirable effect for the long-time business renter: Rents have gone up. Streets like Craig and western Baum Boulevard were more affordable than the central business district until the early 1990's. The average asking rent in Oakland is now in the range of $20-$22 per square foot, roughly equivalent to downtown or Cranberry. That rate is a bit deceptive, however, as any new construction will command at least ten dollars more. The upside for the Oakland neighborhood is that the commercial real estate market is tailored to companies that are making healthy profits from their commerce with the universities and hospitals. And the conditions for that kind of business remain promising for the long haul.

In the short term there are a couple of projects that are being developed to help alleviate some of the supply problems.

The mixed use project by Massaro Properties should be under construction in 2011. Rendering by TKA Architects.

Elmhurst Group has signed a contract with Burchick Construction for its new 109,000 square foot Schenley Place office building at Fifth and Ruskin Street. The project, designed by Burt Hill, also involves a 60,000 square foot below grade parking garage. Because of the proximity to the adjacent buildings and Oakland's legendary underground river, Schenley Place is being engineered carefully; and the relative shortage of commercial financing has given Elmhurst time to thoroughly research the subsurface water issues while chasing down the most favorable financing conditions. No schedule has been set but it is expected that work will get underway in 2010.

Another new development that is more likely to start in 2011 is the commercial development at the site of the Allegheny County Health Department at 3333 Forbes Avenue. The team of Massaro Properties and Langholz Wilson Ellis, along with architect TKA Architects and contractor Massaro Corp., were successful in their proposal to Allegheny County for re-use of the site. Massaro's preliminary plan is for 140,000 square feet of office, a 500-car parking garage and a hotel with approximately 120 rooms.

Two other exciting projects that have been proposed for Oakland's commercial market have cooled in the wake of the commercial financing lockdown. Pittsburgh native Guy Totino's Polaris Realty has completed design for its Chelsea project, an apartment/office/retail building to be built at the corner of N. Craig and Centre Avenue. More ambitious was the mixed use project known as the Oakland Portal, being developed by Frank Gustine's FWG Real Estate. Gustine was in the process of accumulating properties between Fifth and Forbes, west of Magee Hospital, when the financial markets triggered the recession in 2008. The project was expected to add roughly one million square feet of office, retail and hotel space to the Oakland market at a very strategic location that would allow easy access to and from downtown, South Side and the Parkway East. While demand for all of these end uses remains very high in Oakland, the Portal project would have proceeded as a more speculative development in its early stages and financing that much spec development isn't feasible at the moment. Real estate professionals have no doubts about the success of the development, however.

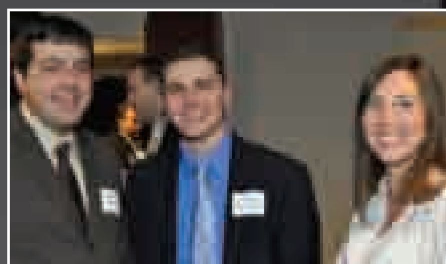
A NEIGHBORHOOD IN DEMAND

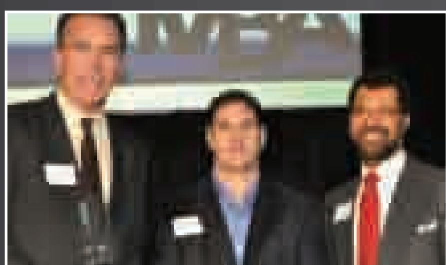
Oakland is a very densely packed community, which is probably why it is so easy to lose sight of how many different economic drivers are located there. From west to east, across commercial and institutional types of projects, almost two million square feet of new development has been proposed for Oakland over the next half decade, even without counting a new hospital.

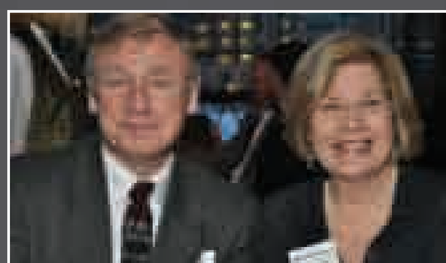
When you consider the industries that have and will re-shape the region, only energy seems to be missing from the mix (and don't rule out a gas well in Schenley Park). What adds to the optimism is that the future of the national economy seems to be turning on many of the same industries – medical research, higher education, software engineering, advanced manufacturing. Nanotechnology seems to be a science that is out there in left field, but no more so than the Internet did fifteen years ago. The 'next big thing' to come from all the research and technology transfer isn't known yet in 2010, but whatever the outcome, Oakland will be at the center of things. BG

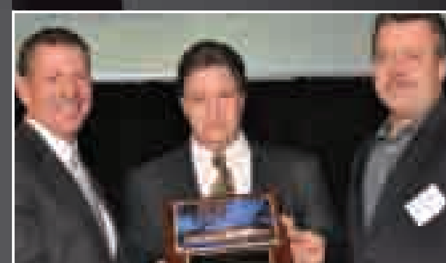
MBA

The Master Builders' Association of Western PA would like to thank all attendees and sponsors for making the Third Annual Construction Industry Evening of Excellence a success!









Some of the 700-plus professionals that made this year's Evening of Excellence a memorable experience. Save the date for next year's 'must-attend' networking event: the last Thursday evening of February at the Heinz Field East Club. See you there!

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MASCARO CENTER FOR SUSTAINABLE INNOVATION

THE UNIVERSITY OF PITTSBURGH'S SWANSON SCHOOL OF ENGINEERING has done a lot to burnish its reputation around the country in recent years. One of its headaches until recently was that as individual disciplines within the School of Engineering attracted grants or acquired technology that moved its research onto the cutting edge, the building that housed the engineering programs, Benedum Hall, was becoming obsolete for the activities within its four walls.

As part of its current master plan, the University programmed a multi-phase transformation of Benedum Hall, and with supplemental funding from the state planned a complete upgrade of the facilities that would involve investing more than $100 million when the project was completed.

During this planning cycle, one of the Swanson's programs was in the process of rapidly growing from an initiative to a center for education and research. In 2003, Jack Mascaro had help to fund and found an initiative to provide leading research in the area of sustainability. The Mascaro Sustainability Initiative (MSI) had grown out of the construction management program that the Construction Advancement Program/Master Builders' Association had help establish with the University in the early 1980's.

"We're the last of the free lance capitalists, we contractors," says Jack Mascaro. "The problem with that is that we're so fragmented as an industry that there's no coordinated R & D. Industry spends between 8% and 10% of its revenues on research but contractors spend zero. To us, sustainability seemed like a growing trend so we thought that was where we should put our money."

Pitt staffed the MSI with director Dr. Eric Beckman and co-director Gena Kovalcik. Pitt executive Gerald Holder told Mascaro that MSI would evolve into a Center if it took off and the MSI board set about driving research towards the University. In four years MSI attracted over $5 million in grants. As the staff and graduate enrollment grew the program morphed into the Mascaro Center for Sustainable Innovation (MCSI). It also outgrew its home.

By this time, in 2007, MCSI was in planning to create new space that would accommodate expanded research and that would make sense of how the Center now operated on a day-to-day basis, something that couldn't have been anticipated when its original space was built. Jack Mascaro had turned the business of Mascaro Construction over to his three sons and was interested in putting his full weight behind the project. After some preliminary planning and budgeting it was determined that the price tag of a new MCSI facility would be $16.8 million. Mascaro challenged the university to commit half the cost and pledged to fund the balance. The new Mascaro Center for Sustainable Innovation went into high gear.

EDGE Studio had been selected by DGS to be the local architect on the Benedum Hall project. His firm was also selected to design the MCSI project. One of the early issues in designing MCSI was choosing a site for the 22,000 square foot addition. The solution to that problem unlocked the solution to a key issue in the Benedum program.

"One of the design goals for the Mascaro Center was to give it a sense of identity and an image within the School of Engineering, and we initially looked at putting the new construction on the south side of the building," remembers EDGE partner Gary Carlough. "We ran into issues of setbacks and fire separations between the two buildings, among other things and the advantages were slowly evaporating. So we started to take a look at expanding along O'Hara Street."

"One of the issues in Benedum was that there were a number of registrar classrooms – for freshman classes that are larger – that were creating regular problems with elevator access. These classrooms had been moved into the basement along with offices in the sub-basement. Moving MCSI to the O'Hara Street side meant excavating below these levels for new foundations and that created the possibility for opening up the street level with a monumental stairway, creating a connection to the Benedum second and third floors, and making a sort of student union for the engineering school."

Raising the addition up a level off the ground opened up the lower levels for daylighting and matched the floor heights of the MCSI with floors two and three of Benedum Hall. Aside from an architectural integration, the design married the two buildings in the way that the academics saw the function of MCSI: as a collaboration between sustainable research and the individual engineering disciplines.

Of course what was one man's design opportunity was another's headache. Mascaro Construction's project manager Ed Elinski remembers the subgrade work as something other than an opportunity to tie two buildings together.

"It was tough work, and it was in the middle of winter and no one saw it," Elinski remembers. "We had to go through two unusually high basement levels – about 45 feet down – to do micropiles. At that depth we had lots of groundwater plus the effluent from the foundations. We couldn't just dump that into the storm system; we had to collect the water in a tank and have it trucked off site."

During the excavation for the foundations Mascaro Construction encountered one of the first of its site work surprises: an existing armory foundation. Benedum Hall itself had been built on the site of an old armory. Portions of the armory that were in the way of Benedum's subsurface support were removed but the remainder was there in January 2008 for this project to unearth. Another big site work headache was the bypass of the city's obsolete combined storm and sanitary system. The difficulty of all of the site and foundation work meant that the project would be six months below grade before any visible progress was made. But the six months was noticeable to the university.

"Our primary responsibility was maintaining classes and research while we relocated all the students and staff that would be moved out of the basement levels," explains assistant dean of research Schohn Shannon. "There was quite a lot of planning that was done internally within the

School of Engineering to identify space and necessary utilities to accommodate the needs of the school. It wasn't just finding square footage. We had to decommission and re-commission very expensive research equipment and make sure not to dislocate kindred research labs. The key to success is that we have people who really knew what was going on in all those labs and classrooms."

While the planning process was extensive, involving interviews with professors, researchers, students and staff, Shannon said the plan itself wasn't enough. "The key in the end was constant communications."

The design of the MCSI building itself was a marriage of architectural and sustainable research. MCSI's exterior was a cast-in-place structure with glazed curtain wall to allow maximum daylighting. The sloped configuration was not an aesthetic choice but rather a response to a solar study that showed that a sloped wall would allow a couple of extra hours of sunlight each day. Raising the addition up to the second floor of Benedum allowed MCSI's wet/dry labs to match up to the labs on the second floor of Benedum. The integration of the two construction programs was efficient and sustainable but created interesting issues from a contracting standpoint.

"The two pieces were designed to be integrated as a single project for the building use but were going to be bid separately so it was a big challenge to segregate the project scopes to match the bid documents," says Gary Carlough. "Items like the building systems were meant to be integrated – you wouldn't want it otherwise – but the Benedum Hall job was bid through DGS with separate mechanical and electrical prime contractors. We had to be extremely careful in documenting where the scopes of work were delineated."

All parties to the MCSI project agree that the contractors who were selected to build the DGS project at Benedum, including general contractor Volpatt Construction, worked to coordinate the needs of two contracting teams without negatively impacting schedule. That doesn't mean that the coordination was easy.

"The tight site was a real consideration," explains Ed Elinski. "The only available work area was the alley behind the auditorium and it was just totally congested. Everybody on the job had to take turns because you couldn't get more than a couple of contractors set up in there. When someone had to use a crane that took more space out. Plus, then there were the additional contractors for the DGS job."

The lack of space impacted more than just lay down or mobilization. The premium on space meant that little or no area existed for any extensive field retrofitting or modifications. For example, the curtain wall system was treated like a custom replacement rather than new construction. "All the glass and aluminum had to be field measured before any fabricating was done. No one felt comfortable working only with shop drawings," says Elinski.

In addition to the sustainability that resulted from the integrated planning process the MCSI building is also putting sustainability into the physical plant, planning for the efforts to result in a LEED Gold certification. The building is relatively narrow, allowing for daylight to spill into almost all lighted areas, which significantly reduces the energy needed for lighting. The exterior also uses a ventilated rain screen system with aluminum and glass-fiber reinforced concrete. The roof is designed to be a green roof research platform. And recycled materials were used extensively throughout, including the re-use of the limestone panels removed from the exterior of Benedum Hall.

For EDGE Studio's Gary Carlough the project gave him a chance to close a circle in his career by working with a Dahlen Ritchey building from 1971. Carlough had worked with Deeter Ritchey Sippel [predecessor to DRS Architects] for five years early in his career. "The exposed concrete in the MCSI building was a nod to Dahl Ritchey's old building," he notes. "You know that's a material that architects usually want to work with but during design the contractor says he can do the same building with steel for much less money. The great thing about this project was that Jack wanted to work with concrete!"

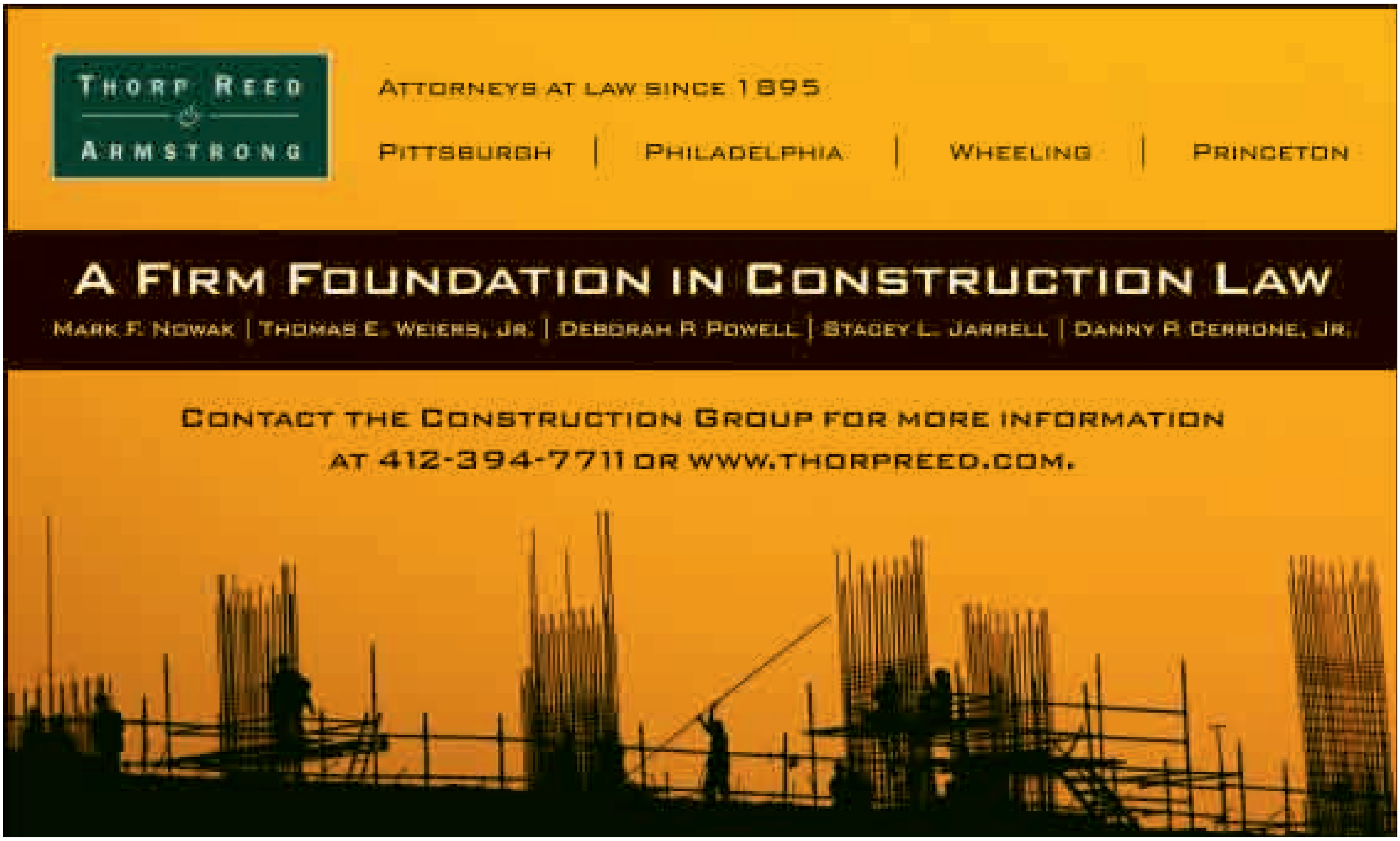
The project opened in August 2009 after the completion of the new addition and 20,000 square feet of renovation on the second floor. MCSI's benefactor is pleased with the results.

"The Center is doing great research there now with utility companies working on power and cooling problems, working on the power grid to improve electrical transmission," says Jack Mascaro. "One of the grad students won an international award for research with bamboo as a structural wood. There's a project using low head turbines to generate electricity for the city of Vandergrift. We're going to make Vandergrift a green city."

Schohn Shannon now has the MCSI and Swanson School staff relocated into their new digs and couldn't be happier with how the process unfolded, especially given the challenges. "Mascaro was an outstanding contractor on the job, and I don't think it was because of Jack," he says. "Their professionalism and attention to the details of the project was as good as I've seen from any contractor that has been on this campus." BG

PROJECT TEAM

Nicholson Construction Co. . . . . Foundations
McKamish Inc. . . . . HVAC, Plumbing
Scalise Industries . . . . Electrical
Southwest Aluminum & Glass . . Curtain Wall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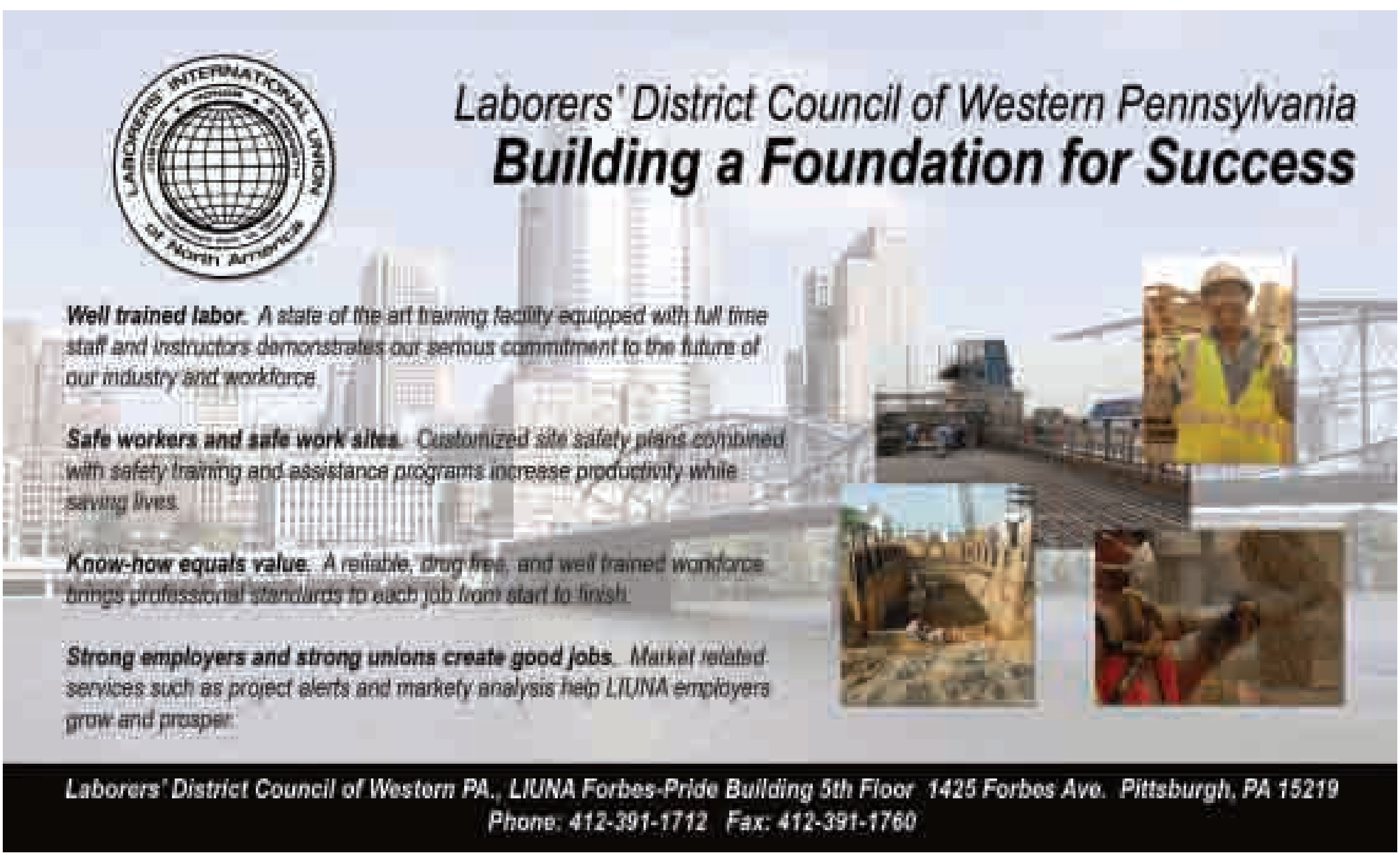
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The Jewel in the Woods chapel built in 2006, designed by TKA Architects.

The Rogal residence designed by firm founder Tasso Katselas in 1969.

TKA ARCHITECTS

ONE OF PITTSBURGH'S OLDEST FIRMS HAS BEEN QUIETLY OPERATING AS A NEW FIRM FOR HALF A DECADE. PARTNERS FELIX CARDELLA AND JOE SERRAO HAVE BEEN THE PRESIDENT AND SECRETARY/TREASURER OF TKA ARCHITECTS SINCE 2005, BUT HAVE BEEN FAIRLY LOW KEY ABOUT PUBLICIZING THE TRANSITION, MAYBE BECAUSE MUCH ABOUT THE FIRM HASN'T CHANGED DRAMATICALLY, INCLUDING THE LEATHER CHAIRS IN THE RECEPTION AREA.

Felix Cardella

Joe Serrao

... We took ownership of EVEN THE SMALL DETAILS of what we were given ...

"Yeah, well some of those things we did keep," laughs Serrao. He explained that shortly after taking the reins they decided to update a lot of the office's classic, but worn furniture. "We threw a lot of the chairs out that I think he wanted to save. He may have even gotten some back out of the dumpster, but once he saw how comfortable Felix's and my chairs were, he decided he wanted one too."

The 'he' Serrao refers to, of course, is firm founder Tasso Katselas.

Katselas opened the practice in 1955 and carved out a career marked by a commitment to modern design. The first decade of the firm is less well known to the industry but marked a period where Katselas established his style of design in a number of custom residential projects and in commercial and ecclesiastical architecture. The houses were models of a modern architectural school of thinking, often referred to as 'brutalistic domestic design.'

During the 1970's through the early 1990's Tasso Katselas & Associates was the architect for a number of high profile projects, including the St. Vincent Monastery and St. Vincent College Science Center, the Community College of Allegheny County in Pittsburgh, the Carnegie Science Center, the Allegheny County Jail and the Pittsburgh International Airport.

It was the last project that brought the current ownership together. Pittsburgh International was a project that had been on and off the boards since the 1970's. In 1985 the project finally got its legs and Katselas opened an office in a large former restaurant near the airport to pull the complete design team together. One of the architects assigned to the project was Felix Cardella, who had joined the firm in 1980.

"I joined the firm in 1980 to help put together the submission for the Convention Center hotel design competition," says Cardella. "That didn't work out but I stayed and moved out to the airport office in 1985. We renovated the place by opening everything up and just packing desks in everywhere. At the peak we had 60 people in the building, including Baker and the other consultants."

Cardella had received a Masters degree in architecture from Carnegie Mellon University after completing his undergraduate studies at Washington & Jefferson. A professor at Washington & Jefferson had nudged him in the direction of architecture as a career and towards his future employer.

"I was mentored by an architectural history professor at W & J who steered me towards Tasso Katselas as one of the firms I might want to work for because of the emphasis on design and the style of architecture," he says. "Tasso always cared about architecture and saw every project as a special opportunity to do something unique. We still fight to have an aspect of art included somewhere in each project."

Joe Serrao is a Larimer Avenue Pittsburgher who earned a Bachelor's in Architectural Studies at Pitt and graduated from Virginia Tech's Masters program in 1988. After a few years of working in Washington DC, Serrao returned to Pittsburgh and in 1990 answered an ad for an architect at the airport project.

"It had to be the worst interview of my life," he remembers. "But they asked me to go meet with the manager of the airport office on a Saturday morning. He started talking to me about starting to work on Monday and I had no idea what he was talking about. I had to tell him that I had not been offered a job by that point and that I was also going on vacation for a week that Monday." Serrao arranged to cut the vacation in half and started working the following Wednesday.

Construction administration and close-out on the airport continued until 1994. During the latter stages of the project the two future partners were aware of a change in Tasso Katselas' management style. Always one to live in the details, Katselas began to delegate decisions more and more to judge who was prepared to take on more responsibility.

"Tasso began talking about succession after the airport job was done - he was in his 70's by then," says Cardella. "We began talking with him about transition about ten years before it happened. Then in 2003, five of us were identified as possible successors."

During the next couple of years the five architects were given more responsibility and placed in situations that would be part of their role as owners of the practice. The trial by fire helped the management team realize who would take control of the firm, as the other architects removed themselves from the action or were removed until Serrao and Cardella emerged as the right fit. In March 2005, the two became the new owners of the re-christened TKA Architects.

Tasso Katselas asked to remain involved as an advisor for five years after the transition. His presence allowed the two new owners the luxury of having a trusted advisor within reach while they developed their own direction for the firm. Running the business didn't present any challenges that they weren't prepared for, but the day-to-day routine changed in significant ways.

"We were both very intentional about rainmaking as part of our responsibility every day," says Serrao. "It's a significant shift in focus moving from project architect into sales mode."

"One thing we kind of confirmed was that we both still want to design," Cardella says. "The urge to design was what got me into this profession and I don't want to give that up, so I still do work on the boards after 5:00 or on weekends. I want to find that opportunity on every project to make sure there is architecture reflected, even if it is a small thing."

Both Serrao and Cardella recognize that in another decade they will be where Tasso Katselas was when he began talking with them about succession. They view part of their role as identifying the next ownership candidates this early and to start feeding those architects more responsibility. "We want to find out who will respond the way we did when Tasso gave us the chance," explains Serrao. "We took ownership of even the small details of what we were given, and we want to see that from whoever leads TKA next."

Cardella celebrates his 30th year with the firm in 2010, and Serrao his 20th anniversary. That sort of longevity isn't uncommon at TKA and setting that sort of atmosphere is an important priority to both. When asked about what guided their management style Serrao laughed. "Whenever we would gripe about the work, Tasso would always say, 'When I die I want to come back and work for me.' I guess we want to keep that going." BG

Company Facts

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Legal Perspective

By Ericson P. Kimbel, Esq.

Significant Changes to Mechanics Lien Law Are Pending

You may know someone who has experienced a scenario like the following. A western Pennsylvania subcontractor contracts with an Ohio general contractor to perform work on a project located in Youngstown, OH. Although the subcontractor completed its work in a timely and workmanlike manner, the general contractor is holding retainage and additional contract monies. The subcontractor files a mechanics' lien in Ohio only to be met with objections for failure to file a notice of furnishing. The Ohio court strikes the lien, noting in its order that the subcontractor failed to preserve its lien rights by filing a notice of furnishing and, thus, the subcontractor forfeited its right to lien the project. The subcontractor, of course, was unfamiliar with Ohio mechanics lien law and was unaware of the need for such a filing.

The simple solution to this business problem would be avoidance: don't work in Ohio. However, a bill to add a similar notice procedure is currently pending in the Pennsylvania House.

On December 4, 2009, House Bill 1960 was introduced by Representative Mike Turzai (R-Allegheny). The bill provides an additional notice procedure for owners and subcontractors designed to patch perceived holes in the 2007 amendment to the lien laws; but which can forfeit a subcontractor's right to file a mechanics' lien under certain circumstances. The bill also reduces the time for filing a lien from the current six months to four months from completion of work. At present, the bill is in labor committee in the House.

Pennsylvania House Bill 1960 proposes to change the mechanics' lien procedure in Pennsylvania and seeks to shorten the time for filing a lien from six to four months. The bill intends to add a notice of commencement and notice of furnishing requirement to the existing lien law. By adding the notice procedure, the bill provides owners and lenders with knowledge of all possible subcontractor lien claimants on the project. Thus, an owner can be certain upon final payment to the general contractor that there are no unknown lien claimants who may assert a lien after final payment to the general contractor.

The notice procedure operates in a two-step process to preserve subcontractors' lien rights. Initially, the owner may – but is not required to – file a notice of commencement with the prothonotary of the county where the project is located. After a proper notice of commencement has been filed, subcontractors must then file a notice of furnishing to preserve their lien rights. If a notice of commencement has been filed and a subcontractor does not file a notice of furnishing, the subcontractor's lien rights are lost. Several other states use similar notice requirements for mechanics' liens. For instance, a similar procedure applies to all projects in Ohio, while in New Jersey the notices of furnishing and commencement apply only to municipal projects.

Rep. Turzai explained, "My legislation allows the owner of a property to know exactly who provided services for a project. This will protect owners from 'hidden liens' and ensure that a contractor pays all subcontractors on a project before they receive final payment. My legislation does not diminish the current lien rights of subcontractors"

Notice of Commencement

The Bill requires a notice of commencement to be filed within 30 days of execution of the general contract. In the notice, the owner must identify itself, along with an address for service of notices and claims, identify the general contractor and identify the real property of the project with specificity. The notice is filed with the Prothonotary and docketed with contractor as plaintiff and owner as defendant. The owner must serve the general contractor with a copy of the filed notice within seven days of filing. If a subcontractor requests the notice of commencement from the general contractor, it must be provided within seven days of written request.

Notice of Furnishing

Under the current Pennsylvania lien law definitions, "subcontractor" includes first and second tier sub-subcontractors and material suppliers. This definition would not be changed by HB 1960 and each claimant included within this definition must provide a notice of furnishing to preserve their lien rights if a notice of commencement has been properly filed. A general contractor is not required to file a notice of furnishing to preserve its lien rights.

The bill requires that a notice of furnishing be served – it is not required to be filed with the court – upon the owner within 30 days after the notice of commencement was filed, or within 30 days after first "performing work or services or first providing materials or equipment in connection with the improvement of the real property", whichever is later. This time limit will become crucial if the bill becomes law.

Decreased Time Limit for Filing

Although the notice of commencement and notice of furnishing does not affect a general contractor's lien procedure, HB 1960 decreases the time within which to file all mechanics' liens. The bill proposes that all liens be perfected within four months instead of the current six months. There has been no change to the preliminary notice requirements for subcontractors, which requires that notice of intent to lien be provided by the subcontractor to the owner at least 30 days prior to filing the claim. Under HB 1960 a subcontractor will need to provide preliminary notice of its intent to lien within three months of completion of work, while a contractor will have four months to file its lien.

Impacts on the Industry

Under HB 1960, owners will be provided more protection through knowledge of all possible lien claimants on the project. At the end of a project, owners will now know for certain who may have rights to file a lien against a project. The corollary to this knowledge is that owners should require general contractors to fully pay each possible lien claimant before making final payment to the general contractor to avoid any liens on the project.

As to general contractors, the bill does not add any procedural steps for general contractors to preserve their lien rights, but does decrease the time for filing liens. It is anticipated that general contractors will more closely track subcontractor payments to avoid a situation where an owner is holding payment because of possible liens by first and second tier subcontractors.

As noted above, the new procedure should provide owners with the knowledge to mandate that all subcontractors be paid before final payment is made to the general contractor. Although the Bill does provide this additional protection to subcontractors, it also requires that subcontractors file a notice of furnishing when the owner has filed a notice of commencement. This additional step may be missed by a subcontractor who is not current on the status of the lien law, and that subcontractor would lose its lien rights due to its failure to file a proper and timely notice of furnishing. Additionally, the time will be reduced for a subcontractor to file its lien claim.

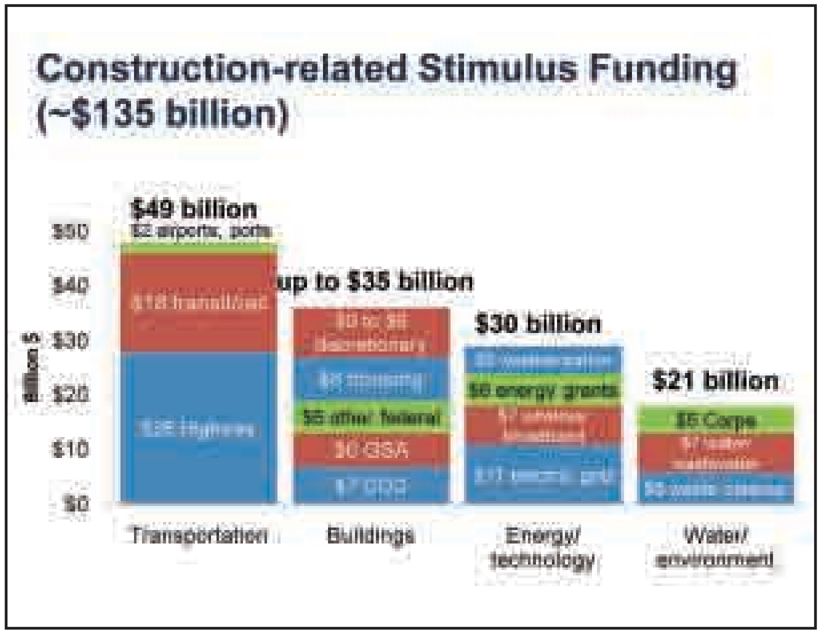
Eric Kimbel is an attorney practicing construction law in the Pittsburgh office of Cohen Seglias Pallas Greenhall & Furman. BG

Financial Perspective

ARRA's First Report Card

February 17 marked the first anniversary of the American Recovery and Reinvestment Act of 2009 (ARRA), legislation more commonly known as the stimulus program. During the week of the anniversary the administration trotted out a number of its officials, including Vice President Joe Biden to tout the successes of the bill. Quite a bit of documentation was also rolled out to show the full extent of the stimulus spending and track the jobs created and saved.

The administration is also testing the waters to see what popular support exists for a second job-creating stimulus.



The share of total stimulus spending that went directly for construction in four main categories. (Source Ken Simonson AGC of America)

Politicians have a myriad of reasons for their examination of ARRA's effectiveness, especially in a mid-term election year; however, here on the ground it matters less whether or not the Democrats or Republicans are right in characterizing the stimulus and more whether the bill allowed regional businesses to ride out the recession.

During a year when the elected officials in Harrisburg did little to burnish their reputations or help the taxpayers, damaging many organizations with the drawn out budget negotiation, it is noteworthy that Pennsylvania benefitted greatly by having the Rendell administration at the helm while ARRA was implemented. The governor's close relationship with national party leaders and the Obama administration gave him early notice of what might be included in the ultimate bill. During the holidays at the end of 2008, Gov. Rendell huddled with the leadership of PennDOT, Department of General Services (DGS) and the Turnpike Commission to begin planning for the opportunities that may come from ARRA.

The most important result of that planning was to have the state's biggest procurement agencies fully prepared to allocate funds when the Act was passed, eliminating the possibility that any money would be left on the table.

… THE MOST IMPORTANT RESULT OF THAT PLANNING WAS TO HAVE THE STATE'S BIGGEST PROCUREMENT AGENCIES FULLY PREPARED …

... OF COURSE THE PAYOFF OF THE STIMULUS WAS SUPPOSED TO BE JOBS ...

Throughout the state, hundreds of millions of dollars have been distributed to private and public agencies in smaller amounts through the indirect provisions of ARRA. These supported research and implementation of energy efficiency programs, job training, and job retention programs. While a number of these touched the construction industry, the biggest benefit to the industry came through the plans of attack developed by the agencies overseeing construction of the state's infrastructure, educational facilities and government-owned buildings.

At the top of the government's priority list was investment in the nation's transportation and water systems. These infrastructure components were in great need of repair and expansion. Interstate highways have become inadequate for urban sprawl, thousands of bridges are structurally deficient, wastewater and water treatment and distribution systems have insufficient capacity to provide all the clean water and treat all the waste generated, and all these conditions drag down the progress of commerce and make living conditions less than optimal in most states. More importantly to the administration, effecting repairs to infrastructure would require large numbers of workers (meaning voters) who might otherwise be unemployed.

Pennsylvania's administrations for highway construction have in place long-range plans, which apply priorities to construction projects based on the need, and implement the updated plans each year. Each year projects move further along in the timeline until the plan dictates executing that project. ARRA provided funds that effectively doubled one year's construction budget for highways and bridges, meaning that PennDOT, for example, could take $1 billion in projects planned for 2010 and bid them along with 2009's work. ARRA funds were responsible for projects as diverse as the $21.9 million Route 28 widening, the $10 million Route 51 Beaver Rochester Bridge, $23 million Fort Duquesne Bridge rehabilitation, $84 million in continuing reconstruction of the Charleroi Locks & Dams and the Butler County Transit intermodal facility.

Similarly, DGS received funding support that allowed them to essentially double the $65 million that is typically allocated for construction on the state's system of higher educational institutions.

ARRA provided a very significant boost to the local housing authorities, most of which have been investing only a small fraction

	Already Spent		Under Construction		Investment to Date		Anticipated Investment
State Highways and Bridges	$	253,615,800	$	578,992,777	$	832,608,566	$ 1,026,429,012
School Improvement Grants	$	-	$	3,310,006	$	3,310,006	$ 5,968,956
Transit Capital Assistance Program	$	4,845,429	$	28,980,049	$	33,825,478	$ 39,594,023
Clean Water State Revolving Fund	$	30,664,274	$	142,925,292	$	173,589,566	$ 176,912,530
Drinking Water State Revolving Fund	$	5,858,173	$	36,082,404	$	41,940,577	$ 44,006,270
Community Living Center at SE Veterans Center	$	-	$	-	$	-	$ 31,666,737
National Guard Operations and Maintenance	$	279,140	$	8,223,792	$	8,502,932	$ 21,263,000
Weatherization Assistance Program	$	43,577,111	$	162,788,936	$	206,366,047	$ 252,793,062
Community Development Block Grant	$	698,075	$	9,410,068	$	10,108,043	$ 12,434,921
Total	$	338,038,311	$	968,713,222	$	1,300,252,234	$ [illegible]

During the past year, Pennsylvania committed more than 81% of the total ARRA funding expected for the state. (Source PA Stimulus Oversight Commission Feb. 1 spending report)

of the capital expenditures of a decade ago. The shift in HUD funding to private development of Hope VI market rate housing left most housing authorities with greatly reduced funding streams. The stimulus provided $8 billion for housing and $5 billion for weatherization that could partly be captured by housing authority projects. Here in Pittsburgh, for example, the Allegheny County Housing Authority was able to bid more than $20 million in the past year for overdue modernization throughout the county, in communities like Turtle Creek, East Pittsburgh, McKees Rocks and Braddock. The Housing Authority of City of Pittsburgh, which had been similarly dormant for the past decade, bid 19 projects worth almost $15 million in the past year.

Of course the payoff of the stimulus was supposed to be jobs, both saved and created. Within the construction industry ARRA was supposed to translate directly to $135 billion in new construction. More than half of that would go to wages paid directly to labor, but it turns out contractors aren't set up well to track jobs saved, at least not using the documentation methods required by the government. For an industry that has lost 925,000 jobs since January 2009, construction does not seem to have benefited much from the stimulus; however, there are a couple of factors that may mask the impact.

First is the delayed nature of the actual spending. The statutory requirement of the Act focuses on the funds being obligated (or contracted) but contracting leads spending by a number of months and roughly half of the monies allocated have actually been spent. Clearly more jobs will be positively impacted in 2010. An internal Federal Highway Administration memo on February 1 showed that states had obligated $23.8 billion (90%) of the $26.4 billion available for highways but had paid out only $6.0 billion (23% of the total contracted). Those ratios are similar in Pennsylvania, where 81% of the total planned stimulus has been committed by February 1, 2010 but just over 21% had been spent.

THE HOUSING AUTHORITY OF CITY OF PITTSBURGH, WHICH HAD BEEN SIMILARLY DORMANT FOR THE PAST DECADE, BID 19 PROJECTS WORTH ALMOST $15 MILLION IN THE PAST YEAR.

The second factor is simply the reporting requirements, which often lie with the contracting agency rather than the contractor. This means that someone other than the firms hiring the workers is tracking (or estimating) the jobs created. Moreover, contractors find it difficult to quantify jobs saved by relating to a specific project, and the reporting asks for jobs created/saved per expenditure.

President Obama has been using the 2 billion jobs figure in his speeches about the Recovery Act. Even the most generous of agencies seem to be estimating numbers that make that figure seem high; however it is clear that the stimulus had some impact on the jobs picture. The Congressional Budget Office (CBO) and several private firms have varied estimates on the job impact:

- CBO: Between 800,000 jobs and 2.4 million jobs saved or created.
- IHS/Global Insight: 1.25 million jobs saved or created.
- Macroeconomic Advisers: 1.06 million jobs saved or created.
- Moody's economy.com: 1.59 million jobs saved or created.

That's a 100% variance between the estimates and it's important to remember that the best of these numbers makes up less than a quarter of the nine million jobs lost since the beginning of the recession in late 2007. Probably the most objective analysis of the stimulus concludes that the Recovery Act has been effective in preventing the panic of late 2008 from getting worse in 2009. And the $206 million in weatherization work that was completed in Pennsylvania prior to winter 2010 has certainly saved energy and allowed some number of PA residents to bear this difficult winter with less suffering. Without question, ARRA provided funding for construction that would not have occurred otherwise due to the deepening shortfalls in state and local revenues.

Fiscal conservatives differed with the Obama administration on the wisdom of using deficit spending to replace jobs that were necessarily lost to correct an overinflated economy that was out of balance. The dire circumstances of last February overwhelmed the conservative point of view; however political winds have changed since then. While the White House seems to want to give ARRA straight A's, objective economists seem to be grading the stimulus as a B for overall performance. And with Democratic legislative majorities suddenly seeming vulnerable, the support for a second stimulus is dwindling.

As ARRA works its way out of the system what is clear is that the recession has wrecked state and local budgets. Perhaps the more acceptable – and helpful – option for a second stimulus will be to allow for federal spending to meet state revenue gaps in 2010.

Management Perspective

Managing Risk at the Bottom of the Cycle

No two days in business are truly alike and so neither are any two business cycles; but from the start to finish most construction cycles have certain common characteristics. Business growth leads to a period of capital expenditures to add capacity and space, which leads to new commissions and contracting growth. Eventually the demand for space slows and work slows down, usually after a period of adjustment to the excess capacity. How much excess capacity was built usually determines how long the adjustment takes. Adjustment, of course, is a sugar-coated way to say recession.

The current recession may have started in a more dramatic way than the past few cycles but the progression of the response by business has followed the usual playbook. In many ways the panic that accompanied the realization of recession in late 2008 has made it easier for businesses to do what they might otherwise delay in doing: downsize, close offices, or worse.

In the same way that there are predictable stages in the recession/recovery timeline, there are predictable risks associated with those different stages. While it is impossible to tell that one stage has passed until it has passed, there are indicators that provide clues that markets are changing, and currently there are increasing indications that the regional construction market has seen the worst of this recession and that recovery is beginning.

Rather than reducing the risks of doing business, the beginnings of recovery are often periods of heightened risk. Experienced business owners recognize this and are vigilant to maintain their efforts to limit their risks. Inexperienced or unlucky business owners will find that this is the time in the cycle when failure is most likely to occur.

One of the most time-honored truisms in construction is that you don't go out of business with too little work, but rather too much of the wrong work. That sentiment is echoed time and again by construction industry executives trying to navigate their businesses into smoother waters.

"We need to remember that it's not all about backlog," says Todd Mikec, president of Lighthouse Electric. "It's easy to get caught up on the treadmill of trying to keep work coming in but we need to make sure that we aren't taking on work that we kick ourselves for later, especially if we're seeing a recovery coming."

As a subcontractor, Lighthouse has a stronger dependency on the quality of its labor force and feels pressure in a slower market to have work in order to keep good people busy. Professional service businesses share that dependence on their people and also have to fight the urge to be busy at the expense of profit.

"In these conditions you are working harder to find work and the risk is higher of fee competition that leaves you without the profit you require," says Roger Kingsland, managing partner at KSBA Architects. "We do our best to avoid those kinds of opportunities by maintaining relationships and looking to be innovative, pursuing more design/build opportunities for example. We also make sure we chase work in our area of expertise so we can be more successful at getting the projects we're good at."

KSBA was founded in 1984, a year very similar to 2010 in terms of the business cycle. Kingsland has seen several other turnaround years since and tries to use that experience to coax clients into forward thinking. "I try to impress upon clients to be prepared for things to turnaround, that an ounce of planning is worth a pound of design," he explains. "If the assumption is that we're on the cusp of a recovery, it is the firms that are prepared who will do better as conditions improve."

Splitting focus between short-term and long-term goals was on Jeff Kimball's mind. The CEO of L. Robert Kimball & Associates is concerned that his company doesn't lose sight of the potential in recovery.

"Our challenge is in finding ways to maintain profitability <u>and</u> invest in long-term growth. We have to avoid having only a short-term outlook," he says. "I'm asking our managers to focus on client project deliveries to ensure our short-term health but remembering that we can't ignore the longer term business development issues. That means investing in things that don't bring immediate returns."

One of the challenges of this recession has been that developers and institutional clients put plans for new work on hold almost overnight, causing companies with backlogs to look for more opportunities. Marketing in a downturn takes on much more importance, but it is a 'soft' discipline that is an easy target for budget cutting. While one aspect of marketing is the effort to drum up new clients (or to urge existing ones to move forward), the function of market analysis is equally important. As resources become more precious it is critical that research guides your decisions to use those resources. In this recession it has been important to know, for example, that this region has been outperforming the adjacent markets, and that short-term opportunities were going to be driven by only a few market segments.

"We're strong in education, government buildings and labs, so we were very busy last year as it turned out; but we watched our hospitality and office business drop way off," notes Phil Hundley, the senior principal at DRS Architects. "We talked about the mix of business and asked ourselves 'do we have our heads in the sand?' We wondered if we should do something proactive to anticipate a downturn; but our strengths are in the projects that had money behind them so we have been staying the course. Is it the right thing to do? Maybe not, but we have been able to keep the work coming in."

"IN A MARKET LIKE THIS THERE SHOULDN'T BE ANY SURPRISES."

Identifying the healthy market segments is important to ensure that you are focusing the marketing dollars; identifying healthy clients may be even more so at this point in the cycle. It may seem quite obvious, but business conditions for owners and developers are quite variable in a recession. Questions that verify the financing of a project should be de rigueur in any economic climate, but it's not uncommon for that kind of due diligence to be overlooked. In a downturn it is worth the time spent to see whether potential clients have had projects liened, are involved in litigation about non-payment or even to find out just how leveraged their operations are.

"We try to pay closer attention to who we're working for, to check where the money is coming from when we're considering a project to pursue," says John Paul Busse of F. J. Busse Co. "You can just tell when things are tightening up. Changes that are normally approved right away start being contested. People just hold onto their money when things slow down. I can understand that pay will be slower but I can't afford not to get paid."

Busse's comment implies one of the realities of risk management. When things are good business people tend to ask fewer questions and work out differences easier, but the risks exist in all conditions. Of course, getting paid wasn't John Paul Busse's first response to the question of what risk he was guarding against. The payments he was worried about were downstream from his business.

"We're watching that our subs don't go broke," he said. "We want to see that they are paying their subs, their fringes and their suppliers. I don't want to have to pay for the same work twice."

Subcontractors were uppermost in Joe Massaro III's mind as well when he assessed his biggest risks.

"My biggest concern is our subcontractors' health," he says. "We have a prequalification program for subcontractors and we stay in touch with them. If we hear on the streets that someone is having problems we'll ask them to meet to hear their side of the story. Subcontractors are critical to the success of Massaro. Plus, we are increasingly asked by our customers to bond or overinsure our subcontractors so it's important to understand how their businesses are doing."

The kind of close involvement described here may seem like micromanagement, particularly the information gathering about businesses on both sides of the food chain from yours; but the goal here is managing risk. It may be true that the companies that pay you or whom you pay should take responsibility for their own success, that it's not your job to worry about their business. The reality is quite different, however, especially at a point in the cycle where businesses have been feeling the negative effects of a downturn for more than a year. It may seem like micromanagement but it's also good risk management.

"I'd say the number one priority for construction-related businesses right now is managing jobs well, simply because it's so tight right now and there's not a lot of room for mistakes," observes Dick Spence, construction practice manager for accountants Hill Barth & King. "Margins are so thin that it's critical to manage the profitability closely. Contractors, architects and engineers should make sure their people have the tools necessary to manage the plan for hours and resources on the job. And you've got to manage cash flow constantly."

Spence's final word should be the project manager's mantra. "In a market like this there shouldn't be any surprises." BG

MBE/WBE Company Spotlight

Ma'at Construction

CEO Rashad Byrdsong (left) with partners Daytona Gordon and Johnnie Comer.

Justice, virtue and community are not the typical foundations of a construction company's business plan, but then most construction companies aren't founded by men who see social justice as the aim of their enterprise. Ma'at Construction is the byproduct of community organizer Rashad Byrdsong's long-term mission to rebuild the social fabric of the city's poorest neighborhoods.

A Vietnam veteran, Byrdsong was part of the ongoing civil rights movement in the 1970's and felt compelled to direct his energies at dealing with the destructive forces of gang life and rebuilding the poor communities that young people lived in. He returned to Pittsburgh in 1994 and was part of the successful effort to broker peace between gangs and to create other outlets for young people to channel their energies. That year he founded Community Empowerment Association (CEA) to create programs to educate and train young people and struggling adults. What he found was lacking was a critical component to building self-esteem and self-reliance: jobs.

... TRAINING AND HIRING KIDS TO BUILD THEIR FUTURES ...

"The companies that participated did not follow through on the agreement to hire the gang kids," Byrdsong explains. "One of the areas that seemed like we could have access to was construction, so we started our own landscaping business to employ the kids." The business succeeded in landing a contract to mow and clean up the many vacant lots that existed in Homewood. Though inexperienced and under-equipped, Ma'at's crews got the community's attention with their thoroughness. Byrdsong was also impressed by the opportunity that contracting provided and set about broadening Ma'at's capabilities.

One of Byrdsong's consulting clients was Daytona Gordon, who was working for an economic development group serving at-risk youth. Byrdsong recruited Gordon to run the day-to-day operations at CEA. An accountant by training and experience, Gordon found herself gaining accelerated project management skills as she did what was necessary to handle the new work that Ma'at's crews were taking on. CEA was a tenant of the Lexington Technology Center as the URA property was being renovated. The project was being managed by Baker Young, and Byrdsong parlayed an introduction to Baker Young partners Jim Malanos and Mike Zappa into some of its earliest renovation projects.

In 1998, a cold call to Mascaro Construction gave Ma'at Construction its first big break, an $800,000 subcontract to do the rebuilt foundations at Mascaro's renovation of the old Allegheny County Jail for the Family Courts.

The construction boom that occurred in recent years provided an opportunity for CEA to grow Ma'at Construction's business significantly, particularly as the redevelopment of southeastern East Liberty progressed. In 2007 Ma'at added another key member of the team, Johnnie Comer, to run the company's field operations. Comer is a journeyman carpenter with experience working for many of the region's commercial general contractors.

Ma'at's emphasis on training has impacted the availability of skilled minority craftspeople, and the company has taken on larger subcontracts, working for TEDCO Construction at the Letter Carriers Building, PJ Dick at Bakery Square and for Jendoco Construction on its Pittsburgh Ballet Theater project.

Ma'at remains lean, with eight employees, but the growth in business has necessitated bringing in more experienced staff to handle the estimating and project management load. It also gave Rashad Byrdsong the chance to bring in Arthur Sheffield to lead the office and business development efforts.

Growing their business and capabilities hasn't altered Ma'at Construction's overarching goal: training and hiring kids to build their futures. Growth has created some interesting new situations. "We're doing a new construction project in East Liberty and have a crew of 15 black workers on site," relates Johnnie Comer. "People probably aren't used to seeing that many black guys on a jobsite because we get some interesting looks and we've even had people shout things from the bus. But I guess that's a good problem to have." BG

Company Facts

Ma'at Construction Group LLC

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New Stormwater Management Regulations – What You Need To Know

Sean M. Donnelly, P.E.

Stormwater management regulations historically have been slow to change, although when changes are enacted they have a widespread effect on the construction and development industry that often impacts the overall viability of new projects. After more than a decade since the last major modification, the U.S. Environmental Protection Agency (EPA) has recently developed and released new requirements. The EPA's latest amendment marks the first time that national requirements and enforceable numeric limitations on construction site stormwater discharges will be regulated. While the EPA claims that the rule will eliminate over four billion pounds of sediment discharges, the cost of adhering to this requirement may cause developers to downsize their projects in order to avoid unwanted fees associated with compliance.

Since 1972, the Federal Clean Water Act prohibited the discharge of any pollutant to our waters unless the discharge is authorized by a National Pollutant Discharge Elimination System (NPDES) permit which is regulated by the EPA and administered on a state level by the Department of Environmental Protection (DEP). The NPDES permit program is responsible for controlling and regulating point source discharges (outfalls from storm sewers) of pollutants to waters within each state in an effort to maintain, protect, and restore the water quality of streams, lakes, and rivers. The Clean Water Act gave the EPA the authority to implement pollution control programs, such as setting wastewater standards for industry, and more importantly, it gave them the ability to amend the program to meet these standards.

In 1990 the EPA developed Phase I of the NPDES Stormwater Program. The Program addressed sources of runoff that had the greatest potential to negatively impact water quality like the stormwater discharges associated with construction activities. This was the first major amendment to the original NPDES permit instituted by the EPA. It required NPDES permit coverage for construction sites disturbing five or more acres, thus forcing developers and land owners to invest more time and money into controlling erosion during construction.

Phase II of the NPDES Stormwater Program was signed into law nine years later and further expanded the NPDES Phase I Program by requiring construction sites that disturb one to five acres to obtain a permit and to implement a Stormwater Pollution Prevention Plan (SWPPP). The SWPPP must include a site description and measures and controls to prevent or minimize pollutants in stormwater discharges. This amendment to the permit again increased the number of construction sites that require an NPDES permit and further influenced what developers and land owners needed to invest to control erosion and sedimentation during construction.

Another new element of this amendment addressed reducing the impact of the development after construction by requiring the use of Post-Construction Best Management Practices (BMPs). BMPs intend to promote more of a "green" development by helping the development site reduce its effect on the environment, through measures such as ground water recharge through infiltration, filtration by means of plants and soil media, and open space design. The result though, in many cases, is that costs – both upfront to develop and long term to maintain – are increased, although many would argue it's the responsible way to develop.

Both phases required all stakeholders in land development to focus more attention on the environment. Phase I introduced erosion control practices during the construction of a land development project and Phase II introduced ways to reduce pollution from land development after construction. Neither of these permit programs considered the actual testing of the practices to determine their effectiveness. This is where the latest change to the NPDES stormwater regulations comes into play.

On December 1, 2009, the EPA published Effluent Limitations Guidelines (ELGs) and New Source Performance Standards (NSPS) to control the discharge of pollutants from construction sites. This was titled the final rule for "Effluent Limitations Guidelines and Standards for the Construction and Development Industry". The agency believes this rule, which takes effect in 2010 and will be phased in over the next four years through the NPDES permit, will significantly improve the quality of water nationwide.

Construction sites that disturb 20 or more acres at one time will be required to conduct monitoring of discharges and comply with specific limits on discharges to minimize the impact on nearby water bodies. Beginning four years after the effective date of the final rule, the monitoring requirements and numeric limitation will apply to all sites that disturb 10 or more acres at one time. The EPA believes that this phased approach will allow states adequate time to develop monitoring the necessary requirements and procedures as well as granting developers, contractors, land owners, and engineers time to prepare for compliance.

The regulation took effect on February 1, 2010 and all permits issued by EPA must incorporate the final rule requirements. Individual states will need to amend their NPDES permits to account for the final rule. Pennsylvania, through the action of the Department of Environmental Protection (DEP), is required to update and renew its NPDES permit program to incorporate the current EPA regulations.

Due to the issuance of the final rule and in anticipation of the revisions, PADEP is proposing to Pennsylvania's Chapter 102 (Erosion and Sedimentation Control), DEP has reissued the NPDES permit (PAG-02, 2009 amendment) for a period of two years from the effective date of December 7, 2009 rather than the standard five years. The current permit, PAG-02, 2009 amendment, will expire on December 7, 2011. The amended permit, to be issued December 2011, is anticipated to include revisions to address the final rule and the revisions to Chapter 102. Based upon this schedule, stakeholders in the development of land in Pennsylvania will have two years to prepare for this new regulation and which will again affect development costs, timelines, and the overall development process.

The NPDES permit and subsequent amendments to the original NPDES permit were enacted in order to maintain, protect, and restore the water quality of streams, lakes, and rivers. Soil laden runoff is one of the leading causes of water quality problems, resulting in the reduced depths of streams, lakes and reservoirs affecting both human and aquatic life. The EPA has projected that this regulation will reduce the amount of sediment discharged from construction sites by about four billion pounds each year, at an annual cost of about $953 million, once fully implemented. Because of the phase-in period for the numeric limit, and the timing of state construction general permit renewals, it is expected that the cost of the rule will be $8 million in 2010, $63 million in 2011, and $204 million in 2012.

The EPA states that the benefits from reducing discharges of sediment and turbidity are extensive, but it is too early to know the impact that these new regulations will have on land development activities, and whether the new regulations will be a disincentive for new development.

Sean Donnelly is a project manager working in the land development practice at Gateway Engineers. BG

AWARDS & CONTRACTS

TEDCO Construction renovated the 46th floor of the BNY/Mellon Centre and space in 4000 Town Center building at Southpointe II for UBS Financial. The projects were designed by Vocon Design.

Terradime LLC selected TEDCO Construction to be the general contractor for its planned condominium at 5637 Forbes Avenue in Squirrel Hill. The 28,000 square foot building will feature 12 sustainably designed units. FortyEighty Architecture is the architect.

TEDCO was the successful contractor for the office renovations for the Greater Pittsburgh Community Food Bank in Duquesne, PA. evolve environment architecture is the architect for the project.

Nello Construction is starting construction on the new $2.5 million Triumph Baptist Church on Mt. Nebo Road in Ohio Township. Brenenborg Brown Architects designed the 13,412 square foot new facility.

Nello Construction was awarded a $24,500,000 contract to build a new middle school for West Mifflin Area School District. The 176,873 square-foot building will be located on the high school campus and serve grades five through eight. Nello is working in conjunction with Graves & McLean Architects.

A. Martini & Co., Inc. was the successful contractor on the new $13 million call center for Education Management Corp. in Robinson Township. The project was designed by architect Frank Dachille Architects and engineer H. F. Lenz Co. of Johnstown.

Heritage Valley Health System awarded contracts to A. Martini & Co. for a fit-out to their Freedom Square facility in Cranberry Township, and for $1.5 million renovations to the Primary Care Suites at their Sewickley Hospital facility on Blackburn Road. Paul Slowik & Associates is the architect.

A. Martini & Co., Inc. was selected by UPMC to be the General Contractor for the renovation of space for a new diagnostic imaging suite, located in Forest Hills. This fast track project has a six week construction schedule and is due to open March 1, 2010. The architect is Image Associates, Inc.

Yarborough Development, Inc was awarded the contract to complete the $7,498,000 Phase 2 of the New North Strabane Community Park by the North Strabane Township Supervisors. The park was designed by Gateway Engineers.

Rycon Construction has been awarded two additional projects as the construction manager at UPMC's Mercy Hospital. Currently managing the emergency room renovation, Rycon will also renovate the CT Scan Facility and provide electrical upgrades to the main substation physical plant. These two projects are part of Mercy's multi-million dollar capital improvements being managed by Rycon Construction.

Rycon Construction was awarded a construction management contract to perform renovation work to the new headquarters building for Cottrill, Arbutina Professional Services at the Third Street Renaissance Building in Beaver, PA. Pfaffmann + Associates is the architect.

Rycon Special Projects Group was chosen by UPMC to renovate the 29,500 sq. ft. 21st Floor at the USX Tower. This project, designed by The Design Alliance, is scheduled for completion in April.

UPMC selected Rycon Special Projects Group for the renovation of Magee Women's Research 2nd Floor Renovation. Astorino designed the 7,000 sq. ft. space.

F. J. Busse Co. was awarded a contract for the tenant improvements for Joseph Beth Booksellers' new 12,000 square foot space at the South Side Works. The architect for the project is Herschmann & Associates.

Heritage Valley Health System awarded a contract to John Deklewa & Sons for the $300,000 renovation to its CVTS offices at it Beaver campus. Paul Slowik & Associates is the architect.

JC Penney Department Store awarded Poerio Incorporated a contract to renovate the Men's and Women's restroom at the Rockaway Mall in Rockaway, New Jersey. The renovations included fixtures, lighting, wall tile and floor tile. As part of a storewide renovation in Dublin OH, JC Penney selected Poerio to do renovations to the 3, 000 square ft shoe department and all fitting rooms in the store.

Poerio Incorporated was awarded a project to perform renovations to Wesco's Headquarters in Station Square, Pittsburgh, PA.

Poerio Incorporated has been selected by the University of Pittsburgh to renovate the Computing Services and System Development Department (CSSD). These renovations include modernizing existing offices, all electrical, plumbing and HVAC systems in the department. The 3,000 square ft renovations are to be completed in March and the architect on the job is RSH Architects.

Landau Building Company was recently awarded a contract from Heritage Valley Heath System for the renovation of the Fourth Floor of the hospital for a new Inpatient Rehabilitation Unit at their Beaver campus in Brighton Township. Paul Slowik and Associates is the architect.

Waynesburg University awarded a contract to Landau Building Co. to renovate the Stewart Science Lecture Hall. The architect is VEBH Architects.

Landau Building Company recently completed the Leetsdale Building 900 located in the Leetsdale Industrial Park for Chapman Properties. This 51,400 sf. concrete based pre-engineered metal building was built for warehouse, flex and industrial use. The architect was Next Architecture.

Massaro Corporation was the successful bidder on the renovation and new construction contract for Saint Clair Hospital located in the South Hills of Pittsburgh. This $4,960,000, 8,000 square foot job will result in the creation or renovation of several operating rooms at the facility. The architect on the project is VEBH Architects.

West Virginia University selected Massaro Corporation as the general contractor on the new $12.5 million, 64,000 square foot basketball practice facility to be used by the women and men's basketball teams. The facility will consist of two practice courts, weight room, training and hydrotherapy rooms, team meeting rooms, office and conference spaces, the WVU Hall of Traditions, reception area and support areas. The architect is Ellerbe Becket out of Kansas City, Missouri.

Massaro Corporation will be performing the $4,738,000 fit out for the first floor of West Virginia University's biomedical facility. This 26,000 square foot project will start in January 2010 and is slated to be completed in November 2010. The architect is Stanley Beaman Sears.

Massaro Corporation was the successful bidder selected to perform the $3,420,000, sixth floor renovations for UPMC Western Pennsylvania Institute and Clinic located in Oakland. Image Associates, Inc designed this 16,000 square foot renovation.

Point Park University has selected Massaro Corporation as the general contractor on the $4,123,614 third phase of construction for the student housing renovations. Phase III is a ten floor, 40,800 square foot fit out for student apartments.

Saint Vincent College awarded a contract to Jendoco Construction Corp. for the Mary Mother of Wisdom Chapel Alterations in Latrobe. Astorino is the architect for the 3,500 square foot demolition and renovations to the existing student chapel.

The Maryland Public Safety and Correctional Services Department awarded the MCE Upholstery Plant project at the State Maximum Security Prison in Cumberland, Maryland to the design-build team of PJ Dick Inc. and ATI. The $4.4 million project entails the design and construction of a 20,000 square foot upholstery plant, a furniture assembly factory intended to improve inmate vocational skills.

Mellon Institute's awarded a contract to Mosites Construction for the MICV Lab, a $5 million renovation to 11,000 square feet on the second and third floors. CUH2A of Bethesda MD is the architect.

Mosites Construction was the successful bidder on the Marion County Information Center for the West Virginia Department of Transportation. Mosites bid for the welcome center along Interstate 79 was $3,748,367.

FACES & NEW PLACES

Rycon Construction, Inc. Special Projects Group added Gary DiCicco to their team. Gary was named Estimator/ Project Manager and brings over 20 years of experience in the construction industry to Rycon.

The Master Builders' Association of Western Pennsylvania, Inc. (MBA) announced the election of Thomas A. Landau as President of the Association. Mr. Landau is President of Landau Building Company, a fifth generation commercial general contractor, established in 1894, headquartered in Wexford, PA. Mr. Landau is the third Landau to serve as president of the MBA. Calvin Landau served from 1939-1943 and Thomas J. Landau served from 1965-1967.

Along with Mr. Landau, the MBA also elected the following members to serve as Executive Officers: Vice President, Steven M. Massaro, Massaro Corporation;.Treasurer, Dean Mosites, Mosites Construction Company; Executive Director, Jack W. Ramage.

PJ Dick is pleased to welcome Asia Jackson and Danielle Ducouer as receptionists at PJ Dick's new office on Pittsburgh's North Shore.

The Master Builders' Association Young Constructors (YC) announced its new slate of YC executive officers. Chairman, Brett Pitcairn, PJ Dick Incorporated, Vice-Chairman, Gino Torriero, Nello Construction Company, Secretary, Jennifer Landau, Landau Building Company

Chronicle Consulting is pleased to announce the addition of Rick Fischer as Housing Inspector. Chronicle performs Housing Quality Inspections for a variety of housing coordination agencies.

The Gateway Engineers, Inc. based in Green Tree recently appointed new shareholders. The new shareholders are: Ryan Hayes, Matt Bagaley, Mike Ogin and Kimberly Kyriakis.

R.I. Lampus Company, a manufacturer and distributor of hardscaping, landscaping, concrete masonry products, and silicon carbide and ferro alloy products based in Springdale, PA, recently announced that Andy Burkhart has been named Vice President of Sales, Concrete Products & Alloy Divisions. He previously held the title of Vice President of the Alloy Division. Lampus also announced the addition of John Bliss as a Brick Sales Representative focusing on architectural and residential brick sales, in support of R.I. Lampus Company's Carolina Ceramics brick lines.

Burt Hill added two senior architects to their Pittsburgh office. George Halkias, AIA, NCARB, LEED AP, and seasoned transfer Tim Cowan, AIA, NCARB.

The Master Builders' Association of Western PA launched their redesigned website on February 15, 2010. The revamped site is at the same URL, www.mbawpa.org.

THE INDUSTRY in the COMMUNITY

Master Builders Award Scholarship

The Master Builders' Association (MBA) and the Construction Advancement Program (CAP) awarded a $7,500 scholarship to Michael Zucatti, a student at the University Of Pittsburgh School Of Engineering. The scholarship marks the twelfth year of support for Pitt students by CAP. In the early 1990's CAP responded to an inquiry from Pitt's Engineering Department to do a needs assessment of the construction community so that Pitt could expand its engineering studies into areas that would improve the skills and the marketability of its graduates. The CAP Board of Trustees worked with university faculty to help set goals for what is now the Pitt Construction Management Program.

Since the MBA & CAP teamed to provide annual scholarships in 1998, nearly $90,000 in scholarships has been provided. This year's recipient was honored at the 2010 MBA Annual Membership Dinner, held on Friday, January 15, at the Duquesne Club.

CAP trustee Raymond Volpatt Sr. (left), scholarship recipient Michael Zucatti and CAP trustee John Deklewa (right).

John Prim from Construction Insurance Consultants (left) with Volpatt Construction's Gary Monaco and Mike Uhren (right).

Builders Exchange executive director Del Walker (left) and Dave Meuschke of Burchick Construction.

Huntingdon Insurance's Peter Burke with John O'Brien of Landau (right).

Third Evening of Excellence Draws Record Crowd

The Master Builders' Association of Western Pennsylvania held its third Construction Evening of Excellence on Thursday, February 25 at the Heinz East Club. The event is one of the region's largest networking gatherings, drawing over 725 people for heavy hors d'oeuvres and drinks.

The highlight of the event is the presentation of the MBA's Building Excellence awards, given annually to recognize projects in four major categories of new and renovation construction, plus categories for interior and exterior craftsmanship. Contractors, architects and project owners were present to accept the recognition of their industry peers.

GSP Consulting's Alyssa Kunselman and John Skorupan of L. Robert Kimball at the MBA Evening of Excellence.

Lisa and Mary Coffey of Coffey Cleaning Services.

Alpern Rosenthal's Tom Menk and Marc Pennell of Chubb Group.

Bernie Kobosky and Annabelle MacAlister of PJ Dick.

MBA executive director Jack Ramage with John Paul Busse (center) and Joe Zielonka of F. J. Busse Co. (right)

(left) Roger Pieto of Liberty Surety with Rycon's Lou Ferraro and Jim Bly of Marsh (right).

Building Excellence Awards judge Joseph Beck of Michael Baker Jr. Inc. (left) with Burchick Construction's Joe Burchick, Karl Borgman and John Finney.

Ray Gajski of Ruthrauff Sauer with Jendoco Construction president Dwight Kuhn.

Jesse Campayno of Campayno Consulting Services with PJ Dick's Jeff Turconi.

John Sebastien and Dan Dean (left and center) of dck nationwide llc with Eat ’n Park’s Bill Bates.

Nello Construction’s Gino Torriero (left) and Billy Hinton with wife Petra.

(left-to-right) Michael Mascaro, Bob Fleckenstein of Maxim Crane, PJ Dick's Brett Pitcairn and Emil Pohodich of Lighthouse Electric at the ASA Networking Evening on February 18 at the Engineers Society of Western PA.

dck's Jerry Horn, John Norbut of McKamish and Anton Mikec of Lighthouse at the ASA Networking Evening.

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

By Wanda Wilson

At lunch recently in a popular local eatery, I overheard Mandarin, Russian, and a lovely Southern drawl. Returning to the office, I passed young faces, old faces; people using the latest high-tech gadgets and people on their way to send an old-fashioned letter. I have the pleasure of working in Oakland. I love its diversity and energy, its grit and beautiful public plazas; its holes-in-the-wall and grand landmark architecture. It's a never-a-dull-moment sort of place with plenty of interesting people.

Oakland's population of 23,000 swells to over 100,000 each weekday with the influx of workers, students, and visitors. Oakland has the highest concentration of academic and medical institutions in the region, if not the state, and is the center of new technology and research innovation here in Pittsburgh. This is the place to be and we're bursting at the seams. The developments currently in the works will add substantial commercial space to our market to meet the demand. Through smart planning and good design, we can maximize the opportunities in Oakland and create connections to with our neighbors to revitalize Pittsburgh's core.

My job is to make sure that development benefits all in Oakland. After all, Oakland is a residential community as well as an economic engine. My organization, Oakland Planning and Development Corporation (OPDC), ensures that a unified community voice is actively engaged in development and planning decision-making. We also complete our own real estate development projects to meet community needs and stimulate private investment with the goal of a residential neighborhood that is thriving, healthy, and desirable. OPDC also connects the unemployed with good quality job opportunities and prepares high school students from disadvantaged backgrounds for careers in healthcare and the new economy. In our 30-year history we've built over 320 units of non-student housing, led numerous community planning efforts, cleaned up enough trash to fill the Peterson Events Center to the hoops, and placed thousands of people in good jobs. We, with our partner organizations in the Oakland Neighborhood Partnership Program, provide the glue to help everyone to benefit from the opportunities here.

We couldn't do our work without partners. One of the many things that make Oakland unique is the partnerships through which we achieve success. The transformation of Schenley Plaza from a parking lot into a beautiful public plaza was achieved through the hard work of members of the Oakland Task Force, a collective of institutions, community, businesses, and public agencies focused on making Oakland the best it can be. Everyone came together around a shared vision, found the common denominator, and made it happen. Similarly, Oakland leaders worked with PENNDOT on the design of the span over Forbes Avenue; our new bridge is an asset to the community that fits well with our urban context.

Developers and builders, you can also partner with us. OPDC will spearhead a visioning process later this year to identify the next development opportunities and to formulate strategies for Oakland to continue to thrive and grow. You are welcome to join us at the planning table and to work with us to implement our vision. OPDC is the place to begin your conversation with the community about your proposal. We help bring good quality plans to fruition.

Oakland's assets – location, amenities, energy -- are robust and compelling. Like Cambridge or Austin, this is the place to be. We merely need to unleash its full potential. Come see us with your ideas so that we can be your partner to leverage this potential. I look forward to the conversation and to what we can accomplish together.

Wanda Wilson is Executive Director of Oakland Planning and Development Corp.

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