

BreakingGround



THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

MAY/JUNE 2007

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Publisher's Note

During the research for the "green" edition of BreakingGround in the fall of 2006, I was introduced to Rich Overmoyer of GSP Consulting's Economic Architecture practice. Rich was working on a green building products manufacturing initiative with the Green Building Alliance, and I was interested in hearing about how that initiative was to further enhance Western PA's green leadership.

As the research wound down I found myself much more interested in the economic architecture or economic infrastructure issue than I expected. As a cold, cynical capitalist, I assumed that the concept was more of a marketing hook, or another way for a consulting firm with great political connections to create a revenue stream. Now that may be the strategic reason for the practice at GSP, but the concept goes much deeper than one firm's business plan. Economic infrastructure, in my view, has little or nothing to do with actual infrastructure. That's why you'll

read almost nothing in this edition about interstate highway interchanges or public transit. It's not that there is no connection; it's just that a great highway system can't compensate for a weak economic base, and a strong economic base will find a way to move its products, with or without great transportation.

The economic base of our region has shifted. In fact, in researching this edition it became overwhelming to present all the varied streams of the new Pittsburgh economy adequately. I would encourage anyone who is feeling down in the mouth about our region to go digging around the advances in healthcare and life science that are being developed and implemented here. And healthcare is but one of three or four industries on the verge of revolutionizing this region.

What revealed itself during the preparation was that there are a few major pathways or channels of opportunity for the region to leap off into another stage of growth. These pathways aren't industry-specific, but represent the means to the end. Time and again those interviewed came back to common themes of commercializing the research and tech

development of the universities, of launching more and more start-up companies, and of leveraging our region's environmental leadership.

It was ironic that the Census Bureau released its updated estimates of population in the midst of the preparation of this edition. Once again showing decline, the reports were interesting to me in the barely-noticed notation that the information was based on estimates, not actual data. In the face of the growing data supporting the growth of our economy that I was being shown, I was again struck by the weight given negative news that was substantiated only by trend analysis.

Within those Census reports was data on one trend (again not substantiated) that was relevant to the issue of our region's growth. Census shows Western PA having little immigration. The theme of immigration resonates throughout this edition, whether discussing the role of immigrant

entrepreneurs, undocumented construction labor, or our future population growth base. Juxtaposed against this immigration outlook was the introduction of legislation in Harrisburg aimed at countering illegal immigration.

The net result of talking to so many leaders about how the region's economy is changing was that my optimism about our future was bolstered further. The obstacles slowing growth are there and will be discussed, but I hope you'll come away from reading this edition with excitement about our children's opportunities to have a fulfilling construction and real estate career in western PA.

Sincerely,



Jeff Burd

News From The Street



Rendering of the first building at Westinghouse Nuclear's proposed Cranberry Woods campus, by LLI/IKM Jt. Venture

Westinghouse Nuclear Firms Up Plans

Westinghouse Nuclear Division's selection of the Cranberry Woods Business Park as the site for their consolidated Western PA operations has thrown development plans for the Route 228 and I-79 neighborhood into high gear. Westinghouse, which will be developing 775,000 square feet of office and labs over a three-year period, has chosen a joint venture of IKM Inc./LLI Engineering to design the buildings. Civil & Environmental Consultants, of Carnegie, are doing the civil engineering for the site.

Site work for the complex should begin this summer, including the preparation of the pad for the first building, a five-story, 400,000 square foot-plus structure. The buildings, currently planned with brick and glass exterior elevations, will be LEED-certified.

The prospect of as many as 3,000 more professionals working in Cranberry Woods by 2010 has energized plans for commercial and residential development proposed for adjoining properties. On the north side of Route 228, opposite the entrance to Cranberry Woods, planning for Simon Properties' Cranberry Town Center, a nearly 1,000,000 square foot mixed-use project, has gone into final stages. Immediately to the east of Cranberry Town Center, another commercial project mixing office and retail is being proposed by Creative Real Estate and Lauth Property Group of Indianapolis. And Creative Real Estate is also planning townhouses adjacent to Westinghouse's development to meet the housing demand that is anticipated from many of the Nuclear Division's younger or empty-nest employees.

NAIOP Presents Development Awards

On March 1 the Pittsburgh chapter of the National Association of Industrial & Office Properties (NAIOP) held their annual awards banquet at the David Lawrence Convention Center. Over 750 guests were in attendance to see awards given out in a variety of commercial real estate categories.

Best in class awards were given for: Speculative Building Industrial was given for 150 Crown Court to developer Imperial Business Park LP, built by Landau Building Co. Speculative Building Office was awarded for Quantum II developed by the Soffer Organization, built by P. J. Dick Inc. Creative Deal was awarded to Elmhurst Group for the Rand Building in Oakland, built by TEDCO Construction. The Renovation Award was given for 800 Commonwealth Drive to Sampson Morris Group. The award Build to Suit was for the Delmonte Building by Continental Real Estate. The Supporter of Development Award was presented to the Tri-County Airport Partnership, represented by county officials of Allegheny, Beaver and Washington counties.

AGC Reviews Draft AIA Document A201

The Associated General Contractors of America (AGC) held their annual convention in San Antonio, Texas, from March 21-24, 2007. During the convention, the AGC Contract Documents Committee hosted the AGC A201 Taskforce Forum so that the taskforce could share its views on the substance of this draft and AGC members could be better informed when the AGC endorsement decision is made.

Contractors from around the nation attended to learn more on the draft of American Institute of Architects' (AIA) A201-1997 General Conditions of the Contract for Construction, which is revised every ten years and is up for revision this year. Jack Ramage, Executive Director of the Master Builders' Association, attended the meeting representing union general contractors in Pennsylvania.

"The [A201 – 2007] draft language presents some concerns for the contractor community," said Ramage. "But I feel positive that the good relationship between the AIA and the AGC will be displayed and AGC's recommendations will be incorporated so that the final version will be a win-win for all concerned parties."

One member of the AGC A201 Taskforce, who spoke on the condition of anonymity, said the draft could hold contractors liable for a third party's site activities and force them to inspect work not in their contract scope. That draft language is a significant step backwards for the contractor from the 1997 document and that may obstruct the AGC from an endorsement.

The AGC endorsement decision is expected by the association's mid-year convention in October 2007.

Locally, the AIA-MBA Joint Committee will meet during the current calendar year to discuss the revised AIA A201. The committee, in turn, will update the Western Pennsylvania design and construction professionals via a revision to the *AIA-MBA Book of Recommended Construction Practices* (The Yellow Book).

Local and State Plan Review Changes Worth Noting

Pat Ford, the City of Pittsburgh's new Director of Economic Development, has announced further refinements of the streamlining measures that were put into place March 1 at the Bureau of Building Inspections (BBI). Since the adoption of the state-wide uniform construction code, the city's BBI has been bogged down with additional reviews and procedural changes that coincided with staff shortages. The result was a significant delay in the review of plans for building permits.

The recent refinement allows for expedited review of certain smaller non-residential projects. Architects, contractors or owners of projects with 15 drawing sheets or less may now make appointments on Thursdays with plan reviewers, who will walk the project through to the building permit release, provided that code and zoning issues are met.

One possible exception to the new process would be a healthcare project that requires Department of Health plan review in Harrisburg. The City will not review projects requiring DOH review until after state approval is granted, regardless of the project's size.

The Pennsylvania Department of Health has initiated a change that will also expedite project progress in the field. DOH has interpreted revisions in the American Institute of Architects (AIA) *Guidelines for Design and Construction of Health Care Facilities, 2006 Edition* to give the responsibility for assuring compliance with the project's Infection Control Risk Assessment (ICRA) to the facility owner.

The AIA *Guidelines* calls for a Functional Program Narrative to outline the project's scope and the ICRA plan. The Department of Health requires the submission of the Functional Program Narrative with plan approval submissions for construction projects proposed for hospital and ambulatory surgical facilities. The burden of assuring the plan is implemented will fall on the owner.

This change means that the field inspections of ICRA measures will no longer be done by the DOH, which should expedite project start-up and phasing changes. Prior to this change inspections were required for erection or revision to ICRA barriers or other infection control measures. Inspections had often delayed progress by several weeks if DOH field staff were unavailable.

PA Department of General Services Jumps to Electronic Procurement

Starting March 15 the state's Department of General Services (DGS) began the transition to electronic advertising and bidding for all contracts it administers. Similar to the systems used by PennDOT and the Turnpike Commissions for the past half-decade or so, the DGS system will operate as a Supplier Portal, allowing both bidders and advertisers to use the DGS Bureau of Procurement website to conduct contracting.

The two most significant changes are that state agencies will now advertise directly to the DGS web site, meaning that monitoring these agencies for bid opportunities may not yield all projects out to bid; and, that bid opening procedures have changed to transition completely to electronic bidding.

This latter change effects how bids will be submitted, opened and how available results will be. DGS is encouraging electronic bidding, although it appears that construction services will require paper bids for the near term. Bids opened electronically will be available for review and status check by the supplier



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or contractor through the Supplier Portal. Paper bids will still be opened publicly, and bid results will be posted on the web site as soon as possible, but review of bids at bid openings will no longer be allowed.

Experience with previous DGS procurement changes suggests that the delay in posting results "as soon as possible" will be longer than most contractors or vendors would desire, so anyone needing to know results would do well to attend openings. The Department's adapting to the technology should allow availability of bid results much sooner over the long haul.

A final change that bears noting is that bid opening schedules have been expanded, and agencies will now have several opportunities to open bids throughout the week. DGS openings for construction have historically been Wednesday's at 11:00 AM for Western PA jobs, but those times will change going forward.

Access to the new system is seamless from the existing DGS website at www.dgs.state.pa.us. Any questions regarding the process change should contact Susan Plecker at 717-346-2678 or email at splecker@state.pa.us. BG

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for a check up.

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3 PNC Plaza site as foundation work begins. Photo by excavation contractor Richard Goettle Inc.

REGIONAL MARKET UPDATE

Coming out of a very strong non-residential contracting year, with a number of large projects looming, contracting in the first quarter of the year has given indication that the strength of the commercial market will continue unabated. Non-residential contracting during the first three months was \$710 million, nearly identical to the first quarter of 2006, which was the most active quarter of 2006.

In addition to the high bidding volume in the seven county metropolitan Pittsburgh region, construction in the outlying markets of Erie, Johnstown, Altoona and State College remains at higher-than-average levels; and, construction has begun on two major power plant projects just into West Virginia.

The State College market has been roaring for a decade, as the continued growth of Penn State has driven the construction activity and spurred record levels of private sector investment. Since January 1, more than \$300 million in construction has been bid or awarded, including nearly \$100 million in projects at Penn State. Also, an unusually high number of private projects have advanced: another new building at Innovation Park, the \$20 million new Geisinger Hospital, a \$10 million distribution center for Cleveland Brothers, the \$80 million High School Campus Expansion for State College Area Schools, and a handful of multi-million dollar retail and commercial projects.

In the northwest part of the state construction is winding down on the Bayfront Convention Center and Hotel and Presque Isle Downs in Erie, and

proposals are being taken from private developers for Edinboro University's student housing replacement, which could eventually exceed \$75 million.

In the Johnstown area multi-million dollar projects have bid at the Murtha Cancer Center, Laurel Highlands Community College, Johnstown Regional Technology Center and St. Francis College; and in Altoona, contracting is underway on three projects each exceeding \$10 million: Myers Elementary, Roaring Springs Super WalMart, and the Hilton Garden Inn.

And just along the border of West Virginia and Pennsylvania, scrubber replacements worth more than \$1 billion in construction have begun at the Allegheny Energy Hatfield and Martins Ferry locations, and the \$1.2 billion Longview Power Plant has gotten underway between Morgantown and the border. These projects, although outside the Pittsburgh MSA, have drawn on Pittsburgh contractors and labor. Likewise, more than \$50 million has been bid at West Virginia University since the New Year.

It's worth noting that activity in each of these areas has been as strong from time-to-time in the past decade. To have all of these sub-markets active at the same time is unheard of within the past couple of decades. Even towns like Clarion and Indiana, which might experience a \$20 million project every few years, will see a couple or three each this year.

Closer to home, a handful of large projects have also begun, boosting what has been a brisk contracting market. Projects like 3 PNC Plaza, CMU's Gates Center, Piatt Place, and Consol Energy have added several hundred million dollars to the first quarter construction totals.



Exterior cladding goes onto the skeleton of the 18-story 151 First Side Condo

Adding to the strength of the market, several \$20 million schools have bid, the early packages of the \$30 million August Wilson Center have gone to bid, as have the \$20 million new County Medical Examiners offices, the \$100 million Providence Point community, and the new US Airways Maintenance Facility.

While a slight decline from last year's activity was forecast for 2007, it now looks likely that contracting will increase this year, maybe by as much as another 10%. Moreover, the region's construction is getting a lift from two sectors, office and retail, which weren't expected to be strong in 2007.

The office market has been plagued by higher vacancies and soft rents for several years. Only the Oakland office market has seen single digit vacancy rates, and three of the five sub-markets had vacancy rates above 20%. As of January 1, however, the overall occupancy rate had increased to just below 80%, and rents showed an increase over 2006. There is no office building boom expected anytime in the near future, but it appears that the bottom of the curve has been reached.

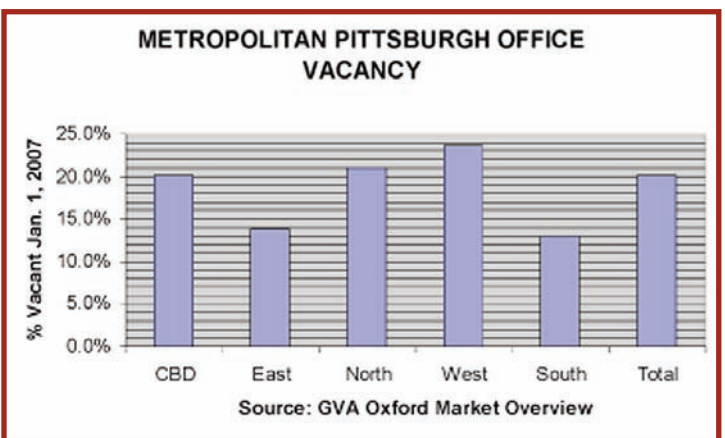
Within the Central Business District, absorption has been helped of late with the expansion of several downtown businesses and the announcement that UPMC will be moving its administration to USS Tower at 600 Grant Street. The lease at USS is believed to ultimately be 200,000 square feet. At the same time, Heinz will be moving its corporate space from USS to 85,000 square feet in the One PPG Plaza. The Design Alliance and Mascaro Construction have been working on design and pricing of the Heinz space, and work is expected to begin by early summer.

Retail construction has been a strong sector for most of the past decade. Heading into 2007 there was

evidence that the saturation point had been reached here. While there is softness in mall leasing, and several centers are experiencing real trouble, restaurant construction remains higher than expected, and two large projects are tracking towards starting construction later this year. The North Shore entertainment complex, with more than \$100 million in mixed-use retail and entertainment, is in the final planning stages. And Simon Properties plans for the \$100 million-plus Cranberry Town Center received a huge boost from Westinghouse's announcement of Cranberry Woods (which is across Route 228 from the Simon development) as the site for their Nuclear Division facilities.

Two clouds are hovering over this otherwise sunny building climate. The housing industry in the region has reacted to the decline in demand by slowing dramatically. While a recent survey of builders in Allegheny and Westmoreland counties indicated that unsold inventories were being absorbed this winter, the new house construction market was down 25% from the first quarter of 2006. The slowdown has probably shaken out most of the hangover from last year's second-half decline, but the demand will have to pick up dramatically for new construction to match 2006.

The other cloudy situation involves the Allegheny County gaming license and the ongoing protest of the award to PITG Gaming. Concerns over the financial strength of other Barden casinos and the rumblings of political machinations have created uncertainty as to when or if PITG Gaming will begin the Majestic Star. PITG has remained steadfast in disputing the protest by Harrah's and Isle of Capri, and has downplayed any financial concerns. Regardless of the ultimate outcome, the result of these further deliberations is that construction may not take place in 2007. **BG**



NATIONAL MARKET DATA

As the first quarter of 2007 wound down the national real estate and construction market was beginning to resemble a large ship preparing to turn at sea. This is not necessarily a positive metaphor, and it may be more accurate to refer to the market as two ships turning.

The residential market appears to finally be approaching the bottom of the decline in single-family construction. In about one-fourth the regions of the nation (including our own), the decline in new home construction flattened out, and in several other major markets (New York, Philadelphia, San Francisco, Dallas) builders are planning to scale back only slightly from last year.

For the most part the pattern seems to be following a logical progression. In markets where demand was not unusually high during the first part of the decade, like the mid-Atlantic or Northeast, the bottom of the cycle seems to have occurred. In regions where demand and pricing encouraged overbuilding, like Florida or Las Vegas, the equal but opposite reaction is still playing out.

The same dynamics are at work where inventory is concerned. Markets that did not overheat between 2000 and 2005 have seen excess inventory of houses being absorbed as builders slowed down over the past 18 months. In the hotter areas, again coastal Florida or Clark Co. Nevada, the inventory is being discounted, and the negative effect on existing homes is being felt more.

The groundswell of panic that is growing over sub-prime lending problems is leading to tightening of standards and income documentation, which has lead in turn to reduced opportunities for higher-risk buyers. Fewer loans for marginal borrowers means higher demand for rental housing. Construction of multi-family units remains strong, even in areas where single-family building is declining steeply.

The increased awareness of the sub-prime problems has also dampened the recovering outlook of the nation's homebuilders. The National Association of Home Builders (NAHB) and Wells Fargo Mortgage conduct a monthly survey that assesses builder confidence, sales and traffic. That index slipped in March to 37, after rising steadily from a trough of 22 in July 2006. An index reading above 50 indicates that more builders are positive than negative about the next six months; the most recent high was 68 in October 2005.

"Builders are uncertain about the consequences of tightening mortgage lending standards for their home sales down the line, and some are already seeing effects of the subprime shakeout on current sales activity," said NAHB Chief Economist David Seiders. "The fundamentals of today's housing market still are relatively strong...(and) NAHB continues to forecast modest improvements in home sales during the balance of 2007."

On the non-residential side, activity remains high but there are signs that the top has been reached in a number of markets or sectors. In the New York-to-Washington corridor, the vacancy rate for offices has begun to increase. With rents climbing last year as much as 25% in the northeast, expect a quick change in direction for office construction this year. Most other sectors of the market, and most regions, continued to experience contracting growth over inflation of about 2-3% during the first quarter.

Several building categories continue to add new construction at an even faster pace than the overall market. Manufacturing capacity is flirting with the magic 80% utilization level, and new manufacturing space continues to grow by 10% over 2006. Adding to the overall manufacturing sector strength are a number of high-profile industrial projects. Toyota announced plans in February to construct a \$1.3 billion SUV assembly plant near Tupelo MS, and the Department of Energy announced funding support for six new ethanol plants. With plant capacity utilization expected to reach 82% in 2007, the outlook for manufacturing construction is bullish into 2008.

Two other strong markets are the power plant sector and the hospitality market. Hospitality is continuing to recover from its extended post-9/11 recession, and double-digit growth is forecasted for the hotel market, and even higher levels of construction in casino/entertainment facilities. Power plant construction has been responding to tighter clean air regulations and the run up in oil prices since late 2005. Because of the length of planning and regulatory oversight in power plant projects, much of the construction forecasted in this sector is only beginning to get underway, even though the projects have been kicking around for nearly two years.

The other market influence that remains uncertain is the effect of the Gulf Coast reconstruction. The second and third quarters of 2007 were expected to be the period of accelerated reconstruction, with a volume that would put a crunch on a number of basic building materials, as well as available labor. As of this writing no public policy has yet been defined to initiate reconstruction on a large scale, so any progress in the coastal areas will come from private investors and insurance. Beyond the construction outlook, there is growing


Housing Market Index Components (Seasonally Adjusted)																				
2005							2006							2007						
Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Single-Family Sales: Present																				
73	72	74	67	64	62	61	59	55	50	47	43	37	32	32	33	33	36	40	37	
Single-Family Sales: Next 6 Months																				
77	70	73	65	65	66	64	62	59	55	51	46	41	37	42	45	49	48	53	50	
Traffic of Prospective Buyers																				
50	49	51	46	40	41	40	40	39	33	29	27	22	22	23	26	23	26	29	28	

Source: NAHB/Wells Fargo Builders Survey

evidence that the overall economy may be absorbing the fallout from the strong growth from 2003-2005, rather than veering towards recession. When one looks past the stock markets, which are thrashing up and down in search of a direction, the possibility of a recessionary correction seems dimmer, and any inflationary interest rate increase seems unlikely.

The best indicator of the economy's direction for the near term will be the Federal Reserve's management of interest rates. One of the main interest rate concerns is that short-term rates have remained higher than long-term rates for an extended period. This kind of yield status is considered inverted from the norm, since longer-term bonds are exposed to more risks such as changes in interest rates and an increased exposure to potential defaults. The bond market, which sets the expectations for interest rates, will normally expect higher returns for longer exposure.

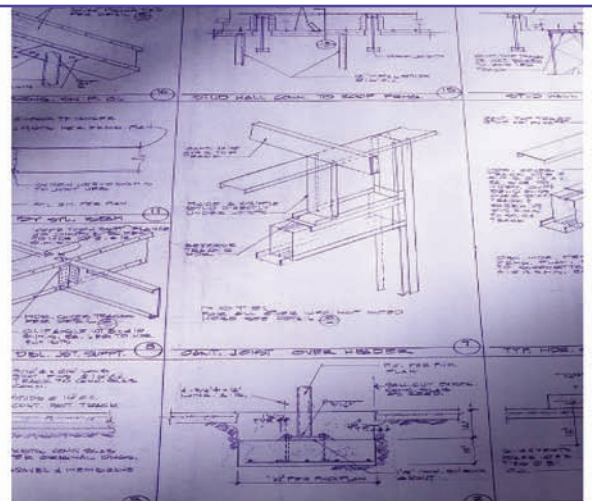
An inverted yield curve rattles economists because each of the last four recessions has been preceded by inverted rates. That isn't necessarily a sure predictor however. "Our economist, Stu Hoffman, likes to say the inverted yield curve has predicted ten out of the last four recessions," laughs Randy King, Senior Vice President for PNC Financial Services. "The rest of the time the inversion was a better reflection of the Fed's actions to keep inflation under control. I suspect that's what we're looking at now." In fact, a look at the yields for three-month Treasury bills compared to five- and ten-year rates shows a balancing of the yield curve by the end of 2007.

If recent actions of the Federal Open Market Committee (FOMC) are any indication, the Fed is entirely concerned about inflation, not the yield curve. Look for the FOMC to begin cutting rates by one-quarter percent in its summer-to-fall meetings as recognition that inflation is not a concern. Such actions will allow the demand for construction in the U.S. to drive more activity into 2008. 

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WHAT'S IT COST?

Within the first few months of the New Year there are already signs that construction costs will be revving up again in 2007. While that's never great news for this, or any, industry, higher-than-expected costs in our region this year could have a dampening effect on the rising demand for buildings. Cost increases that haven't been anticipated will be especially troublesome for the many large projects slated to get in the ground in 2007.

"Construction cost increases slowed markedly in the last half of 2006. But the relief is likely to be short-lived and may have ended already," said Kenneth Simonson, chief economist for the Associated General Contractors of America (AGC), while speaking at the association's 88th Annual Convention in San Antonio, Texas. "By the end of 2007, materials costs could be rising again at a 6-to-8 percent rate, with wages rising at a 5 percent pace."

Simonson points to greater volatility in petroleum, concrete, and metals products which implies that highway and other heavy construction are more likely to experience large price jumps again than are building construction segments. But, he warns, "Even building construction is at risk of much higher materials cost increases than the general rate of inflation."

Three areas of concern have surfaced early on for the Western PA market: steel, asphalt and labor costs.

The steel industry as a whole is as healthy as it's been in decades. Manufacturers are acquiring downstream companies to allow them to integrate vertically, without building plants, and some basic changes in supply channels may be impacting price. Steel makers have to look at the market in terms of global demand for shapes, and will remain profitable by adjusting to that demand. One of the outcomes of that shift in focus is that rolling mills are less likely to be producing structural shapes for fabricators unless the fabricator is a high-volume customer.

Steel service centers have become more central to the supply chain, with 70% of the structural steel used in buildings coming through service centers. The two-step process adds efficiency to the mill's operations and to the fabricator, who gets increased flexibility in shapes and inventory that the mill won't provide. Service centers also have the volume to build inventory ahead of mill increases, giving them pricing flexibility. The bad news is that Western PA has more limited access to steel service centers than other regions. This

could make local fabricators less able to compete on price and will make availability and lead times more of a problem.

The consensus of steel manufacturers and the American Institute of Steel Construction is that steel should increase about 6-8% in 2007. The science of this estimate is a bit shaky, since we don't know how the 600,000 tons of added capacity of a new mill for Steel Dynamics Inc. is being factored in. Some early bidding on larger projects has seen prices go up by over \$100 per ton. Were that to continue, the impact on overall budgets would be an increase of 3.5% to 4%. Apply that to the \$170 million 3 PNC Plaza or \$390 million Penguins Arena and the impact becomes more apparent.

Asphalt materials are by-products of the diesel refining process, which ultimately originates in the crude oil refining process. Crude oil, which flirted with the \$50 per barrel level at the beginning of 2007, has quickly

Percentage Changes in Costs	to Feb. 2007 over past —		
	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	0.4	1.0	2.4
Producer price index (PPI) for finished goods	1.1	1.4	2.5
PPI for materials and components for construction	0.1	0.3	2.9
Costs by Construction Types			
Highway and street construction	1.3	1.1	5.1
Nonresidential buildings	0.6	0.5	3.4
New warehouse construction	-0.2	1.1	8.0
New school construction	0.3	3.9	17.4
New office construction	-0.2	1.7	n.a.
Multi-unit residential	0.6	1.0	3.6
Single-unit residential	0.4	0.7	3.0
Costs for Specific Construction Inputs			
#2 diesel fuel	7.0	-1.9	-1.4
Asphalt (at refinery)	13.8	-9.3	36.6
Asphalt paving mixtures and blocks	0.4	0.6	23.0
Concrete products	0.5	1.7	4.8
Brick and structural clay tile	-0.2	0.1	2.9
Plastic construction products	0.3	-1.2	-2.9
Gypsum products	-2.4	-4.4	-2.6
Lumber and plywood	0.3	3.1	-10.5
Architectural coatings	0.4	0.5	6.4
Steel mill products	1.4	0.8	10.8
Copper and brass mill shapes	-4.5	-10.2	23.5
Aluminum mill shapes	0.5	2.5	9.5
Prefabricated metal buildings	-1.1	-1.0	4.6
Costs for Basic Inputs			
Crude petroleum (domestic production)	6.4	1.4	-2.1
Industrial natural gas	5.0	0.3	-11.2
Plastic resins and materials	-0.6	-3.7	-4.8
Construction sand/gravel/crushed stone	1.9	3.9	9.7
Cement	-0.8	1.6	5.8
Iron and steel scrap	10.8	22.8	20.2
Copper base scrap	-1.6	-9.6	21.2

Source: Bureau of Labor Statistics (BLS): www.bls.gov/cpi for CPI, www.bls.gov/ppi for PPIs Compiled by Ken Simonson (simonsonk@agc.org), Chief Economist, Associated General Contractors of America, www.agc.org

jumped into the low \$60's. With the peak driving and construction seasons ahead the outlook for moderate asphalt prices is bleak.

Most asphalt plants opened only just about Easter time, but the early indications are that asphalt paving is already in the mid-\$30's per yard range. Prices that are \$10 per yard more by mid-year are likely. If the Atlantic storm season is calm, like 2006, that price level may not be reached, and municipal and state paving programs (as well as building parking paving) may buy a little more coverage. Throw in disruptions to supply like those that followed Hurricane Rita or Katrina, however, and the numbers could jump higher.


Construction wages nationally have increased the past two years by 5%. Part of that is attributable to the healthy non-residential market, and part is due to the fact that demand for construction workers is growing faster than the overall economic demand. From February 1997 to February 2007, construction employment increased by nearly 2 million, or 33 percent, while total non-farm payroll employment rose barely one-third as fast, or 13 percent.

The extended growth of non-residential development in Western PA has raised demand for labor over the past 18 months. By the start of the heavy construction

season in May, employment in many trades will be close to full, with a handful of trades unable to meet all the demand. The pinch isn't limited to field labor. Demand for project management and superintendents has outstripped supply for the past year or so as well, meaning that more work will be managed by a smaller number of people, and less experienced staff will be given more responsibility sooner.

This kind of labor market requires real skill in estimating the variable productivity likely in the summer. The easy summary of the situation is that the regional labor market will increase the perceived risk of the profitability of projects, and prices will go up.

David McKamish is President of one of Pittsburgh's largest mechanical contracting companies, McKamish Inc. He says that his company is experiencing that phenomenon in some out-of-town projects. "Our plan for building a job is built upon our ability to perform in the way we estimate the project. Outside of Pittsburgh we have less certainty about what the labor can do, and uncertainty costs more."

Owners and developers of projects in this region should prepare for that kind of uncertainty as 2007 advances. 



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THE ARCHITECTURE of Pittsburgh's New Economy

The redevelopment phase of Pittsburgh's history is over. For that matter, the redevelopment of Western PA is realistically over. Understand, that doesn't mean there aren't still brownfields to build on or towns to recover, but the recovery from our manufacturing meltdown has turned to a new phase. The economy of the region now has new roots, and the new growth will develop from a different base.

Economic infrastructure describes how an economy is rooted and distributed. The economic model based on manufacturing (in our case, centered on steel) was fairly easy to follow, because you could observe the path of how things were made, and thereby follow jobs to transportation to towns.

The steel economy could literally be followed along the rivers. Towns developed around the sources of raw materials in the southwestern counties of the region, downstream (literally) employment blossomed, and larger towns grew up, where the next stop in the manufacturing process occurred. The largest towns spread out around the mills where the steel plants were, and where the finishing was done. The bulk of the material moved easiest by boat or rail, so the economic movement followed the transportation lines, which were both on the rivers.

Because of the relative inefficiency of communication, the support industries, like banking or law, and the corporate administration for steel located close to the mass of manufacturing.

At the heart of the Carnegie/Frick business model was vertical integration and velocity. If a company could own all the resources needed to manufacture its products, and maximize the speed with which it passed those resources through its plant and equipment to make finished products, the company could maximize its profits, and its return on its assets. The combination of Carnegie's physical assets with J. P. Morgan's financial assets yielded U. S. Steel Corp.

Andrew Carnegie didn't invent this model, nor was he the only practitioner. Jones and Laughlin, Westinghouse, the Ford's of PPG, and all of heavy industry strained to convert capital to working assets and then back to capital again when their customers paid them.

What drove this modern marvel of manufacturing was the enormous demand of a growing nation; and what fed the cycle of industry were massive amounts of skilled labor and working capital. At its industrial peak in the middle of the 20th century, Western PA's share of the nation's GDP was disproportional to the same degree that Silicon Valley's is now. It's easy to understand, then, how our region could require so



much growth in population and business to support the industry. Much of the economic redevelopment efforts of the last twenty years have been aimed at replacing the jobs and economic foundation that was lost almost overnight. And it has been a success in most measurable ways: employment in Allegheny County for example, is higher now than at the peak of 1970 (875,000 vs. 750,000); and, though the Census Bureau shows population decline, the metropolitan area has seen almost 50,000 new housing units started since 1995. What has frustrated both public and private leaders, and fostered the negative public opinion, is that the backfilling that occurred was unremarkable.

Donald Smith is the Director of the University Partnership of Pittsburgh (UPP), a collaborative economic development initiative of the University of Pittsburgh and Carnegie Mellon University. "The problem is we lost mature oak trees when the steel industry collapsed," Smith says, "People looked for those trees to come back to life, or tried to find other mature trees to transplant." The chief economic supporters, our local and state government, understandably tried to get the biggest bang from its spending, hoping to create the most jobs and attract the most votes.

Smith sees that policy as part of what has Western PA behind the curve in changing. Using the arboreal metaphor again, he says, "We didn't plant seedlings where the mature trees fell; we didn't provide a supportive environment for those that were planted." Pointing out that 68% of companies that employ over 1,000 people were startups here, Smith says, "That's where our resources need to be allocated."

In 2001 the leaders of Carnegie Mellon, Jared Cohon, and the University of Pittsburgh, Mark Nordenberg, sealed an agreement to combine resources in an effort to meet the demand for biomedical research each institution saw building. The vision was to expand the research universe rather than to waste resources competing for the same projects. The University Partnership tapped Don Smith, who had served as President of the Pittsburgh Digital Greenhouse and taught at CMU's Heinz School of Public Policy and Management, to lead the efforts. UPP acts as a conduit between the technology



Infusion Treatment Area at the Cooper Pavilion of the Hillman Cancer Center, designed by Radelet McCarthy Architects (building shell designed by IKM Inc.)

business community and the universities, and helps direct university research resources to commercial needs. The mission of the UPP matches up with what is likely Pittsburgh's highest priority, fostering more startups.

"Economic infrastructure, to me, is a variety of things: physical infrastructure, businesses, talent base—especially good tech talent, research, and an environment that helps to give ideas life and growth," says Don Smith. "R & D is our sweet spot, but we're not as deep in management and entrepreneurial talent. We can build on the R & D base—there are 28,000 research jobs now—to build the talent pool while we support businesses needs for research."

The most practical application of the power that the UPP can bring to bear is the mobilization of university research in support of commercial needs. A number of important technology sectors have very strong roots in Western PA, and those industries remain focused of the educational research at Pitt and CMU. The lion's share of the new business successes of the past 20 years have resulted directly from CMU's Software Engineering Institute, Pitt's medical or biomedical research, UPMC's advanced surgery, CMU's architecture and sustainable leadership, or the nanotechnology done at both schools.

UPP has succeeded in launching 225 startups, and an ever-increasing portion of those startups is spun off from university research projects. In 2005, Pitt and CMU developed 14 spin-offs. The 2006 efforts produced more than 20. By contrast, in the heart of Research Triangle Park, the University of North Carolina spun off two companies in 2005.

This strategy of using university research to support and launch new business is gaining traction in the state. Often referred to as technology transfer, it puts research for educational purposes in service to existing business, or creates new technology for commercial application.

It's difficult to explain technology transfer without slipping into jargon and consultant-speech. Perhaps the best, and worst, example of this concept dates back to 1970, when Xerox Research used its relationship with Stanford University to found the Palo Alto Research Center (PARC). PARC is legendary for its groundbreaking research in computers, and equally infamous for abandoning most of that research because it came too early to exploit.

Even if Xerox never figured out how to commercialize the discoveries made at PARC, you and I could not imagine working today without the grandson of the little remote box developed to point at the display (think mouse) or the operating system which used little pictures on the screen to represent commands (think icons). Two young techies who were launching their own businesses rummaged through the remains of the PARC research ten years later. During a later lawsuit between Apple and Microsoft, Steve Jobs summed up the dispute by saying, "Bill Gates is just angry that I was in the kitchen stealing from PARC while he was stealing from them in the dining room."

One of the key functions of UPP is to connect people with ideas to people with money. Organizations like the Idea Foundry, Pittsburgh Life Sciences Greenhouse, and The Technology Collaborative exist to help entrepreneurs plan and implement the launch of their businesses. This progression from idea to startup is the critical point that every economic guru in Western PA points to as the most urgent need, and it's the second pillar of the region's future economic prosperity.

The lifeblood of new technology commerce is venture capital. By the nature of their governance, traditional sources of working capital, like banks, public offerings or non-profits must reserve the majority of their investment in lower-risk vehicles. A significant number of the high-tech startups looking for money will not make it. The risk, which that reality carries, can only be tolerated by investors who expect to lose a few while waiting for the high-return investment to hit.

How important is venture capital to growth? A study completed earlier this year by Global Insight for the National Venture Capital Association (NVCA) looked at U.S. companies founded by VC investment between 1970 and 2005. In 2005 those companies accounted for 10 million jobs and \$2.1 trillion in revenues, or 16.6% of the nation's gross domestic product.

NVCA's President, Mark Heesen, emphasizes the role venture capital plays, saying, "Venture capital is an

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integral and critical component of U. S. economic growth, and becoming more so every year. Consider the fact that venture investment represents just 0.2% of U.S. gross domestic product but venture-backed companies account for nearly 17% of the country's GDP."

The Global Insight study also looked at the role of venture backing in creating new jobs at the state level. The surprising results showed that PA may finally be "getting it" when it comes to fostering a VC environment. Pennsylvania ranked third in jobs at venture-backed companies in 2005 with just under 700,000 jobs. More exciting was the fact that PA ranked first in job creation in venture-backed companies between 2003-2005, adding 167,000 jobs. PA's venture-backed job growth rate of 14.7% was almost triple the average of the top fifteen states, and the revenue growth rate of PA's VC companies was 10.6%.

The success of funds like the Bluetree Allied Angels, Draper Triangle Ventures and Meakem Becker, demonstrates that Pittsburgh's venture investors, commonly called angels, are emerging. What must emerge behind those investors is an atmosphere in the region that fosters the risk taking that high growth requires. It's not just the working capital that's important. A venture capital-rich market encourages entrepreneurs and attracts talent, upon which the entrepreneurial efforts ultimately succeed or fail. It's a self-fulfilling prophecy of success that underlies the prosperity of the high-growth regions around the world.

The risk-embracing attitude can make a difference. In the April 8, 2007 Op/Ed section of the Post-Gazette is the story of one entrepreneur, named Jason Putorti.

Jason Putorti was one of those new-Pittsburgh success stories. Raised and educated in New York, Jason chose Pittsburgh to start his career, and found the Internet marketing business Novaurora in 2005. He worked and lived Downtown. After selling Novaurora to the Fitting Group in August 2006, Putorti began shopping his next business plan around town, seeking out venture investors in the network he developed over seven years here. He explains the surprising result, "Meeting after meeting that my partner and I tried to schedule in Pittsburgh about my business plan was met with no return phone calls or e-mails, despite amicable introductions, or a succession of increasingly high hurdles to jump in order to get a seed investment."



The old, the new and the newer. St. Paul's Cathedral in Oakland, flanked by the Software Engineering Institute (left) and the Rand Corp. offices

In January he attended MacWorld in San Jose. Working a network built on one introduction for five days, Jason came away with three job offers. He was stunned that such a reaction would come primarily from his potential for success. It turns out Silicon Valley is more about attracting talent than it is business plans. It became clear to Putorti that the desire to attract someone who had demonstrated the ability to build one business outweighed the risk that he might fail at the next one. That kind of climate, he feels, is what will ensure that Pittsburgh's homegrown talent and technology will stay in the region.

"We both wanted to establish our company in Pittsburgh, but all the interest we got came from out of town," says Putorti, "To quote one of the prospective

investors, "No one wants to get on a plane to see what they bought." If we accepted California money, it would have to be a California company."

One growth industry that can point to successfully building a climate of embracing change in our region is the green building movement. Perhaps in reaction to the environmental problems of Western PA's past, building green and renewing the environment have been initiatives here for more than two decades. While sustainable design had origins here in groups like IBACOS and CMU's Robert Preger Intelligent Workplace, green building really gained momentum with the founding of the Green Building Alliance (GBA) in 1993.

The GBA has succeeded in driving the construction of more LEED-certified buildings in metropolitan Pittsburgh than in any other city in the country. Its Director, Rebecca Flora, has tirelessly promoted environmentally responsible design and construction, targeting major projects here, and spreading the gospel at the grass roots level. In less than fifteen years, the GBA has established itself as one of the leading sustainable construction resources in the world, and its board members are recognized as leading figures and advisors on green building.

While that individual and corporate expertise has meant more positions on other boards, the importance of the recognition of Pittsburgh's green leadership is that it has lead to business for Pittsburgh firms all over the world. That recognized leadership has value that Pittsburgh firms can use to differentiate themselves on a larger stage.


In November 2006, the GBA launched a new initiative that has even greater ramifications for the region's economy. In an effort to leverage the region's green expertise in the area of building products, the GBA received \$1.25 million in grants to launch a program of identifying manufacturers of green building products based in Western PA, and to help them grow those product lines.

Rebecca Flora sees the initiative, which is the first of its kind in the U.S., as an opportunity to leverage Pittsburgh's green leadership into jobs, "The volume of products labeled "green" has grown dramatically to somewhere between \$40 and \$60 billion nationally." Flora sees GBA's work as identifying opportunities for Western PA companies to have a larger share of that market. "We've identified over 1,800 companies making products that we would consider green or having sustainable properties. One of our tasks is to help in the

process of defining what products or systems are actually green, that could contribute to a LEED-certified project, and to guide our manufacturers who make those products."

The upside potential of commercializing Pittsburgh's environmental leadership could be an astronomical multiplier of the investment GBA is making. With energy self-sufficiency seen as a component of our national security, and the environment at the forefront of political discussion, the universe of green buildings, and the demand for green products will be huge.

How do you follow the footprints of an economy that is built on ideas? That's the challenge of today, as our region's self-esteem is being moved to the front burner. In his remarks at the Allegheny Conference on Economic Development's annual meeting in November 2006, Chairman James Rohr focused the audience on the region's attitude. Emphasizing the many lifestyle advantages of Western PA, Rohr pointedly challenged the audience to avoid dwelling on the negatives, which every region of the country has.

Rohr's comments mirror those of Jason Putorti's. The region is no longer recovering, but is starting to adopt the assets and attitude of a region that is growing. The construction and real estate industry will now follow an infrastructure for the economy that moves information instead of material. Like the regional attitude, the construction industry will benefit most from an attitude of growth, rather than scarcity. 

Jobs at Venture-Backed Companies in 2005			
Top 15 States 2003-2005			
	HQ State	# U. S. Jobs	Growth Rate
1	California	2,285,171	2.5%
2	Texas	1,089,123	7.1%
3	Pennsylvania	697,591	14.7%
4	Massachusetts	639,881	1.9%
5	Georgia	604,254	7.3%
6	Tennessee	540,793	1.7%
7	Washington	444,463	8.5%
8	New York	415,661	2.2%
9	Virginia	348,899	0.5%
10	Minnesota	302,049	6.0%
11	Florida	301,900	1.6%
12	New Jersey	279,893	3.1%
13	Illinois	211,563	2.8%
14	Ohio	184,084	3.1%
15	Connecticut	173,395	1.3%

Project Profile

Carnegie Mellon's New West Campus

As Carnegie Mellon approached its second century a new master planning process was undertaken to create a strategy for building that would match the university's dual missions of education and research. One piece of any plan that would develop was going to address the land and buildings west of the main campus quads, an area to become a "West Campus."

Two of the three institutional needs that were identified during the planning would come to define the construction of the west campus: build facilities to support academics and research, and link Carnegie Mellon to local and regional economic development.

In 2002 the architects Ayers/Saint/Gross prepared a master plan that was presented to the city for approval. Within that plan were a proposed technical research facility in Panther Hollow, an undesignated academic/research building behind the Purnell Center, green space to replace parking between Hamburg and Newell-Simon and Smith Halls, and plans to connect with CMU's growing real estate portfolio on Craig Street.

Those separate projects today have morphed into the projects known as Collaborative Innovation Center (CIC), Gates Center for Computer Learning, and the yet-to-develop CIC2. While the elements of the plan have changed, the intent of the plan has not, says CMU's Assistant Provost Ralph Horgan. "It's important to remember that the plan meant to create a path that extended the east-west axis of campus from the Cut, and connected visually and physically to Craig Street." Horgan points out that when CIC2 is completed, "a pedestrian bridge can be built across the hollow to set pedestrians down at the foot of Craig Street—completing the two terminal points of the axis. This was truly thinking long-term."

The first of these projects to develop was the Collaborative Innovation Center (CIC). As originally conceived, CIC was to provide dry lab space for technology companies to collaborate with CMU's research capabilities to provide new products and business opportunities, and act as a source of jobs for the graduating students. CIC was one of the first, and most important, projects in Gov. Rendell's Keystone Innovation Zone program, an initiative to link business



The lobby of the CIC building (photo by Ed Massery)

and educational research.

The project is a 136,000 square foot, five-story structure above a three-level, 238-car parking garage. It was developed as a commercial for-lease building by J. J. Gumberg, with initial financing provided through the RIDC.

The land lease was

held by a joint venture of Carnegie Mellon and the Carnegie Museum, known as Panther Hollow Development Corp. (PHDC). The architect was dggp ARCHITECTURE, and construction manager was P. J. Dick Inc. of West Mifflin.

Even before construction of the building began, site problems dictated changes. "The footprint and mass of the building made the original site in Panther Hollow unworkable, so the site was moved north to Junction Hollow, just west of Hamburg Hall," says Gannon, "but that didn't eliminate site problems."

Indeed the litany limitations imposed by the site is impressive. The building required a 60-foot hillside cut and retaining wall, and had to fit between the rail lines that ran to the west, a 60" brick water main, one of the biggest duct banks in the city, and Hamburg Hall. Besides missing all of those obstacles, the entrance had to meet the Forbes street elevation, and the height was to match an eave line on Hamburg Hall.

Just as daunting was the desire to somehow make CIC's architecture live within the history of Carnegie Mellon's architectural history.

"The architectural team had no intention of imitating the turn of the century Beaux-Arts style of Hornbostle's buildings or Michael Dennis' Post-Modern interventions of the 1980's in the design of CIC," notes Kevin Gannon, partner at dggp ARCHITECTURE, "however, the design is intended to work within the spirit of Henry Hornbostle's approach to tectonic expression. The design team envisioned instead a clean and modern building that would clearly be emblematic of the cutting-edge research housed inside through simple and direct use of materials in a way that reveals the assembly."

"One of the things that gets overlooked about the original campus is Hornbostel's use of the site to create space," says CMU's Horgan. "Those buildings, like Baker Hall, are massive, much bigger than the elevation indicates. Hornbostel was about more than just buff brick."

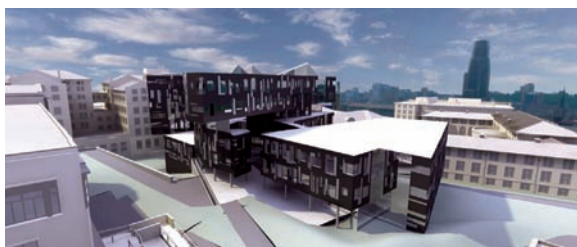
When completed, CIC achieved a LEED Gold certification for its core and shell.

During March of 2007, Carnegie Mellon requested proposals from developers for the construction of CIC2. Planned for the Carnegie Museum's hillside across Junction Hollow from the first building, CIC2 is to be 200,000 square feet, and will include the connecting pedestrian bridge to CIC1. The cost will likely exceed \$50 million. As of this writing the field had been limited to four national developers, Liberty Properties, Forest City, Wexford Development of Baltimore, and a joint venture of Ironwood/Ferchill Group.

Since late 2006, work has been underway in varying stages of completion for the remaining pieces of the west campus puzzle. Three projects, totaling around \$110 million, are reshaping the hillside between Purnell Center and the Hollow.

Doherty Hall is part of the original quadrangle, and has been added onto in stages over the years, resulting in a multi-level facility with a patchwork of classrooms and labs. This phase of renovations will involve 147,500 square feet of space, and because of phasing will be ongoing until summer 2008. The project also includes a 16,000 square foot, eight-story (mostly below grade), epistitial bay, which will house a mechanical room and stair tower. Jendoco Construction is handling the construction of the Doherty Hall project. Burt Hill is the architect.

The utility extension is a little more complicated than might normally be expected, because the phasing of the project must integrate with the utilities needed for the Doherty Hall project, and the scheduled foundation work for the Gates Center. Power and water has to be available while Doherty's work starts, and the project must be pretty well wrapped up by the time Gates gets going in earnest. Ruthrauff / Sauer is the contractor for the project, which was engineered by H. F. Lenz.



Rendering of the Gates Center facing Forbes Avenue and the University of Pittsburgh by Mack Scogin Merrill Elam

The largest piece of the puzzle is the Gates Center. CMU has worked hard at using the \$20 million gift from the Bill and Melinda Gates Foundation to make the resulting building serve the largest cross-section of the student population. While the primary purpose of the building will be devoted to computer science, a number of design considerations were made to allow for use by other groups. Like CIC, the Gates Center is aiming for LEED Gold certification.


The common spaces on each floor are designed to invite group study and project work, with whiteboards and network access throughout. State-of-the-art lecture halls, one commissioned by one of Microsoft's first employees, will be available for presentations of other academic disciplines, and the computer labs are expected to be used by classes in physical and life sciences for research.

"It fits Dr. Cohon's vision of interdisciplinary learning," says Ralph Horgan, noting that, "Our hope is that every CMU student will have at least one class in the Gates Center before graduating, even if their major is history or fine arts."

In planning the Gates Center, architect Mack Scogin Merrill Elam had to integrate the new building into a site that drops 75 feet in elevation immediately west of the neighboring Purnell Center, while using it to make connections between the existing campus and the growing CMU presence on Craig Street. In doing so architects created a five-story building with helical stairs that will allow someone in a wheelchair to move comfortably from Purnell to the ground floor plaza of Gates without leaving shelter.

Even with the addition of 200,000 square feet of building the final product will more than double the green space in that part of campus. Part of the green space will be a winter garden that adjoins the glazed lower corridor of the Gates Center, bringing the two spaces together.

Work on the deep foundation systems began in January, and construction manager P. J. Dick Inc. has been getting bids on the building as drawings have been released.

At the start of the next decade, a visitor to Carnegie Mellon will find a new quadrangle running parallel to the original quad. The new west campus is an artful connection between the historic architecture and the new, between the higher and lower elevations of the Cut and the Hollow, between the main campus and the Oakland neighborhood CMU now occupies, and between the University's role as research institution and regional economic partner. 

Firm Profile

Accessibility Development Associates

When the Americans with Disabilities Act (ADA, the Act) was put into effect in January 1992, the legislation was intended to remove all barriers to employment, transportation, communication, and accommodation for people with physical or mental disabilities. That year the Three Rivers Center for Independent Living (TRCIL) had helped found a new company, called Accessibility Development Associates (ADA, the firm), with Joan Stein, Cliff Payne and Carol Cocuzzi, to help businesses understand the new law, and help them plan and implement the removal of barriers from their facilities.

As you can imagine, the first few years of implementation of the Act lead to numerous opportunities, and almost constant confusion. Building owners misunderstood what they were obligated to do, architects and engineers needed guidance understanding what design criteria and products would be compliant, and the industry as a whole needed time and direction to take in the ramifications. While there were a number of companies who tried to shirk their obligations, most businesses wanted to make their facilities accessible. The challenge for Accessibility Development Associates was in creating awareness about the myths, which would in turn create business.

Joan Stein is President and CEO of Accessibility Development Associates. She finds it amazing that the two biggest misconceptions about the Act then are still misunderstood today. "Somehow the concept got out there that there was a grandfathering of buildings built prior to implementation of the ADA in '92. That was not the case," says Stein. "The second biggest misconception is that the ADA is a building code - it's not - it's a civil rights law and the ADA standards are minimums — the worst that you should do."

Accessibility Development Associates received a boost in that same time period when they landed a three-year contract from the state of Pennsylvania to assess the accessibility of all of the lottery sales locations throughout the commonwealth. This meant

driving hundreds of miles each week, often each day, to visit thousands of lottery ticket counters. While it created the growing pains of requiring that two of the principals be on the road virtually non-stop, the contract also gave Accessibility Development Associates the cash flow, which allowed them to acquire the majority stake in the company from TRCIL in 1998.

That same year the firm added Penny Reddy to help relieve the lottery assessment burden and to help expand into other aspects of consulting about the ADA. During the next few years, the firm was able to provide services as varied as plan review for PNC Park and the David L. Lawrence Convention Center, corporate campus assessments for Philip Morris in New York, and employee disability awareness training for national retailers like Blockbuster and Eckerd's. The scope of their services began to spread into all areas of accessibility, including expert witness appearances nationally, and, after September 11, 2001, emergency preparedness.

One of the regional customers that exemplifies what Accessibility Development Associates is about is Highmark. Over the years, Highmark has used ADA to do plan reviews of new construction and renovations, facility assessments throughout its real estate portfolio, emergency preparedness planning, and employee training. Stein says, "Highmark has been at the forefront of hiring employees with disabilities because they count disabled employees among their best people, at all levels. Our work with them is aimed at creating an environment that is accessible and safe for everyone that contacts Highmark."

After fifteen years in business, Accessibility Development Associates has worked through the ups and downs of two business cycles and has organized the company around the special skills and interests of the four partners.

Joan Stein's role is primarily that of being out front of the



Joan Stein

company, developing business, speaking as an expert on the ADA at national design and facility management conventions, and in providing training on emergency preparedness and employee awareness.

Penny Reddy is the Vice President and COO. She has the enviable job of keeping the business of Accessibility Development

Associates on track and moving. Penny acts as project manager for their work and handles the financial responsibilities for the firm. One of her

specialization areas is working with national retail clients, such as

REI, Bob Evans Restaurants, and Max & Erma's Restaurants.



Penny Reddy

Cliff Payne serves as Vice President of Technical Assistance Services. Cliff's responsibilities focus on



Cliff Payne

researching and keeping on top of current litigation, code issues, regulatory changes, and other governmental issues. His client work focuses on public housing work, as well as litigation support work, which has become a larger and larger part of Accessibility Development

Associates' national business. Along with Penny Reddy, he developed a surveyor-training program that has been utilized by state government and retail clients to assess their own facilities.

Carol Cocuzzi serves as Vice President of Design Consulting Services. Her primary role is to provide the design consulting services that the company offers. She works extensively with architects, engineers, and contractors during design to ensure that ADA and accessibility




Carol Cocuzzi

issues are addressed. Carol also has developed an extensive educational program for design professionals on various areas including the Fair Housing Act, understanding the ADA and other issues, which she provides as "lunch and learn" sessions, or for a fee for firms around the country.

Fifteen years into the implementation phase of the American with Disabilities Act, Joan Stein says the company still fights the external perception that their work is mostly done. "Many clients believe that once we do the project for which they hired us that they're done. They don't see that ADA impacts everything and every aspect of their facilities and operations, ranging from real estate due diligence, to risk management, to emergency preparedness, to employee issues and finally to customer service issues. We address all of those issues."

Here in PA the adoption of a statewide building code has added to the misunderstanding about the difference between code compliance and ADA compliance. Even though there is an accessibility component to the plan review process, Stein says, "There are substantive differences between the two; getting your plans stamped by code officials under IBC doesn't mean that you're OK from an ADA standpoint."

Like other businesses, Accessibility Development Associates expects to see their share of growth as the Baby Boomers continue to age. Because of the sheer size of the Boomer generation, the number of people disabled from age, rather than congenital or chronic conditions, is growing. "While they may not think of themselves as having disabilities, people in this age group often seek out businesses that accommodate age-related changes," Stein adds. That just gives Accessibility Development Associates another group of people who will need barriers removed in the future. 

The Buck Stops Here

By David Raves, Attorney
Maiello Brungo & Maiello

Over the years, the Pittsburgh region has been noted for its transformation from a former industrial region to one of the new high tech centers in the country. To aggressively continue this transformation, governmental authorities on both the state and local level offer incentives to qualifying entities to base their operations in the region to generate growth and employment. The incentives range from grants to low interest financing, to tax incentives.

These incentives are available through various vehicles including: PA Opportunity Grant Program, offering grants to spur job-creating economic development opportunities; Commonwealth Financing Authority, offering loans to investments in real estate projects to provide gap financing; PA Economic Development Financing Authority, providing low-interest financing to business through the issuance of tax-exempt bonds; Tax Incremental Financing (TIF) and Local Economic Revitalization Tax Assistance Act (LERTA).

Coupled with these regional programs are various Federal Tax incentive programs providing reductions or elimination of certain Federal taxes for qualifying expenditures in economically disadvantaged areas, as well as tax breaks related to hazardous waste clean-up, job creation for certain employment groups, scientific development, and alternative energy source investment and development.

Although the breadth of these economic incentives is far too great for the space allotted in this publication, several of the incentives above have created large economic growth in the area, but are still generally not understood by the development community as readily available for use as a tool by developers, rather than as governmental avenues of development. These incentives are TIF's and LERTA's, which have allowed for revitalization of the former LTV site allowing for the construction of the University of Pittsburgh Medical Center, Pittsburgh Steelers training facility, and a major office and retail complex, as well as conversion of the Hot-Metal Bridge for vehicular and pedestrian traffic. The former USX Homestead Works has also benefited from TIF allowing for the development of the Waterfront Project.

Creation of a TIF district must follow a detailed procedure:

- 1. Authority Presentation.** The Authority, and in some instances, the developer in conjunction with the Authority, makes a formal presentation of the project to the taxing bodies within the proposed TIF district.
- 2. Taxing Body Representative.** Each taxing body, should it wish to participate, designates by resolution or ordinance, a representative to further meet with the Authority to discuss the project plan and increment financing. The passage of such a resolution does not obligate the taxing body to ultimately become part of the TIF financing program.
- 3. Authority Recommends Plan.** Once there is tentative agreement among the participants, the Authority will recommend the boundaries of the tax increment district and submit recommendations to the local governing bodies.
- 4. Municipal Hearing.** The Act provides that the municipality that contains the proposed development area creates the TIF district.
- 5. Taxing Bodies.** There are three taxing bodies— the county, the municipality and the school district— and one or all of the entities could agree to participate or not participate in whole or in part in the tax increment district.
- 6. Municipal Approval.** A minimum of three weeks must pass after the public hearing before the municipality can formally create the tax increment district and a project plan.
- 7. Tax Increment Base.** Upon creation of the TIF district, the tax increment base is established. The base is essentially the aggregate market value of all taxable property within the TIF district as of the date that district is created. The establishment of the tax increment base is a critical issue and should be agreed upon prior to the approval of the TIF district.

What is a TIF?

A TIF is a district authorized by the Tax Incremental Financing Act on June 11, 1990 in which one or more local taxing bodies contribute all or a portion of new tax dollars generated by a real estate development in the district to finance infrastructure and other costs directly related to the development. The goal of such an arrangement is to alleviate blighted and sub-standard areas, develop new employment opportunities, increase the tax base, and improve the general economy for the communities involved in the TIF district. Eligible TIF projects include commercial, industrial and residential developments. Costs associated with the development that are eligible for TIF funds include land acquisition, infrastructure improvement, capital costs for construction, rehabilitation, repair of publicly-owned infrastructure located outside the TIF district which are a direct benefit to the project, financing costs and professional service costs.

Developer's Role

Although the creation of the TIF district is done by governmental agencies, the developer serves an important behind-the-scenes role in creating the impetus for the district in moving the process. The developer also provides comprehensive data relevant to the project and other economic impact analysis, including economic projections over the life of the project, justification for the need for tax increment funds, and delineation of the number of new jobs to be created—including the type of job and anticipated wage levels. The developer also specifies the amount and allocation between private and public monies required for the project.

LERTA

The Local Economic Revitalization Tax Assistance Act (LERTA) provides for an exemption from local real estate taxes for certain industrial, commercial or other business property. Under LERTA, any taxing authority may exempt from taxation in whole or in part the assessed valuation of improvements to certain properties for a period of up to ten years.


LERTA creates a real estate tax exemption for deteriorated or blighted property. The terms "deteriorated" or "blighted" normally are given a very broad interpretation. LERTA exempts from real estate property taxes the assessed valuation of improvements for new construction to deteriorated properties (72 P.S. §4725(a)). The local municipality

designates the area covered by the exemption. Local municipal zoning and land use regulations always determine the ultimate land use.

As with a TIF, the developer is a key behind-the-scene player in assisting in defining the scope of the development, its parameters, and substantiation for the establishment of a LERTA district. While the benefits of such a district may appear to be focused on a single private entity, creation of the LERTA must have greater goals.

To establish a LERTA, certain detailed steps must also be accomplished, in which the local municipal taxing authority must hold a hearing for purposes of affixing the boundaries for the "deteriorated property." At the hearing, the local municipal taxing authority must take into account the criteria set forth in the Statute for defining a deteriorated area. A resolution must then be adopted by the taxing authority, which sets the boundaries of the deteriorated area, the cost of improvements to be exempted, and a schedule of taxes to be exempted.

The actual amount of taxes exempted as a result of the Assessment Exemption Schedule are subject to the following limitations: A) the time period for tax exemption cannot exceed ten years; B) the Tax Exemption Schedule must stipulate the portion of new construction or improvements to be exempted each year; and, C) the exemption of taxes is limited to the additional assessment valuation.

Although a TIF and LERTA are governmental actions, a hands on developer who takes a leadership role in moving a development to fruition in cooperation with local government can greatly influence the process in order to assist in seeing that needed infrastructure and other development costs are reduced or paid for with tax dollars to benefit both itself and the community. 

Financial Perspective

BAD LENDING REPLAY

The Sub-prime Scare Isn't New

If you had put off investing in the stock market until February of this year you probably don't look at the sub-prime problem as a temporary blip on the radar screen. The February 27 sell-off that caused the Dow Jones Industrial Average to plummet 416 points was attributable to a number of factors, including fears that the credit market was going to become a bloodbath.

For large-scale lenders of sub-prime, or Alt-A mortgages, the increasing number of foreclosures is a real problem. By direct relationship, the companies that financed these lenders, and the shareholders of the companies that are facing rising foreclosures also see the problem as significant. If you owned stock in New Century Financial last Memorial Day, when it traded at over \$50, and at Easter 2007, when it traded just above a buck, you'd certainly feel some pain. But the extension of the problem as a cause of a large-scale credit crisis is unfounded, and driven by the business media's need for a good story.

In the final analysis the 'crisis' is the result of excessive pressure to find more loans from high-growth lenders like New Century, to see home appreciation as unending, and to placate investor appetite for returns that are higher than the market should promise. If this sounds familiar, it's probably because you're old enough to remember the Savings and Loan 'crisis' of the late 1980's. And the long-term effect will likely be the same.

To start, the mortgages in question are almost exclusively for single-family home loans, and the loans are exclusively made to lenders with credit problems. As a solution to a short-term credit problem, sub-prime mortgages were designed to allow a borrower with temporary problems, like the failure of a business, to get a mortgage at a premium while he put his credit back in order. In a few years, after righting the financial ship, the borrower was expected to refinance at lower rates, use the appreciation of the home to offset the premium, and continue paying off a conventional loan.

The loans offered were varied. Many versions offered adjustable rates, that increased over a five or seven-year period, and started below the conventional mortgage rates. Again, lower payments initially would be offset by higher rates when the borrower was earning more, or by a 'balloon' payment when refinancing occurred. The common denominators in the products were the reliance on interest rates remaining low and appreciation remaining high.

As interest rates rose steadily during the past few years, the lenders were losing margins on the ARM's and the borrowers faced refinancing at higher rates than originally planned, making the home less affordable. When appreciation rates dropped from double digits to more historically normal levels as the market softened in 2006, the bailout plans failed completely. What remained were mortgages that were 2% or more above the market, lent to people who could not pay them back. The events of the last six months are actually quite predictable, given an understanding of supply and demand.

....the extension of the problem as a cause of a large-scale credit crisis is unfounded....

While foreclosures are at high rates in Greater Pittsburgh, the sub-prime problem seems less pronounced here. "The finance companies doing these higher-risk loans were from all over the country," says Northwest Savings Bank's Patrick Funwela, "but the market here isn't as appealing because we haven't had the runaway price appreciation that was most attractive to these alternative lenders."

Sky Bank's John Fetsko agrees, "We don't have the highs and lows that other markets have, so even though we have our share of credit risks, the lenders were selling in other markets."

So if the Alt-A loans were residential, and indications are that our region has a smaller share than other regions, is there a problem here? Well, one potential



fallout in the commercial market could come from downstream, where bundles of these mortgages, along with conventional loans, were packaged and sold as investment products called mortgage backed securities. Because the sub-prime mortgages carried interest rates that were a couple of points higher than the mainstream mortgage market, buyers were attracted to these mortgage backed security (MBS) products.

Where the danger lurks is in the large institutional buyers who had sub-prime MBS packages in their portfolios. Many of these investors, like Nationwide or Northwestern Insurance, are restricted from owning anything but 'investment grade' securities. If enough of the foreclosures cause downgrades of the MBS products, investors like Nationwide will be forced to sell their positions, which could create another sell-off from the general market.

Most lenders see that as unlikely because of the limited size of the problem.

Media coverage of the sub-prime market may also be adding to the anxiety. "You'll definitely be hearing about lenders damaged by Alt-A mortgages," says Andy Devonshire, President of Dollar Bank of Ohio, "but you also want to remember that the sub-prime defaults make up less than 1% of the market."

Of course, a problem that gets serious media coverage will usually get onto the radar of the government. Congress has been holding committee-level hearings to

investigate whom to blame, and what to do, but caution and restraint would be the best response. Since the media has focused on what are called predatory practices, Congress seems interested in determining if they can act to protect the public's financial safety. The vast majority of the loans in question, however, didn't originate under misleading or 'predatory' circumstances.

Federal Reserve Chairman Ben Bernanke, in comments made to Congress on March 28, reminded the legislators that the vast majority of the mortgage market was unaffected. "The prime and fixed-rate mortgages are performing well. Foreclosures in that sector are at normal levels."

In the final analysis, even if the problem becomes widespread, the fault lies with bad decisions to borrow and to lend. The markets have ways to correct most bad decisions that lead to higher risks. "Government can't pass a law to erase bad judgment," says PNC Bank's Randall King, "The market will correct the problem, even if it's a little painful for a while." BC



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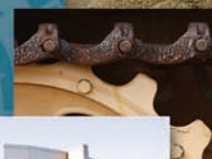
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NAVIGANT
CONSULTING

MBE/WBE Company Spotlight

CHRONICLE CONSULTING SERVICES

Many of the small businesses operating in Western PA originated when the founder's job was downsized out of existence. When Christen Cieslak returned from active deployment in Kuwait in late 2004, she thought she saw that handwriting on the wall at her employer, AMEC.

"There had been a couple of changes in management at the corporate level, and I was sure my boss was going to be gone, so I negotiated a deal to start subcontracting with them." Two years later, "Of course my boss is still there doing his job, so I'm not so good at seeing the future," Cieslak laughs.

One of the benefits of working for a large corporation like AMEC was the opportunity to work on large projects. As a project manager for AMEC, Cieslak worked on \$230 million PNC Park and the \$40 million CAPA High School downtown. When she started Chronicle Consulting in January 2005, the experience working these monumental jobs, and the relationships that resulted opened up doors to work right away.

"When I was working out the details with AMEC, I knew that Pittsburgh Public Schools was about to bid its construction management contract," Chris says, "so I pitched them to become their new contractor." Her working relationship with the district's project management staff helped Chronicle get selected. By the summer of 2005, Chronicle was the owner's rep on a handful of projects, including the \$4.7 million Conroy Education Center and \$7 million Sunnyside Elementary projects. Since then, the firm has done pre-construction services, including LEED-certification feasibility studies, on more than \$20 million in projects for Pittsburgh Public Schools, like the South Construction Technology Center, Miller African Centered Academy, Concord and Vann Elementary schools.

Within five months of start-up, Cieslak had added two more project managers, Linda Mihalic, P.E., and Maureen Kohne, to manage projects, and another, husband Jeff



Chronicle Consulting's founder Christen Cieslak, PE, LEED AP

Cieslak, to help run the business and information technology pieces of the practice. "We weren't planning to hire anyone that soon, but we've been fully staffed since," says Chris.

Chris Cieslak says her vision for Chronicle Consulting is to provide owner's representation and project management on smaller projects and for smaller clients. "We have the opportunity to apply experiences from large projects to smaller jobs, and in smaller communities."

COMPANY FACTS

Chronicle Consulting LLC
P. O. Box 100093
Pittsburgh, PA 15233
412-720-0602
www.chronicleconsulting.com
Founded: January 2005
Number employees: 4

Project
New Municipal Building
Galleria at Pittsburgh Mills
Dormitory M
MTA Maintenance Building
PNC Park & Heinz Field

Client
Richland Township
Whiting-Turner Construction
University of Pittsburgh
Whiting-Turner Construction
Sports & Exhibition Authority

Services
Construction Manager
Change Order Manager
Cost Estimating
Estimating/Change Order Mgt.
Annual Condition Survey

Management Perspective

Construction Industry Talent Pool Is Getting Shallow

"My Dad was like his friends," says James Kunz, Business Manager for Operating Engineers Local #66, "he wanted his kids to do better than he did." Kunz was describing an aspect of his upbringing that is almost universal among Baby Boomers: the push for upward mobility. That has been the American dream for many generations. What no individual parent could foresee in the 1960's or 1970's was that their well-meaning parental dream could leave the country with fewer people in the working class than America needed.

Jimmy Kunz's father was an operating engineer, running heavy equipment throughout his career. "I'm sure he wasn't real happy when I dropped out of school to become an operator too," says Kunz. "Dad accepted my decision over time, and the day I became a Business Agent was one of his proudest moments." Kunz ended up getting his degree during his working career, taking a different route to fulfilling his father's wishes.

To the kids who graduated from high school in the '60's and '70's, "doing better" meant going to college and getting a job where he or she didn't have to use his or her hands to make a living. That value was passed down to the Baby Boomers kids, who are now at the beginning of their working careers.

As we look toward the second decade of the 21st century it's becoming apparent that the construction industry is going to face a serious shortage of skilled labor and management unless the recruiting trend is reversed.

How serious is the problem in our region? Well, that depends on whom you consult with. Part of the difficulty in assessing the trend in Western PA is that the construction industry has suffered from trying to digest the demand that was lost when manufacturing disappeared here twenty years ago. Approximately, 20% of the overall construction workforce may have been on site at one of the region's mills twenty years ago. Now, two decades later, the region finds itself in a non-residential boom, with large projects requiring



construction labor and project management.

Until the end of this decade, the workforce in place will have a difficult time handling the volume. While there is mild disagreement about whether or not the local workforce will suffice, there is no disagreement about the long-term outlook. "I don't think there's any trade where the long-term trend of retirement isn't outpacing replacement," says Jason Fincke, Executive Director of the Builders Guild.

"Recruitment is our #1 issue. We are going to craft fairs, career days, and reaching out to vo-tech schools to increase our presence there."

Rich Stanizzo, Business Manager for the Pittsburgh Building and Construction Trades Council, is one who isn't convinced that the current market will drain the local labor force. He doesn't disagree with Fincke's opinion about the future, however. "We're trying to get high school kids to realize that a trade can offer more security than an office job anymore," Stanizzo says. While he acknowledges that there will always be periods that idle workers, he points out, "The really skilled tradesmen always seem to be working somewhere."

The chart above shows the age distribution of the labor force in 2005 and a decade ago. Unlike almost any other industry, construction shows a dramatic dropoff in participation by those over the age of 45, which is the age the trailing Baby Boomers are right now. The demographics also show another 30% of the workforce reaching the accelerated retirement period in another decade.

Construction labor isn't the only component of the workforce in short supply. The construction industry has done little over the past couple of generations to promote its strengths; and, the result is that industries with more sex appeal, like computers, finance or even robotics, are attracting more engineering majors than the construction careers.

The University of Pittsburgh has put an emphasis on creating educational opportunities for its engineering students by developing a construction management major in conjunction with the local contracting community. Penn State also has a CM program at its main campus. Both of these programs are evolving, however, and attract fewer students than mainstream engineering programs. And while the programs are turning out bright graduates, they are part of a long-term solution rather than an immediate fix.

Tricia Atallah is the founder of SoundBuild, a New York-based consulting firm that was merged with Navigant Consulting in December 2006. In her book, *Building a Successful Construction Company*, she talks about the shortage of talent nationally as an "Achilles heel" exposed by the current market boom. Atallah's recipe for fixing the problem requires creative recruiting, and investing in people in ways, like cross-training or spending on advanced education for younger managers, that don't pay dividends until later. The competitive environment in Western PA makes that kind of internal investing

painful for local design and construction firms, whose businesses are lean. Getting lean requires eliminating non-productive tasks, and training for the future is not productive for today's project.

Jim Kunz sees the same lean thinking affecting labor. "Our heavy equipment demands experienced operators to maintain safety, but we don't have the entry level positions in the field like we once did." Kunz says, "We've eliminated 'non-productive' jobs, like oilers, to be price competitive, but those positions were the ones that you used to train how to operate equipment under difficult conditions."

Employers feel the pinch of the shortage on their bottom line. "When the halls are empty we have much less certainty about the projects we're running," says Dave McKamish, CEO of mechanical contractor McKamish Inc. "You plan a job when you bid it, and you make productivity assumptions based on that plan. If you can't put the guys on the project as you planned, the profitability suffers."

Now that the industry has recognized it has a problem, the remedy will take a little time. Most labor organizations have changed their recruiting practices in recent years, but the local busy market has motivated more aggressive steps. Trades with current shortages, like operators, ironworkers or masons, have added recruiting sessions and revamped apprenticeship programs. Some locals are

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looking at other under utilized trades as recruiting grounds, since those workers will already have lots of jobsite and industry experience, and all local labor organizations are reaching out to the schools.


A federal government initiative that is bearing fruit is the "Helmets to Hardhats" program. This effort, which was introduced in 2003, collaborates with contractors and labor to assess the relevance of skills learned in military operations to construction. Many military jobs require advanced skills, ranging from computer applications to heavy equipment operation, which translate directly to the jobsite or contractor's office.

Pennsylvania has only participated in direct entry with the Helmets to Hardhats program within the past year. In August, Gov. Rendell announced a \$200,000 grant to kick-start the program statewide. Because the program is a referral resource, not a hiring effort, the government does not track employment statistics. Since its inception in PA, however, more than 4,500 returning vets have applied.

On the management level, continued industry support for the growing programs like Pitt's and Penn State's construction management degrees will yield more and better-trained entry level personnel to create the estimating and project management talent for the future. To ease near term needs, contractors are increasingly looking at recruiting professional managers from other industries or related disciplines.

One problem with a strong construction market is that the environment for recruiting from competitors is poor. Busy people aren't usually looking to change jobs, and recruiting other company's busy people is expensive. At least one employer sees a creative solution to making the labor pool larger.

Dave McKamish laughs, "I'm not real popular with the locals for this, but I think the first solution is for management and labor to change attitudes about scope and jurisdiction." McKamish explains, "We spend a lot of time and money training three different trades here, but we almost never have enough work to keep all three groups busy, so we end up laying off good people even though the company may be busy." McKamish's unpopular solution is "one big mechanical union."

In the end, it's likely that the free market will find a way to solve the need. The awareness of the need is being raised at all levels. Short supply leads to higher pay in response, and that will remind students and professionals why construction is attractive once again. 

Trend to Watch



IMMIGRATION REFORM: FEDERAL PROBLEM OR LOCAL PAIN?

The Associated General Contractors of America (AGC) held its annual meeting March 21-24 in San Antonio. This annual meeting spent more than the usual amount of time on the topic of immigration reform. While the topic would have been covered equally if the convention were held at the Lawrence Convention Center, it is ironic that the meeting's site, in San Antonio, was in a border state.

Construction is an industry that has always attracted immigrants in large numbers. Whether because construction offers opportunity to those who are unskilled or because it offers opportunity to those with craft skills that transcend language barriers, the industry has historically absorbed more than its share of immigration. Unlike in previous generations, today's immigrants issues don't revolve around the loss of homegrown jobs to legal immigrants, but rather the overwhelming undocumented worker problem. How overwhelming? On a national basis, 25% of the construction workforce is drawn from the roughly 12 million undocumented workers.

Let that fact soak in for a moment. In Western PA it's very easy to turn away from the political hype that surrounds the issue. We don't have the kind of visual evidence of immigration that we would in Texas, or Florida, or even D.C.; but, visualize one in four workers disappearing the next time you are by a jobsite. It's easier then to understand why the leaders at the AGC were interested in immigration reform without creating a labor shortage.

The problems with immigration reform is that you have several cross purposes at work. And it's important to note up front that we aren't in an era of closed borders. The number of immigrants entering the U.S. now is as large as any time in our history. It's not really immigration so much as the undocumented alien that is the heart of the matter.



Pennsylvania representatives Mark Mustio (left, R-District 44) and Darryl Metcalfe (R-District 12) discussing their concerns about immigration with contractors and labor leaders on March 29.

At issue for the state and local government is the additional burden of providing services without the benefit of revenue. Government's services are generally spent on a per capita basis. Your municipality protects and serves based on the number of people in the municipality as much as anything else. An accident or crime involving an undocumented alien requires the municipality's attentions just as any other crime or accident. But undocumented workers don't pay taxes to support that local, or state, government. In Harrisburg, they estimate that Pennsylvania's share of that shortfall is \$762 million.

While our governments worry about lost revenue, the construction industry sees immigration in a different light. With more workers retiring than joining the workforce, and with regional and national surges in work straining the construction labor force, immigrants offer a solution to the problem of renewing the skilled trades. But, only if immigration comes through legal channels.

"I can see a need for immigrants filling jobs in our industry," says Steve Massaro, Vice President of Massaro Corporation. "We're *all* for legal immigration; I wouldn't be here today except for an immigrant, but not doing it right means businesses

aren't paying insurance and taxes that those of us who do play by the rules have to pay."

Taking immigrants out of the economic equation would have damaging effects on business start-ups, according to a study commissioned by the National Venture Capital Association last fall. According to the NVCA's research, 25% of the venture-backed, publicly traded companies started since 1990 were founded by one or more immigrants. In the technology sector the share rises to 40%, including Intel, Sun Microsystems, eBay, Google, and Yahoo! The market value of these companies exceeds \$500 billion, and the head count for their total employment tops 400,000 jobs. The survey of privately held venture capital businesses found that immigrants started 47% of these firms, and two-thirds of those founders surveyed believed that reform would discourage potential immigrants from coming.

The dynamic tension in the issue is that any reform of immigration tends to be viewed as a tightening by prospective immigrants. And some of the measures, like national ID cards or biometric ID's, are contrary to our constitutional sense of freedom, are even a little Orwellian.

The frustration of Pennsylvania's legislators is that

while one bill after another gets bogged down until dying in Washington, the fallout continues to grow back home. In an attempt to crack down on the use of illegal workers in Pennsylvania, State Representatives Daryl Metcalfe (R-District 12) and Mark Mustio (R-District 44) have introduced legislation that would shut off public benefits, employment access and other economic faucets contributing to the growing number of illegal immigrants across the commonwealth.

While the rhetoric surrounding the issue sometimes seems aimed at the undocumented worker, Mark Mustio is clear who he sees the legislation targeting. "Undocumented workers don't stay where companies aren't hiring. There would be no need for this legislation if the federal government just enforced the laws against illegal employment that are already on the books," says Mustio, "Simply put, there should be no economic rewards, public benefits or employment privileges for anyone that is guilty of breaking our nation's immigration laws."

To discuss their legislation and gather feedback, the two state representatives met with area contractors and members of the building trades on March 29 at the headquarters of the Greater Pennsylvania District Council of Carpenters. Also in the audience were Representative Paul Costa (D-District 34), Representative Marc Gergely (D-District 35), Representative Thomas Petrone (D-District 27) and representatives from the offices of Senator Jane Orie (R-District 40), Senator John Pippy (R-District 37), Representative Mike Turzai (R-District 28) and Representative Don Walko (D-District 20).

Jack Ramage, Executive Director of the MBA, who helped organize the meeting, sees the dilemma. "This is a complex and very serious problem. It's a federal jurisdiction but it seems to come back to the states to enforce." Ramage also sees immigration as a source of future workers, and sees the trades as logical sources for training. "Some of our local crafts have been reaching out-the Operators, Laborers and Carpenters have been really trying to find and communicate with illegals-but the 'coyotes' who run them into the states tell the workers to avoid unions specifically." When asked why Ramage explained, "These guys breed fear of reprisals against relatives back home, and in some of the countries, like Mexico, the unions are corrupt and very hard on the workers, so there is an inherent distrust."

One of the reasons that this issue is suddenly a hot potato in Pennsylvania is that the flow of immigrants is reaching here in larger numbers. Nearby markets, like the Washington/Baltimore housing market, have



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cooled somewhat creating a climate that requires the undocumented worker to look elsewhere for employment. Pittsburgh's strong non-residential construction activity is attracting the attention of illegal alien labor, although some experts see that as a temporary trend.

Richard Stanizzo, Business Manager of Pittsburgh Building and Construction Trades, notes, "This was a topic of conversation at our convention in Las Vegas this past February, but we haven't had a big market for labor in the past five years." Stanizzo did observe that, "In the markets where they can't find enough workers the (trade) locals have actually been helping guys get green cards, making them legal, so they can get into the trade."

While Rich Stanizzo is correct about the labor needs of our market over the past two decades, it only takes one or two big projects to get the attention of recruiters. Less than an hour north of Downtown, at Slippery Rock University, the PA Department of Labor and Industry identified dozens of workers who were undocumented or were using falsified documents. The workers were involved in a \$55 million new student housing project, and were employed by 21st Century Framing, a subcontractor on the project.

One of the legal workers on the project, Balto DeLeon of Los Fresnos, TX, is a Mexican-American, U.S. citizen. He was in Slippery Rock because he saw an ad for employment for the project in a Brownsville, TX newspaper. With a dozen or so projects of greater size underway or looming in Western PA, our market will remain on the radar of those looking for construction employment from remote regions, who can offer labor for reduced wages.

The Slippery Rock project also highlighted an incident that exemplifies the state's quandary. The red flag that attracted the attention of the state to the project was an undocumented worker who had been injured working for the same subcontractor at a project at nearby Westminster College. PA's laws regarding worker's compensation allowed the laborer to claim for wages lost while injured, even though the company employing him could not legally document his existence and had not paid into a worker's comp policy for him. Pennsylvania is paying a worker who should not even be here in the first place, and whose employer knew it.

These kinds of public policy loopholes are what Mark Mustio laments the most. "That's the trouble," Mustio says, "we see new programs funded in Washington all the time when what would help us most is to enforce what's on the books as current law." **BG**



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Do You Want the Best Price or the Low Bid?

One of the most highly held truisms of the construction industry is that competitive bidding yields the best result. The theory has its roots in Darwinism, or at least man's basic nature, and is based on the belief that the most creative and agile contractor will find a way to be the most competitive. Whether or not that was ever true, the competitive bid method of contracting isn't necessarily the route to the best number.

In 'the old days' the process leading to the bid period was deliberate, and usually lead by the project's architect. With few exceptions, a project architect today doesn't get the time or the fee, or the input needed to completely interpret the owner's needs, and represent them on a complete set of drawings and specs. What results often are plans with little holes in them throughout, which can make the bidding process an interesting competitive exercise.

For those with the impression that the problem is parochial, you're wrong. With rare exceptions these problems exist in every market.

This condition is not because architects and engineers have become incompetent, nor because contractors have suddenly become exploitive (they were always that way, right?). Each of us has become a shrewder consumer, and when the shrewd consumer who happens to buy design or construction services goes to work, he or she maintains that sense of astute buying power.

It's in pursuit of that better deal that the shrewd buyer flexes those muscles. Whether it's to burnish a reputation, or shave a few bucks of the pro forma, the aggressive owners try a wide array of strategies to get that low number. The problem with all of those strategies is that they are ultimately based on the mistaken proposition that the buyer understands the seller's business better than the seller does. And that is almost never the case.

The problem doesn't rest solely with the owners, though. For the past decade or so there have been a

number of books written on the benefits of alternative contracting methods to design-bid-build. In Western PA most of the time those books were being promoted by contractors, who were trying to find other ways to get business besides getting low.

That alternative method evangelizing often gave owners the idea to use some hybrid version of fast-track, design-build, (but not quite), method of selecting a contractor. Many of these methods involved using incomplete documents to create guaranteed maximum pricing for buildings about which all the decisions hadn't been made yet. You could tell these jobs early because the parties were wearing boxing gloves at the groundbreaking!

If you're an owner of a project it's important to remember that even projects that run smoothly are still big inconveniences, and generally distract you from the work that you are being paid to do. The important questions should center on what you as an owner are doing to motivate the architect and contractor to get the project done on time with the fewest hassles possible. If you have been taking the WalMart approach of squeezing the vendors for every nickel (interestingly, even WalMart doesn't take the WalMart approach on its construction projects), the chances are very good that your design and construction team is looking for every opportunity to get those nickels back. Wouldn't it benefit your business more to get the facility, which makes you money, open sooner?

There is evidence that experienced owners have figured out that it's to their benefit to focus on all the factors that impact their profit, not just the lowest contract price.

Communications giant Verizon is an example of the kind of owner who is ultimately demanding of its vendors because even small mistakes can cause lots of consumer problems. Yet they understand that contractors must be profitable to pay attention to the details. Verizon uses a small group of regional contractors to build infrastructure, and relies on those firms not to create situations, like disconnected utilities or waterline breaks, which can create bad will in an entire neighborhood.

The scale of potential problems magnifies by tens of thousands when dealing with Verizon's network

facilities. For more than a decade Verizon has selected its Western PA contractors from a stable of five, or less, contractors; moreover, Verizon is adamant about limiting its subcontractor involvement to just a few pre-selected subs in key trades. The sense of qualification is paramount to Verizon, especially considering that a small jobsite accident can disrupt hundreds or thousands of customers, many of who will be conducting their mission-critical business online.

Susan Mason is Verizon's Director of Strategic Sourcing, and is in charge of all Verizon construction purchasing. "We don't try to necessarily focus on just a few companies in any one area," Mason says, "but it's difficult to establish long-term partnerships with more than a handful of contractors who really get to know our business."

While Verizon expects its contractors to be price-competitive, Mason says, "Going with the lowest price hasn't been our practice. We also look closely at the financial strength, and key factors that could impact their performance. Every six months we try to review their backlog, how quickly they're paying subs, and what the status of key project management personnel is."

Retailer J. C. Penney Co. has developed design and construction relationships with a high level of comfort. "We're one of the contractors that Penney's will hire without bidding the job, because we've done so much with them all over the country," says Frank Poerio Jr., of Poerio Inc. "Most of the time Penney's is reacting so quickly to the market that they need us to build or renovate in a timeframe that doesn't allow for a full set of architectural drawings to be done." That profile fits a lot of corporations who choose contractors because they believe the general understands what they require and can price and build accordingly.

Building owners who have unique or special situations also tend to have buying habits that reflect their understanding of their own customers' needs. An example of this kind of owner is the Western PA School for the Deaf (WPSD) in Oakland. The WPSD campus is made of hundred-year-old buildings, and the school serves deaf students, many of who reside on campus during the week. Contractors for WPSD must be sensitive to the safety issues of working around the deaf, must have flexibility to schedule around the students' lives, and need to be fair in the give-and-take that usually attends renovating older buildings.


When the first of their master plan projects rolled out in the late 1990's WPSD asked for bids from a few contractors. The low bidder, A. Martini & Co., was also interviewed to be sure that they understood WPSD's needs. After a period of education about WPSD, says the school's Don Rhoten, "The project was completed

on time. Martini did an excellent job. It came in under budget and we enjoyed working with them. Being deaf myself, I found them to be interested in and sensitive to the needs of deaf people. A high degree of trust and respect was developed."

In subsequent projects Martini was contracted without competitive bidding, a process Rhoten has no concerns about. "The bottom line, for me, is the trust factor. We might save a few dollars by asking for bids, but what price do you attach to trust and the proven track record of quality work and safety/sensitivity to our special population?"

Another practice that can create difficulty is mismatching the competition. In public work there's no opportunity to pair like companies against each other; however, in the private sector an owner who creates a bidders list of similar companies will get a better response. Inviting architects and engineers with very different practices, or contractors that are non-union and union, or with very different backlogs, doesn't encourage an attentive or competitive response. It's good to have your prospective vendors anxious to work for you.

Frank Poerio has generally worked for clients like PNC, University of Pittsburgh, and the former May Co., who require competitive bids from an invited group of four or five generals. Poerio is comfortable with this kind of competition because he says, "I'm going to be bidding against companies like mine. All of us would rather just be handed work, of course, but I know that these customers are going to have me bid against contractors like us." The result, says Poerio, is "I know I'll get my share of the work."

In the final analysis the smoothest path to a successful project is one that recognizes fairness for all parties concerned. The scarcity mentality that remains in Western PA can tempt a buyer to ask bidders to see how low they can go, but in the end, responsive and competitive bidders will serve the project best. 

AWARDS & CONTRACTS

What's Going On Around Town

John Deklewa & Sons was awarded a dialysis clinic renovations project at Jefferson Regional Medical Center. **WTW Architects** is the architect. **Deklewa** was also awarded a contract for renovating a Switching/Data Center at Verizon's Sassafras Street facility. **SWSG Architects**, of Reston VA, designed the \$3.5 million project.

A. Martini & Co. was awarded the 256 New Castle Road Retail Center in Butler. **Fukui Architects** is the architect for the project, which is a 9,000 square foot center. Philips Resources selected **A. Martini & Co.** as contractor for the addition to their RIDC Thorn Hill Park facility. The architect for the \$2 million project is **Devlin Design**.

Landau Building Company was recently awarded a \$4 million contract from **UDSD, LP** of Wexford, PA for construction of the **Warrendale Village** and **Warrendale Pointe** at Warren Bayne Road and State Route 19. **Landau** was recently awarded a \$3.6 million contract from **Dick's Sporting Goods** for construction at the Beaver Valley Mall in Monaca, PA. **Landau** recently completed the tenant fit out work for **RIDC** of the **KU Resources, Inc** located in Duquesne, PA.

Marks-Landau Construction was recently awarded a contract from **Fairmont State University** for the renovation of Colebank Hall Data Center Build out.

Nello Construction Co. was recently awarded the General trades Contract for the Additions and Renovations to the Peters Township Middle School. The contract is \$3,648,273.00 Project Architects are **HHS DR**.

Nello is in the final stages of completing the \$2.3 million, 17,000 s.f. Multi-Use Worship Facility for the Christian & Missionary Alliance Church located in Washington, PA. The first service in the new facility is scheduled for Palm Sunday.

Michael Baker Jr., Inc., an engineering unit of Michael Baker Corporation (Amex: BKR), announced that it has been awarded a \$5.4 million contract by the Pennsylvania Department of Transportation (PennDOT), Engineering District 11-0, to provide

construction management support and construction inspection services for an estimated \$70 million of reconstruction or replacement of sections of Interstate 376, better known as the Parkway East, in Pittsburgh, Pa. This stretch of roadway is located within the most congested transportation corridor in Western Pennsylvania.

Michael Baker Jr., also has been awarded a \$9.8 million contract by the Pennsylvania Department of Transportation District 8-0, to provide construction management support and construction inspection services for administering an estimated \$130 million of reconstruction or replacement of portions of U.S. Route 15 and Interstate 81 in Cumberland County, Pa.

P. J. Dick Inc. has completed construction of a new building for the Children's Home of Pittsburgh, an agency that provides adoption services, care services for medically fragile children, and transitional twenty-four hour care for premature and sick infants who are unable to be cared for in their homes but no longer need an inpatient hospital stay.

Poerio Inc. was awarded a contract for construction of a new PNC Branch Bank in Philadelphia. **Gensler** was the architect for the 3,500 square foot, \$1.3 million building, which will be LEED certified as part of PNC's program of constructing all its branches green. **Poerio** was also awarded the Construction Management contract for a \$900,000 renovation of Bellefield Hall at the University of Pittsburgh.

Mascaro Construction Company received the green light from the General Services Administration to begin the bidding process on the new \$123.2 million Buffalo Federal Courthouse. The 10-story, 265,000-square-foot facility finally received federal funding in March 2007, and construction is expected to begin in October 2007.

Heinz awarded **Mascaro Construction Company** the build-out of its new world headquarters space in the PPG Building. Heinz will occupy roughly 85,000 square feet of One PPG Place. In addition to open work areas, offices, conference rooms and cafes,

other amenities will include showcase areas for products and archive collections, a board room, dining room, product sampling areas, and a media center for global employee communications and enhanced marketing and internet communications.

The Department of General Services announced the award for the Stryker Brigade Team Readiness Center & Organizational Maintenance Shop in Cambridge Springs. The \$19,565,500 design/build contract was awarded to **Mascaro Construction**.

TEDCO Construction Corp. was selected as the Construction Manager for a \$115,000,000 retirement community in Scott Township. Providence Point, will house 222 independent living apartments ranging in size from 761 to 2,106 square feet. It is on a 32-acre site just off Bower Hill Road and is owned by Baptist Homes Society, Inc. The complex will include a large number of amenities including multiple dining areas, health care and wellness centers, movie theater and billiards room. Ground construction has begun and completion is scheduled for Summer 2009.

Massaro Construction Management Services was recently selected to work as Construction Advisor to FFC Capital in their \$16 million conversion of several Amerisuites Hotels into Hyatt Place hotels throughout Texas.

Massaro Corporation has been awarded Allegheny College's \$24 million Vukovich Center, designed by **Polshek Partnership**. University of Pittsburgh has awarded **Massaro** two projects at the Bradford campus totaling \$10 million and designed by **MCF**, a New Student Housing complex and renovations to Swarts Hall. Work is underway at Point Park University renovations to the University Center designed by Landmarks Design, and work on the 9th and 10th floors of 10 Wood Street designed by **TKA Architects**. The projects total \$4 million. **Massaro** is also doing a \$2 million design/build housing project for Auberle, and a \$3 million multipurpose addition at Saint John Lutheran, designed by **Station 19**.

Saint Vincent College has awarded **Massaro Corp.** the \$2.8 million football stadium including a new grand stand and field, and locker-room renovations, designed by **TKA Architects**. The stadium will be named for Chuck Noll. Construction has begun on The Grove at the Woodlands Foundation, a \$2.5 million housing project designed by **TKA Architects**.

Rycon Construction was awarded the Morewood Fraternity House Renovations for Carnegie Mellon University. **Lami Grubb Architects** designed the \$700,000 project. **Rycon** was also awarded \$600,000 New Business Center renovations for Dominion Tower, and Second Floor renovations project for UPMC Monroeville.

Out of the local area **Rycon Construction** is working for New River Valley Community College on a \$1.8 million project in Christiansburg VA, approximately \$1.75 million renovation projects for Giant Eagle on two stores in Brunswick and Avon OH, and the construction of a new \$3.8 million Dick's Sporting Goods at Huber Heights in Cleveland.

Burchick Construction is the successful contractor on two projects worth nearly \$2 million at UPMC Passavant Hospital in McCandless. Renovations are being done to the Central Sterile Suite and CT Scan facilities, including a PET Scan. **Burt Hill** is the architect.

Concordia Lutheran Ministries, Inc. has awarded **Uhl Construction** the Addition to the Rebecca Residence located at 3746 Cedar Ridge Road in Allison Park. The project consists of a one story addition of approximately 1,500 square feet to the existing Out Patient Therapy / Physical Therapy Suite. The existing pedestrian concrete walkways will be modified to accommodate the new addition and the existing roof over the dining room terrace will be removed and replaced with a treated wood trellis and retractable canopy. The architect for the project is **R.W. Larson**.

Allegheny Construction Group was awarded the contract for the construction of the new Canonsburg Fifth Third Bank. The \$1.2 million branch was designed by **Weber Architecture**.

Nicholson Construction has been awarded contracts for deep foundations, specialty drilling and sub-surface support on several high-profile projects. Nicholson is working for **Obayashi/Trumbull** on the Port Authority's North Shore Connector Tunnel, for **Phoenix Constructors** on the World Trade Center Transportation Hub in New York City, also in New York for **Pavarini McGovern Construction** on the New York Law School, and for **Hunt/Owen Ames Kimball J. V.** on the Van Andel Institute in Grand Rapids, MI.



Providence Point

FACES & NEW PLACES

Seubert Associates Inc. has hired **David Irwin** as Marketing Manager. Irwin will be responsible for new large account placement, production and service for Seubert, a Pittsburgh-based insurance and surety agent. David Irwin worked previously for W. R. Berkley Corp. in Erie PA.

P. J. Dick Inc. is pleased to announce that **Brett Pitcairn**, Estimator, has been elected as the Vice Chairman of the MBA Young Constructors. The company is also pleased to welcome back to its staff **Joe Brennan** as a Project Manager at Baldwin High School. Also, we welcome a new Project Secretary, **Nancy Vicheck**.

Mascaro Construction Company LP is pleased to announce the addition of two new employees, **Keith Gonzales** and **Daniel Manius**. Keith has 24 years of construction industry experience and joins the MEDRAD Sterile Disposables project in Clinton Township as the MEP coordinator. Daniel will work as a project engineer on the Bradford Bypass project.

John H. Prorok, Esquire, has been named a Partner with **Maiello, Brungo & Maiello, LLP**, Attorneys at Law. Mr. Prorok represents corporate clients including regional and national banks, real estate development companies, and manufacturing companies. He joined the Maiello, Brungo & Maiello law firm as an Associate in 1997 and advanced to Principal in 2004. A graduate of Suffolk Law School in Boston and Colby College in Maine, Attorney Prorok resides in Greensburg with his wife Renee and step-daughter Julia.

Cohen Seglias Pallas Greenhall & Furman PC, the largest construction litigation firm in Pennsylvania, has opened an office at 63 Wharf Road in Morgantown, WV. **Roy S. Cohen** and **Eric Kimbel**, of Cohen Seglias' Pittsburgh office will be in the Morgantown office on a regular basis.

Massaro Corporation would like to welcome the following new employees: **Todd E. Bookwalter**, Project Engineer; **Jason L. Sigal**, Estimator; **Tatyana Jula**, Marketing Assistant; **Anthony Pokusa**, CAD Operator/Space Planner; **Jeffrey Weiss**, Project Engineer; **Lisa C. Clark**, Administrative Assistant; **Wendy A. Weiskircher**, HR Director; **Jeremy Bowlby**, Project Engineer; **Lisa Perroz**, Receptionist; **James Kephart**, Superintendent; **Adam DiMenno**, Project Engineer; **Christine Rogers**, Marketing Director; and **Michael Yohe**, Estimator.

Bethel Park based **Mobile Medical Corporation** was awarded the grand prize in Cisco Systems' "Growing with Technology" award. This is an annual technology contest sponsored by **Cisco Systems**, the world leader of internet and networks, which recognizes small and medium size companies which have creatively and effectively used the internet and networking to enhance their or their customers business. Mobile Medical's entry was in the category of customer relations and was judged on strategic partnerships created with their customers. As one of the benefits of the award, Mobile Medical was featured in an article on Cisco's website.



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THE INDUSTRY in the COMMUNITY

Design/Construction Teams Build Playhouses for the Girl Scouts

The Girl Scouts Trillium Council again held the Dream House Playhouse Auction during the Pittsburgh Home Show, between March 8 and March 17. The playhouses designed and built by local contractors and architects, were auctioned online for the benefit of the Girl Scouts.



Tree House

Among the entries this year were the 'Tree House', designed by Bohlin Cywinski Jackson and built by John Deklewa & Sons; 'Steel



Steel City

City', designed by Celli-Flynn Brennan Architects and constructed by Volpatt Construction; 'Curtain Call', built by P. J. Dick Inc. with MLJ Architects; and 'Greenhouse Playhouse', designed by RSSC Architecture and constructed by Landau Building Co.



Curtain Call



Greenhouse Playhouse

Green Building 101: Getting Going with Green Building

On May 15 an introductory brown bag lunch presentation will be delivered by the Green Building Alliance to provide basic information about embarking on green projects. The program includes an overview of sustainability, integrated design and the economics of green building. Presenters will introduce the LEED® process (including LEED online) and discuss the effective use of modeling, commissioning, measurement and verification, and green operations. The presentation is offered three times throughout the year. Attendance fee is \$15 for non-GBA members. Contact the Green Building Alliance or go to www.gbapgh.org to register.

PHLF/Franklin Regional Design Challenge

For the ninth year, Franklin Regional Middle School students participated in the Architectural Design Challenge through the Pittsburgh History and Landmarks Foundation. With the help of Massaro Corporation's Dan Kiefer, Director of Construction Management Services, they produced award-winning designs.

Given the design challenge of creating a structure that would increase the vitality of the "Golden Triangle" and create another connection between Station Square and downtown the students worked hard to produce drawings and scale models of their projects. In the end both Franklin Regional Middle School teams were awarded first place in their respective divisions.

Extracurricular academic programs like the Architectural Design Challenge offered the Franklin Regional Middle School students a unique opportunity to solve problems that exist outside of the classroom. Massaro is proud to be part of a community committed to fostering the minds of our future architects and engineers.

NAIOP Presents Development Awards

On March 1 the Pittsburgh chapter of the National Association of Industrial & Office Properties (NAIOP) held their annual awards banquet at the David Lawrence Convention Center. Over 750 guests were in attendance to see awards given out in a variety of commercial real estate categories



Tom Bisacchino presents the Spec Office Building award to Christine Fulton of the Soffer Organization



Tom Bisacchino with Creative Deal winner Bill Hunt of The Elmhurst Group



Accepting the Supporter of Development Award are Dan Onorato, Allegheny County Chief Executive, Dan Donatella, Beaver County Commissioner, Dick Shaw of Michael Baker Corporation and Bracken Burns, Washington County Commissioner



NAIOP Board members Lou Oliva, Banquet Co-Chair, of Grubb & Ellis and Mark Dellana, Soffer Organization, with De Peart, Banquet Co-Chair, from the Allegheny Conference On Community Development



Banquet Committee Members Suzanne Ewing of Buchanan Ingersoll & Rooney and Robert Powderly of First National Bank of Pennsylvania, with Alex Paul of Alpern Rosenthal



Tom Bisacchino with Renovation Award winner Michael Morris, Sampson Morris Group



Tom Bisacchino, NAIOP President, with Spec Building Industrial winner Joel Kreider of Imperial Business Park, L.P.

Industry Trends Presented

The Master Builders' Association of Western PA (MBA) helped present two evenings focusing on developments effecting the construction industry in PA and nationwide.

On February 28, the AIA/MBA Joint Committee presented "An Evening of BIM", a presentation on the emergence of Building Information Modeling (BIM) at the Lexus Club in PNC Park. The speakers for the evening were Les Snyder, native Pittsburgh-er now



Les Snyder and Mark Dietrick, featured speakers at the local BIM presentation.

working for Barton Malow Construction in Detroit, and Mark Dietrick, Senior Associate with Burt Hill in Pittsburgh. The presentation highlighted how BIM was being integrated into architectural design and contractor's

estimating/project management systems, and emphasized the advantages of adopting BIM into architectural and contractor businesses today.

AIA/MBA Joint Committee is a working group of local architectural principals, contracting executives, legal and financial professionals who meet monthly to share information on emerging trends and promote greater cooperation between the two professional disciplines.

On March 8 national and local experts presented the 2007 Construction Materials Cost Forecast at the Holiday Inn in Green Tree. Presented by American Society of Professional Estimators, Construction Management Association of America



National AGC Economist Ken Simonson presents his forecast for building material costs for 2007

and the MBA, the evening focused on a handful of critical building materials and offered insight into the supply and demand issues that will affect costs in 2007.

On hand to offer expert opinions were Ken Crank of PA Aggregates & Concrete Association, Phil Dorenkott of USG Systems, Bill Pascoli of the American Institute of Steel Construction, and the keynote speaker, Ken Simonson, Chief Economist of the Association of General Contractors.

SMPS Advocacy Panel Luncheon

On March 21 the Society for Marketing Professional Services presented its Advocacy Panel Luncheon. On the panel were Andy Hilt, American Council of Engineering Companies (ACEC), Ann Swager, The American Institute of Architects (AIA), John Wanner, General Contractors Association of Pennsylvania (GCAP). The panel discussed current hot issues in Washington and Harrisburg that are impacting the A/E/C community, as well as several issues high on their own radar. Panelists also presented their opinions on the importance of the advocacy process, how to set up face-to-face meetings with key legislators and political influencers, how to identify the best advocate within your organization and highlighted common mistakes.



(Front) SMPS officers Sharon Landau, Landau Building Co. and Rochelle Stachel, HRV Inc. with Anne Swager of AIA Pittsburgh (Rear) SMPS chapter President Terry Caywood of Sextant Group with Andy Hilt of ACEC and John Wanner of GCAP.

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

Skilled Professional Workforce Lures Developers

By
Jason Fincke, Executive Director
Builders Guild of Western Pennsylvania

When deciding whether to build in Western Pennsylvania, developers and owners have to consider numerous business factors, including the value of property, location and transportation access, labor costs, opportunities for expansion, local taxes and overall business climate. Each of these issues can make or break the construction of a major commercial, residential or industrial development.

Two other ingredients, however, that are absolutely imperative to attracting development are the quality and availability of the local workforce. Can developers and owners be certain that their facilities can be constructed as specified on time and on budget? Is the local talent pool deep enough to meet a demanding time schedule? Is there a good local work ethic in place? Will the workers that will occupy the finished building reflect that work ethic?

Contrary to popular myth, an area that has a strong union history, such as that in Western Pennsylvania, is not in itself a positive or a negative when it comes to development. Economic development directors will be the first to say that developers and owners do not particularly care whether or not a union represents the local workforce. They just want to know whether the workers are competent and in sufficient numbers to get the job done.

That is why it is so important that members of the area's union building trades commit themselves to their profession and to their fellow union workers. Being properly trained and continuously educated on

new equipment, construction techniques, materials and other technologies are important parts of the equation. Showing up at a worksite everyday on time and ready to put in a full day's work are equally critical.

Nothing will turn a developer or owner off faster than an unreliable and unproductive workforce. While labor rates are an important factor, value is more important. That means doing the job right the first time, every time.

As Executive Director of the Builders Guild of Western Pennsylvania, I am proud to promote the men and women of the building trades and the contractors that employ them. The training that goes into being a skilled union craftsman is impressive and

unmatched. It is largely what sets our members apart from non-union workers.

While labor rates are an important factor, value is more important.

If seeing is believing, one only has to visit any of the union apprenticeship training

centers located throughout Western Pennsylvania to

appreciate the quality of education and training that is required to become a skilled journeyman.

Thousands of hours of on-the-job and classroom training are demanded, with a broad and impressive curriculum of courses and certifications available. These training centers have helped build an industry of more than 40,000 building trade workers in Western Pennsylvania who are capable of building any type and size of residential, commercial or industrial facility.

But training alone is not enough to attract development to this region. It takes a work ethic and a work record of completing projects as envisioned and desired by owners and developers. Nothing short of a competent, committed work force which takes pride in their work will keep union building trade workers employed and in demand.

two Pittsburgh industry leaders *united as one.*



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