BreakingGround

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

MAY/JUNE 2009

American Recovery & Reinvestment Act

Putting the Stimulus to Work in Western Pennsylvania

RECOVERY.GOV

Picking Through ARRA to Find Local Impact

Regional and National First Quarter Results Are Dismal

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Publisher's Note

I'm not one for rules. My children are now old enough that it's OK if this leaks out. Rules by nature are a futile attempt to take the constantly changing flow of life and try to fix it in place. Plus, there aren't a lot of rules in place that make life more fun.

Thus, I always felt the idea of putting together an editorial calendar more than a year in advance of publishing to be reasonably futile. Our industry may seem conservative to some, but things change pretty quickly when change occurs. So, you can imagine my surprise when more than a couple of our editorial focuses turned out to be very timely indeed, even if they were planned in advance. Heck, last summer's energy edition literally arrived on most readers' desks the day crude oil peaked at $147 per barrel.

Maybe because we have been pretty lucky with our editorial calendar I didn't see any reason to alter the 2009 plan just because we were having ourselves a recession, even when the extraordinary measure now known as the American Recovery and Reinvestment Act of 2009 was passed. But as more and more information was released about ARRA, there seemed to be more and more questions from local contractors and architects about the impact here, particularly on the building side of the industry.

In the spirit of throwing the rule book out the window in favor of meeting reader demand, this edition of BreakingGround will focus on explaining the Act, and trying to offer some insight about how much of the stimulus spending will find its way here. (The change in calendar also let me keep quiet the originally intended plan, which was to focus on the housing recovery I was thinking would be underway by this time).

The debate about the stimulus plan has been interesting to observe. It has been amusing to listen to Democrats downplay all the references to the Great Depression, while advocating spending programs that match those of the New Deal; and, it's been fun watching Republicans go on about outlandish spending in the wake of a record spending deficit created by a Republican administration. What has not been fun, of course, is hearing about friends losing jobs or watching their retirement plans go out the window. In the end, it was almost possible to pity the politicians for the tough choice they had to make.

For devotees of the free market, doing nothing to stimulate the economy seems like the quickest way to bring about recovery, but the rest of the ride down to the bottom of the recession would be painful to endure. And, of course, following that course would most likely have scrapped the majority of construction projects that weren't absolutely necessary, and probably quite a few that were.

The upside of letting nature take its course is that when supply and demand equilibrium finally returns to what is left of the economy, there would be no risk of runaway inflation or stagflation lingering to extend the recession like what happened in the 1970's. And don't kid yourself. The kind of deficit spending that the government has employed does raise the risk of high inflation in the next few years. If you thought a financial panic hurt the construction and real estate business, try double-digit inflation or 20% interest rates for size. ARRA will be a big help to the industry, but the manipulation of the recovery will require great skill.

As of May, however, those philosophical arguments have been won or lost, and the management of the market in 2011 or 2012 will have to wait until the recovery actually takes hold. In the meantime, ARRA will definitely create construction opportunities and jobs. For Pennsylvanians, our good fortune is to have had a well-connected politician as governor when all this was being planned. PennDOT and the Department of General Services were well prepared for what the legislation was going to look like, and because of that, Pennsylvania is positioned to put most of the stimulus funding to work in very short order, in some cases putting all of the funds to work this summer.

The American Recovery and Reinvestment Act is bringing back the public construction market in a big way. With luck, the spending will halt the recession and create the jobs it aims to. Let's cross our fingers that there isn't a sequel.

Jeff Burd

News From The Street

Site Selection Awards Pittsburgh Metro Designation

Site Selection magazine awarded a 2008 Top Ten Metros designation to Pittsburgh. Atlanta-based *Site Selection* is the oldest publication in the corporate real estate and economic development field, and its annual analyses are regarded by corporate real estate analysts as the industry scoreboard. The publication released its 2008 list of Top Ten Metros on March 9, 2009.

The basis for the Top Metros designation is *Site Selection*'s new plant database, which focuses on new corporate location projects with significant impact. New facilities and expansions included in the analyses must meet at least one of three criteria:

1. Involve a capital investment of at least US $1 million,
2. Create at least 50 new jobs or
3. Add at least 20,000 square feet of new floor area.

Retail and government projects, schools and hospitals are not tracked. With 79 new corporate location projects, Pittsburgh ranked as No.7. Pittsburgh's metro area includes seven southwestern Pennsylvania counties anchored by the city of Pittsburgh. Other Top Ten areas include Houston, Texas; Dallas-Fort Worth, Texas; Chicago, Ill; Charlotte, N.C.; and Washington, D.C.

First Quarter 2009 Lowest Multi-Family Vacancy Rates	
Pittsburgh, PA	4.4%
San Diego, CA	4.7%
Newark, NJ	4.8%
San Jose, CA	4.8%
Boston, MA	5.2%
Minneapolis, MN	5.2%
Washington, DC	5.2%
Baltimore, MD	5.3%
Oakland, CA	5.4%
San Francisco, CA	5.4%
National Average*	6.0%
Source: NAR/TWR	

Metro Pittsburgh Has Lowest Multi-Family Vacancy Rate

The National Association of Realtors (NAR) announced its research on multi-family vacancy rates across the nation and Pittsburgh was at the top of the list for apartment performance. Vacancies for multi-family were one-tenth of a percent lower than in fourth quarter 2008, but the trend towards higher vacancy rates is expected to continue through the remainder of 2009, peaking at 6.2 percent.

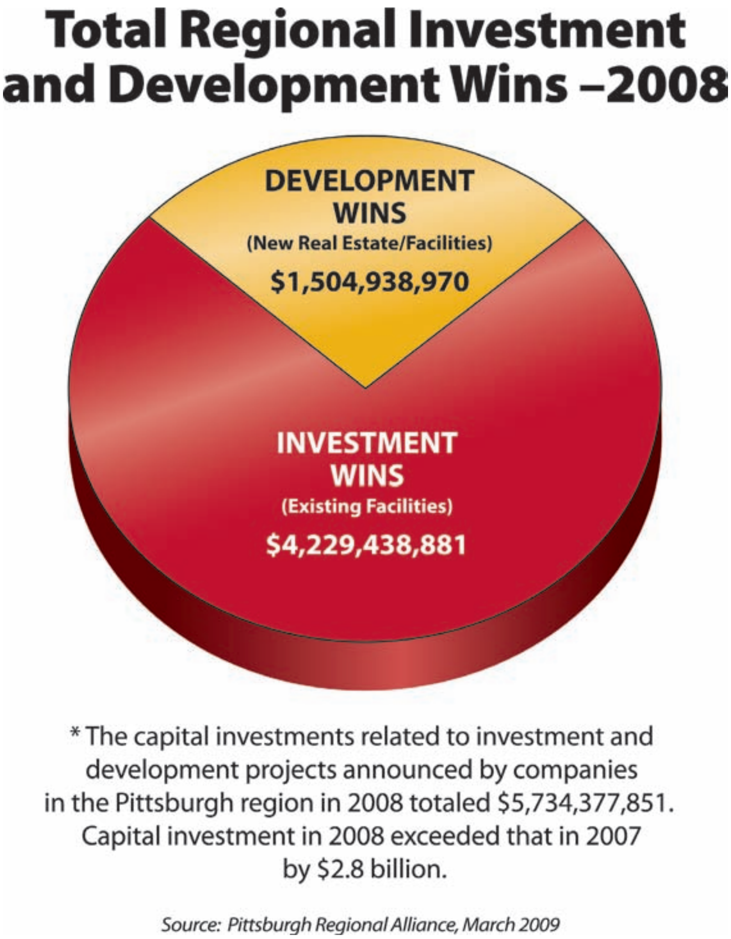
The ten cities with the lowest vacancy rates were split between coastal California cities like Oakland or San Diego, and older eastern cities like Pittsburgh, Baltimore or Washington DC.

MBA Honored with the "AGC In The Community" Award for Rebuilding Together Pittsburgh

The Master Builders' Association (MBA) was honored for its community service at the Associated General Contractors of America's (AGC) 90th National Convention in San Diego, California. The MBA received the ***AGC In The Community*** award for founding Rebuilding Together Pittsburgh (RTP) in 1993. The AGC created the "AGC In The Community" award this year as a way to recognize the positive contributions that the 95 chapters contribute to their respective regions across the country.

RTP is dedicated to keeping low-income elderly and disabled homeowners living in warmth, safety, independence and dignity through home repair and rehabilitation. Since its inception, RTP has repaired and rehabilitated over 1,000 homes for free to qualifying homeowners.

"Christmas In April, as RTP was known when it was launched, has grown beyond my wildest imagination, from the MBA staff working with the Carpenters Union to repair a home or two in the early years to today when RTP has its own staff repairing over thirty homes in one day during the last Saturday of April each year," said Jack Ramage, Executive Director of the MBA. For more information on RTP, visit www.rebuildingtogether-pgh.org.



The distribution of regional economic 'wins' for 2008, as tracked by the PRA.

Young Architects Align with AIA Pittsburgh

AIA Pittsburgh Young Architect's Forum (YAF), formerly referred to as Pittsburgh Interns and Young Architects' Forum (PIYAF), is pleased to announce that the organization has formally aligned with the AIA Pittsburgh chapter. Along with the name change, the Young Architect's Forum will serve as the de facto programming committee for AIA Pittsburgh. In this role, the YAF will organize visits to construction sites, provide Architectural Registration Exam preparation classes, offer design charettes, arrange social get-togethers and facilitate discussions concerning issues of interest to the young architect and intern community. Some of the groups new resources include a Facebook page (AIA Pittsburgh Rocks) and a new email address (PittYAF@gmail.com).

The co-chairs of AIA Pittsburgh Young Architect's Forum are Arthur Sheffield of Massaro Corporation and Kristin Merck of WTW Architects. A steering committee has been established for the group and is currently seeking new members. If you have an interest in participating please contact the AIA Pittsburgh office.

PRA Presents Development "Wins" for 2008

While the hard-hitting economic crisis began taking a toll on cities and regions across the country, positive momentum continued in the Pittsburgh region. During 2008, capital investments in excess of $4.2 billion were announced in the region, according to data+ released today by the Pittsburgh Regional Alliance (PRA) Partnership–a coalition of 50-plus private and public sector leaders and economic development professionals from 10 southwestern Pennsylvania counties. These investments are related to a number of the 290 regional economic development deals, or wins, of 2008.

The total of corporate investment and development projects across the 10-county region announced last year was nearly neck in neck with the total of 308 in 2007, which was a record year for regional business development.

The 2008 economic development wins are expected to create, over time, 13,208 new jobs in the Pittsburgh region and will retain 17,047 jobs for a total employment impact of more than 30,000 jobs. Employment impact increased by 7,000 jobs compared to 2007's report, with its total of 23,000 jobs.

GREEN BUILDING NEWS

GBA Hires New Executive Director

The Green Building Alliance (GBA) announced its new Executive Director, Holly Childs. Childs, who will be relocating to the Historic Deutschtown neighborhood on Pittsburgh's North Side, comes to GBA with a wealth of relevant experience and expertise. Immediately prior to accepting the leadership role with GBA, she worked as the Director of Economic Development for the City of Cincinnati, OH. In that role, she led a team of seven economic development professionals that created hundreds of new jobs, developed a LEED tax incentive program for the City, and worked collaboratively with the corporate and institutional partners in the region.

Childs' prior work experience includes serving as the Director of Economic Development for the City of Goodyear, a suburb of Phoenix, AZ, and as the President of the Greater Logan County Area Community Improvement Corporation in Bellefontaine, OH. She earned her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Keynote speaker Harvey Berstein, of McGraw Hill Construction, addresses Green$ense on March 31.

Master of Science in Environmental and Natural Resource Economics from West Virginia University, and her Bachelor of Arts in Economics from Wake Forest University.

Green$ense

On March 31, Green$ense, the Green Building Alliance's annual green building conference for the Mid-Atlantic and Ohio Valley regions was held at Pittsburgh's David L. Lawrence Convention Center and featured nationally recognized speakers, breakout sessions and exhibitor booths. Green$ense helps building industry professionals learn how to deliver and operate buildings that make both economic and environmental sense.

At the event awards were given for the following leadership categories: Alexander Graziani, AICP, Executive Director, Smart Growth Partnership of Westmoreland County, Community Leader Award, Laurel Highlands; Dr. Kenneth Borland, Ph.D., Pennsylvania Dept of Education's regional contact for the Northwest Pennsylvania Science, Technology, Engineering and Mathematics (STEM) education network, Community Leader Award, Northwest PA; Vivian Loftness, FAIA, Professor of Architecture, Carnegie Mellon University, Community Leader Award, Pittsburgh; William Sandherr, President, Stetson Convention Services, Business Award; Michael Gable, Executive Director, Construction Junction, Non Profit Award; Mark Phillips, Mayor, City of Warren, PA, Government Award.

Upcoming GBA Seminars

Several educational and marketing seminars will be organized by the Green Building Alliance in the next couple of months. Interested parties can go to GBA's website to register, at https://secure.gbapgh.org/gba_oreg/index.cgi/eventspage

June 9, 2009 Green Building Products Summit: Pennsylvania Green Growth Forum

Learn about the market opportunity for green products, from roofing materials to HVAC to cleaning supplies, resources for manufacturers, and how to meet customers' increasing demands for green products and suppliers. The forum will be held at the Regional Learning Alliance in Cranberry Woods from 8:00 AM to 4:00 PM.

June 12, 2009 Lunch & Learn: Getting to Green in Existing Commercial Buildings

Presentation on evaluating and implementing green materials and practices in existing commercial buildings. The meeting will be held at Lake Shore Country Club, 5950 Lake Shore Drive, Erie, PA 16505 between 12:00 Noon and 1:30 PM.

June 19, 2009 Full-Day Conference: K-12 Schools Summit

Educational sessions about greening schools ideal for administrators, teachers, students, facility managers, and school board members. The conference will be held at Clarion University, Clarion PA.


(left-to-right) Alexander Graziani, Dr. Kenneth Borland, Vivian Loftness, Geoffrey B. Stillson, (GBA Interim Director) William Sandherr, Michael Gable, and Mark Phillips.

REGIONAL MARKET UPDATE

First quarter results for the metropolitan Pittsburgh market were surprising for how far the two sides of the market have diverged. While construction of new residential units plummeted lower from already depressed levels, the contracting for non-residential construction was at a much higher level than expected.

January through March, only 254 permits were issued for single-family detached units, down 47.1 percent from the same period last year. Permits issued for attached units fell to 241 units in the quarter from 317 in the same quarter last year. The total number of new housing units was 495, compared to 797 in first quarter 2008, down 37.9%. No first quarter has been so slow in the past fifteen years since Tall Timber Group has been tracking residential construction in the region; in fact, you will probably have to go back to the deep recession of 1982-1983 to find lower permit activity.

The low level of residential activity reflects the lack of consumer confidence that existed in the last months of 2008, and the uncertainty about recovery. Housing construction depends on buyers feeling better about their future circumstances, so that the additional expense of the first mortgage or move up house won't stretch budgets for long. In Pittsburgh's market, most builders are smaller custom builders, and even the two largest homebuilders, Ryan Homes and Heartland Homes, build to contracts rather than speculation. Accordingly, housing starts will heat up or cool down rather closely to the market demand. Because the lead-time for new construction is generally a couple of months, it's not a surprise that new housing in January and February reflected the panic conditions of the end of 2008.

March's activity was about equal to the first two months combined, which is a hopeful sign; however, at less than 190 new units started, March 2009 is one of the slowest in decades. What will present a test for the housing market in coming months will be the response, if any, to the six-week stock market rally that began at the start of March. Assuming the same dynamics as described above, a rise in consumer sentiment that could accompany the rally will show up in permit offices in June and July.

A similar wait-and-see approach is needed to judge the direction of the non-residential market. Bidding activity during February and March was unexpectedly brisk, which helps explain how contracting during the first quarter was $471.5 million. Even with the USS Clairton Works project likely shelved for 2009, this volume suggests that contracting for the underlying market could be as high as $2.8 billion. The first quarter of the year typically sees about 17% of the annual volume, so the activity in 2009 is a positive signal.

The problem with becoming overly optimistic about the prospects for construction is that it will take a few months of continued activity to verify that the first quarter wasn't just an echo of the lack of bidding during the fourth quarter. Bidding in any given year typically peaks during April and May, but the market at the end of April showed only slightly more activity than in late February. The Pittsburgh Builders Exchange, which reported 187 jobs active at the end of February, was reporting 256 projects out to bid on April 21. Of greater concern was the decline in privately funded opportunities.

It is common for there to be brief periods where the market seems to catch its breath in between flurries of bidding, however, if the current slowdown stretches out through May it's likely that the first quarter contracting may not be an indicator of the 'green shoots' referred to by Fed Chairman Ben Bernanke.

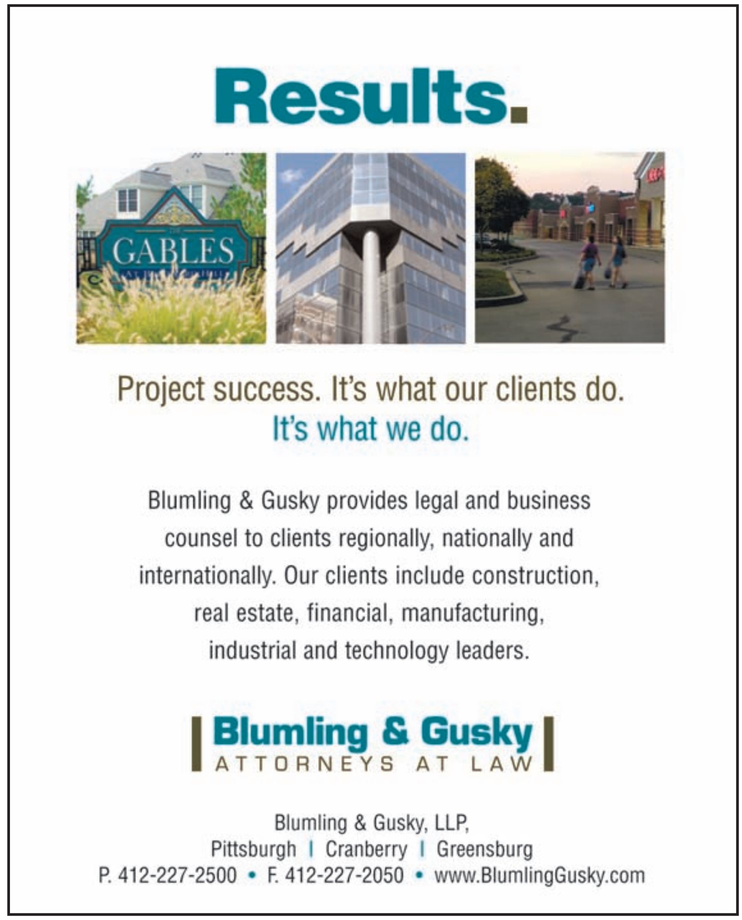
There are a few encouraging opportunities in the regional market. During the first quarter an unusual number of large industrial deals were under construction. Construction was begun by The Buncher Company on the 229,000 square foot facility for Flabeg USA at Clinton Commerce Park, and the 79,000 square foot facility for Okonite in Findlay Township. Tenant improvement work for a 200,000 square foot lease for FedEx Ground should be underway, and there were rumors of a tenant for the 200,000 square foot former US Food Systems building in Tri-County Commerce Park in New Sewickley Township. Terrence Palmer's O'Hara-based Ashford Partners LLC bought the 180,000 square foot buildings and property of the bankrupt Imperial Business Park.

As activity was picking up in the industrial airport corridor, Allegheny Ludlum continued to move quietly and methodically forward on the $1.2 billion new plant at the opposite end of Allegheny County, in Brackenridge.

In the north, Chaska Property Advisors broke ground on 110 Cranberry Business Park, a 72,000 square foot flex building. While Westinghouse still has another few months before moving the first employees into Cranberry Woods, the company has asked for developer proposals for a 165,000 square foot build-to-suit in the Cranberry area. Until a solution is found for the standoff on Route 228 widening, however, further development in Cranberry appears to be stunted, even as virtually no office or industrial space remains vacant.

As expected, the bright spot in construction for the coming quarter will be the accelerated bidding of heavy and highway projects. As much as $200 million in additional PennDOT construction should be bid in the region between April and July. While the dearth of state-owned facilities will dampen the impact of the stimulus spending in the metro Pittsburgh area, several Department of General Services projects in the larger Western PA region will be put under contract in the next few months. Prison expansions in Cambridge Springs and Indiana, worth $15 to $17 million, and a $200 million new prison at Rockview, near State College, are being released for proposals.

Several larger school projects should also bid in the next sixty days. Among them are new middle schools in Grove City for the public school district and George Junior Republic, expected to cost between $12 and $18 million each, and the long-anticipated $99 million new Bethel Park High School has been released for bidding. BG



NATIONAL MARKET UPDATE

Winter's gloom continues to settle in on the non-residential construction market nationally. Bank lending for commercial construction remains restricted, secondary financing vehicles, like REIT's or commercial mortgage backed securities, remain closed down markets. Compounding the financial issues, widespread downsizing has elevated unemployment to levels not seen since the early 1980's, further suppressing demand.

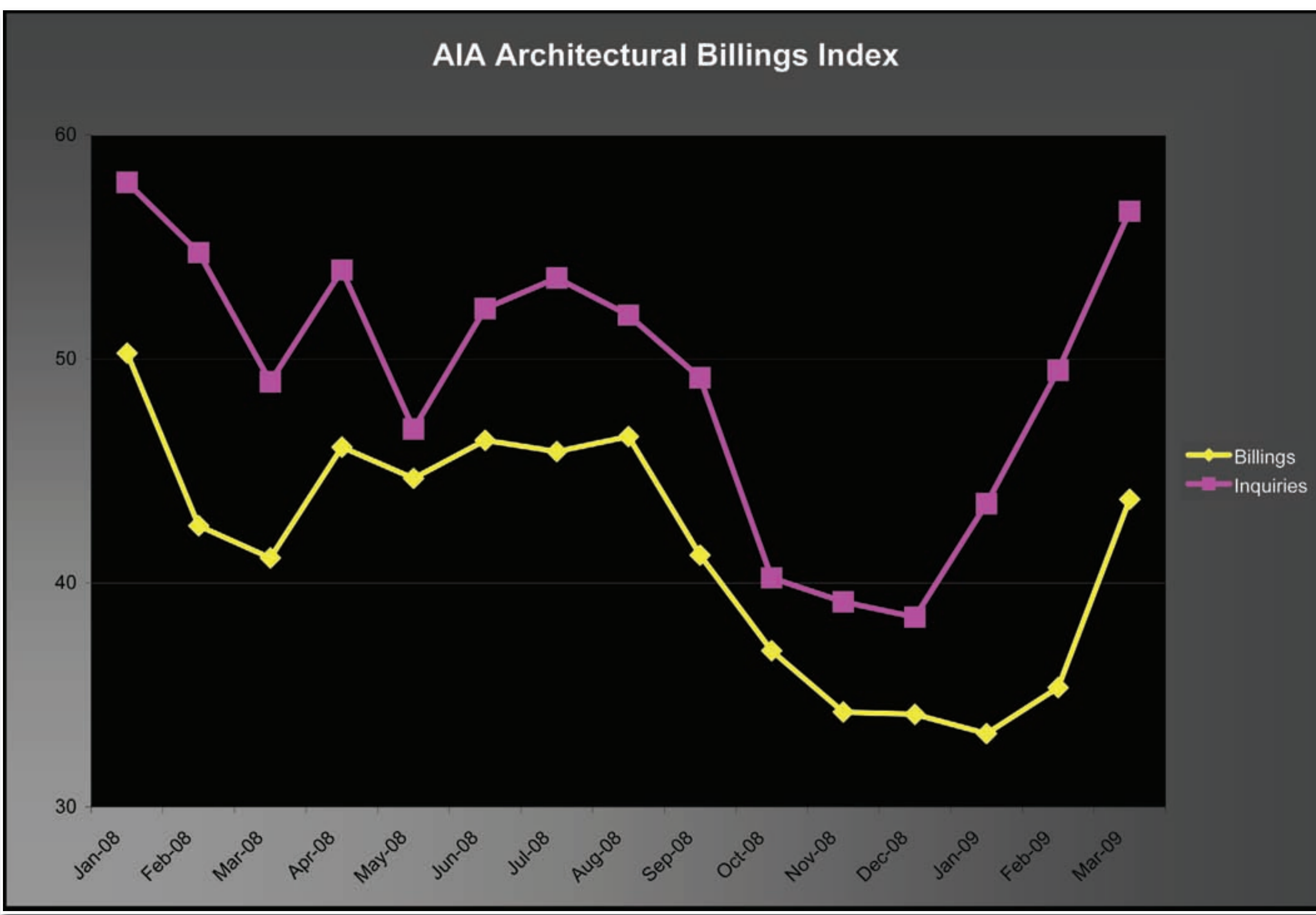
"We're in a matzo economy," said Stuart Hoffman of PNC, speaking at the March 10 Grubb & Ellis forecast breakfast. "The ingredients for a recovery – low energy prices, fiscal stimulus, more stable home prices, and improved credit arteries – are in the recipe. What's missing is the yeast, an improved consumer psyche."

Hoffman's presentation didn't overlook the fundamental weaknesses in the economy, nor did he ignore the difficult period of adjustment to come as businesses worked their way through the recession. But Hoffman also emphasized that one component needed for a real solution was consumer and business confidence, something that has been missing since what he termed the "financial anxiety attack" of late 2008.

The only real solution for the slowdown in commercial construction nationally is a rebalancing of supply and demand. That's a technical way of saying that there will have to be less construction this year. As the mid-year of 2009 approaches, the main hope for a contracting boost lies with the government spending that will come from the American Recovery and Reinvestment Act (ARRA). While non-residential rebalances, the tipping point of recovery remains the much-hoped-for rebound of housing prices that will trigger consumer confidence. And the news on that front is still mixed.

The delinquency rate for mortgage loans on one-to-four-unit residential properties rose to a seasonally adjusted rate of 7.88 percent of all loans outstanding as of the end of the fourth quarter of 2008, up 89 basis points from the third quarter of 2008, and up 206 basis points from one year ago, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey.

Subprime ARM loans and prime ARM loans, which include Alt-A and pay option ARMs, continue to dominate the delinquency numbers. Nationwide, 48 percent of



Source, AIArchitect.

subprime ARMs were at least one payment past due and in Florida over 60 percent of subprime ARMs were at least one payment past due. The impact of these riskier mortgages is on the wane, however, as the resets for the last of these products will run out by mid-2009, noted Jay Brinkmann, MBA's Chief Economist and Senior Vice President for Research and Economics.

"The delinquency rates continue to climb across the board for prime fixed-rate and subprime fixed-rate loans, loans whose performance is driven by the loss of jobs or income rather than changes in payments," said Brinkmann.

While the lingering effects of the recession will likely cause the delinquency rate to climb higher, there is the growing realization that the subprime resets were far less of a problem than was expected, with overall mortgage performance remaining higher than the valuation of most of the mortgage-backed securities (MBS).

This imbalance between the MBS book values, and the actual performance of the underlying assets, the mortgages, is creating opportunities for entrepreneurial investors with cash. Private wealth manager BNY/Mellon reports increasing approaches by private equity firms looking for buyers of new products based on distressed assets. Former Wall Street workout executives are forming new funds aimed at buying marked-down assets from troubled financial institutions, and holding them long enough for the loan performance to significantly increase the value.

For the short term, however, not much movement has been made towards identifying what the market thinks will be a safe value at which to buy the MBS inventory that banks have been shelving for almost a year now. While most of the devaluation has been with residential properties, the uncertainty is freezing the commercial market as well, keeping what might be $150 to $200 billion in financing on the sidelines.

What will be required to see an eventual return of mortgage securitization is an end to the decline in housing prices. To that end, the data from the first quarter is both good and bad (which is a constant refrain of this point in the recession).

March housing start data showed a reversal from the surprisingly good February numbers, with starts dipping to a 50-year low 510,000 annual rate, and permits to 513,000 units, a decline of 11% and 9% respectively from the previous month. Median home prices fell to $165,400, a decline of 15.5% from the same time in 2008.

These are gloomy numbers but economists are seeing them as a precursor to the proper conditions for a housing recovery. The new housing starts are roughly one-third the annual household formation rate, and mean that the builders aren't adding to the inventory. The falling median

"The ingredients for a recovery – low energy prices, fiscal stimulus, more stable home prices, and improved credit arteries – are in the recipe. What's missing is the yeast, an improved consumer psyche."

price, while adding to the adjustable mortgage problems, means that affordability is climbing to higher levels. The increased affordability is especially critical because it is reopening the housing market to more first-time buyers who were previously locked out at record high price levels. For the short term, declining inventories and better affordability will be offset by rising unemployment, but the conditions will be set for a sustainable housing recovery in 2010.

Data for non-residential construction in the first quarter reflects the progression of the downturn into all sectors of development. Reed Construction Data reported an 18% decline in square footage of construction compared to 2008. On a contracting value basis, education construction was flat year-over-year, but retail construction declined 16%, hospitals fell 1% and offices dropped by 25%.

New York-based real estate researcher, Reis Inc. reported that vacancy rates climbed a full percentage point in the first quarter to 7.2%, while retail vacancy rose to 9.1% and office vacancies jumped from 14.5% to 15.2%.

McGraw Hill Construction released a Spring 2009 Outlook Update on April 2 that forecasts an increase in public works construction from the ARRA investment, but forecasted a steeper decline in institutional construction, down 6%, and commercial construction (which includes offices, retail, warehousing and hotels), which McGraw Hill is expecting to decline by 27% in 2009.

One bright spot for non-residential construction was an uptick in the AIA Architectural Billings Index (ABI). The survey, which asks AIA firms to report their billings for the month compared to the previous month (50 = no change), saw an increase to 35 in February, with a more pronounced increase in the number of inquiries, to 49. The ABI is limited statistically, but has a history of accuracy as a lead indicator. If the pattern of increased inquiries continues, there is a good chance that increased construction opportunities will show up in contractor's offices at year-end. BG

WHAT'S IT COST?

A combination of depressed global demand and cyclical raw material problems have created a slide in materials and building product prices for more than six months. In March the trend line finally fell far enough that prices for most items were at or below the same levels as in March 2008. For an industry reeling from twenty- and thirty-year low contracting volumes, the price fallback is offering the only consolation in this recession.

The short-term effect of the 360-degree turn in prices is that projects that had not been shelved due to the recession have been going ahead after seeing budgets come back in line. For the longer term, or at least the next twelve to eighteen months, the lower pricing could help stretch the government spending that will result from the American Recovery and Reinvestment Act (ARRA). This is particularly true for the planned spending in infrastructure, which includes many projects that did not go ahead in the past year or so due to over-budget bids when diesel and asphalt were running higher.

PERCENTAGE CHANGES IN COSTS

	March 2009 Compared to—		
	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	0.2	1.2	-0.4
Producer price index (PPI) for finished goods	-0.7	0.1	-3.5
PPI for materials and components for construction	-0.6	-1.5	-1.9
Costs by Construction Types			
Highway and street construction	-0.9	-1.0	-7.0
Nonresidential buildings	-0.6	-1.6	-2.6
New warehouse construction	0.2	1.3	7.5
New school construction	0.4	-0.5	11.7
New office construction	-0.1	1.3	7.1
Multi-unit residential	-0.6	-1.3	-0.8
Single-unit residential	-0.4	-1.1	1.9
Costs for Specific Construction Inputs			
#2 diesel fuel	-8.9	-22.7	-62.5
Asphalt paving mixtures and blocks	-1.9	-8.9	17.4
Concrete products	-0.9	0.4	3.6
Brick and structural clay tile	-0.1	-0.7	-0.9
Plastic construction products	0.1	0.2	3.6
Gypsum products	0.0	-0.1	9.0
Lumber and plywood	-2.5	-5.6	-9.6
Architectural coatings	0.0	0.0	12.2
Steel mill products	-0.1	-11.6	-14.6
Copper and brass mill shapes	0.8	-5.1	-37.0
Aluminum mill shapes	-2.9	-14.0	-22.3
Fabricated structural metal	-1.5	-6.3	-0.1
Prefabricated metal buildings	0.3	-7.2	11.2
Crude petroleum (domestic production)	30.0	16.7	-59.3
Cement	0.1	0.2	-0.4
Iron and steel scrap	-8.3	8.8	-48.7
Copper ores	7.4	16.6	-54.0

Source: Bureau of Labor Statistics
Compiled by Ken Simonson, Chief Economist AGC

In the April 13 producer price index report from the Bureau of Labor Statistics, the price of materials used in highway and street construction has dropped 7 percent over the past year. Materials for other heavy construction are nearly 6 percent cheaper and nonresidential buildings, 2.6 percent less expensive.

For owners and developers, the late spring could be a pivotal time period in assessing the depth and duration of the material price decline. Judging whether or not the pricing trend will hold or is primed for a turn upward will require examination of four major factors that are influencing supply and demand, each equally capable of influencing further declines or a reversal.

The most obvious negative influence currently is the global recession. There is a fair amount of data that supports the theory that the market has room to get much softer. While oil prices are about one-third of the mid-July high, diesel costs have fallen only as far as they were in early 2008. Natural gas has also fallen dramatically, but similarly, the cost of the distributed product is roughly what it was in spring 2008. Steel likewise has tumbled hundreds of dollars per ton since summer, but remain eight percent above March 2008 levels. Similar movement in price has been seen for copper, aluminum, and cement.

Recessionary pressures on the nonresidential construction market haven't slowed construction until recent months, and there is no forecast for the remainder of 2009 to have more privately-funded demand from construction. Prices can go still lower as construction slows.

As a counter to that trend, however, are the measures that many producers and manufacturers are taking to respond to slower demand and shrinking prices. In several key raw material markets, capacity is being reduced to match slower demand, or to keep prices from slipping lower. Refineries are operating close to 70% capacity, after pushing hard to reach maximum capacity just nine months ago. Likewise, drywall manufacturers have announced plant closings as a response to unprecedented drop-offs in orders. It's a chicken or egg kind of thing, but any increase in regional orders will result in higher prices. Makers of steel, aluminum, cement, et cetera are deploying the same strategies. The reduction in capacity puts a limit on supply, and has the effect of putting a floor under the current depressed pricing.

The most obvious counterweight to the current supply/demand balance is the spending that will result from ARRA. While less of the stimulus will be spent on infrastructure than on buildings, preparations for spending the stimulus have been underway for several months in the nation's departments of transportation. The nation's first labeled stimulus project was awarded in mid-April in Vermont, and most states (including Pennsylvania) the plans for highway and bridge projects are on track to be under contract before summer ends. This is likely to lift prices for #2 diesel, asphalt, cement and steel during 2009. How much the recession pushes back remains to be seen, but it seems inevitable that demand from ARRA will win out.

"The price declines make this a great time for public agencies and private owners alike to start construction projects, particularly because this 'limited-time sale' may not last much longer. Copper and diesel prices have recently moved up, and steel markets are sending mixed signals. Agencies with federal stimulus funds for construction should put them to work promptly," said Ken Simonson, chief economist for the Associated General Contractors of America.

Looking beyond this year, the effects of ARRA on building construction on demand for building products will mostly be felt in 2010, after design and mobilization for these jobs takes place during the balance of 2009.

Fourth in the array of potential influences is the prospect of global recovery. As hard as it is to imagine a recovery in the global economy at this juncture, prices for commodities will go up when China or India resume building in anticipation of better economic conditions. This prospect is clearly the least likely, but remember again how likely $35/barrel oil seemed last July, just five months before it became reality.

Numerically speaking that's three factors for higher prices to one for a continued downward trend. In reality, of course, the forces of a once-in-a-generation recession are likely to trump all other factors until at least mid-year. If the states really do have their contracting ducks in a row, however, the federal government is prepared to dump an additional 80% of the annual USTEA allocation on the market, volume that is likely to stretch supply chains for highway materials this summer and fall.

ARRA spending on building construction projects will mostly hit the marketplace in late winter or spring 2010, about the time most experts believe the 'green shoots' of recovery should be blossoming. Kick starting the economy will also kick start construction pricing. For developers and building owners the next six months may provide the most price relief we can expect for the foreseeable future. BG

RECOVERY.GOV

The Stimulus Starts Spending

Ronald Reagan is credited with having said that he had seen proof that a perpetual motion machine existed in a fully funded government program. A staunch opponent of Keynesian theories of federal deficit spending, Reagan nonetheless chose the route of accelerated spending on defense to push the Soviet Union to the brink of ruin. On February 13, 2009 the current federal administration embarked on its own spending program aimed at defeating a global economic recession when President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA).

The legislation puts almost $800 billion to work on recovering from the recession, nearly $150 billion of which is dedicated for use directly in construction. Like the New Deal, ARRA aims to fund jobs where private enterprise cannot and to create a new wave of consumer demand by putting more wages in the pockets of workers.

To accomplish those goals, the legislation has some teeth in it that make ARRA that much more appealing to construction-related businesses. First, administering agencies are required to commit half the funds by the end of fiscal year 2009, or September 30. The remaining funds must be committed, or contracted by June 30, 2010. Second, and more motivating, is the provision that any funds not committed within those parameters must be returned unspent.

Some seventy years after almost all of the money doled out by the federal government on the New Deal was spent, debate continues as to whether the spending created recovery or prolonged the Great Depression. It will be at least a half-decade or more to judge whether the Obama administration accomplishes its goals, or whether ARRA helps create another economic hurdle with runaway inflation or stagflation as a hangover from the recovery.

What isn't disputed is that the sheer inertia of that much money flowing into the economy will stop the bleeding that began with the unraveling of the financial markets last September. The long-term effects will wait to be examined in a few years, or debated in Op/Ed pages around the country. For now, the challenge is in figuring out just exactly what will be spent and how much of that will find its way into Western PA.

Green Master Builders' Association of Western PA, Inc.

Rendering by Rothschild Doyno Collaborative architects

The MBA has registered their project with the U. S. Green Building Council and is renovating their new building with a goal of LEED Silver certification. The MBA's 10,000 square foot "green building" offers a variety of environmentally friendly amenities ranging from a sophisticated air ventilation system to motion sensors to reduce energy consumption and new exterior walls and windows for proper insulation. The project is on schedule to be completed this spring and it's located in the foothills of Foster Plaza, Green Tree, 631 Iron City Drive, Pittsburgh, PA 15205.

Key Green features of the Building:

- More efficient water fixtures – 43% less than typical construction: dual flush toilets and low-flow urinals
- Energy efficient HVAC design, building shell & glazing – 38% less than typical renovations
- High reflectance roofs to reduce thermal loads
- Environmentally friendly refrigerant management
- Recycling areas & collection
- Monitoring outdoor air delivery
- Recycled construction waste
- Regional materials
- Recycled materials
- Low VOC paint, carpets, sealants, & wood
- Indoor pollutant control
- Controllable lighting
- Thermal control & ventilation
- Daylighting
- Views throughout the space

In green construction, the MBA membership accounts for 90% of the square footage of LEED certified buildings in the Greater Pittsburgh region.

MBA

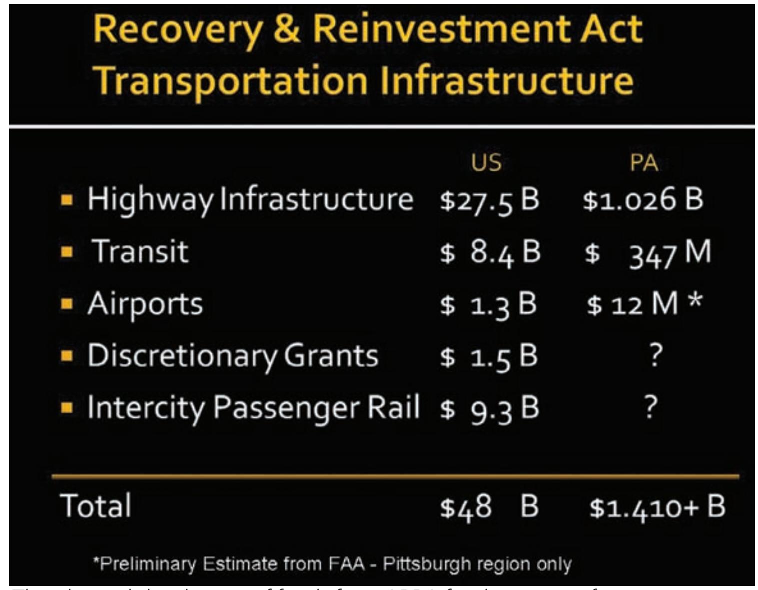
TO LOCATE YOUR NEXT GREEN CONTRACTOR VISIT:

www.mbawpa.org

How Big is The Pie?

At the big picture level, ARRA was introduced without the kind of specificity that would accompany other federal expenditures, like the federal line item budget. As best it could, the Obama administration provided specific dollar amounts for what would be spent categorically, but enough discretion exists in the execution of ARRA that a top line for construction is tough to pin down.

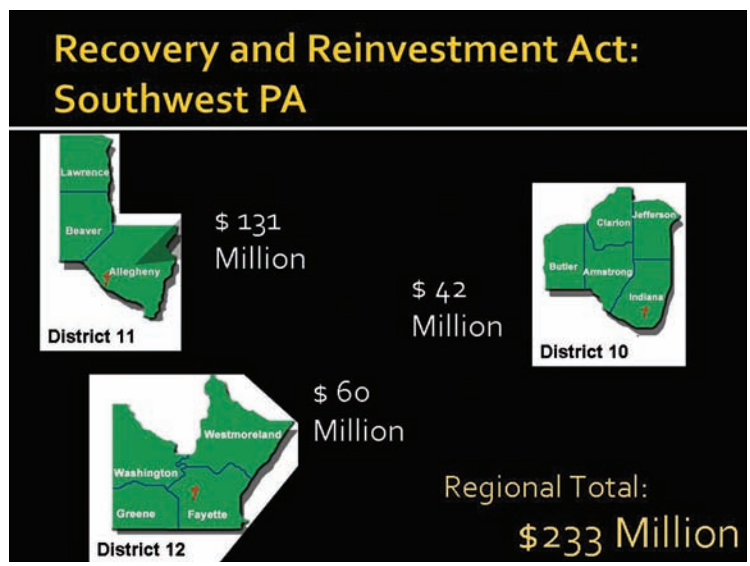
Early on, the discussion of the stimulus centered on using the funds to address one of the country's bigger looming headaches: an outdated infrastructure. The nation's highways and transit systems are almost entirely under the purview of state and local governments, most of which have been struggling for years to create sufficient revenues to keep up with the costs of maintaining existing infrastructure, let alone expanding it to keep up with growth. Federal transportation act funding has been stuck at around $60 billion per year, less than 20% more than was allocated thirty years ago. As a result, the interstate highway system, which literally paved the way for the post-World War II boom, desperately needed work that could not be paid for.



The planned distribution of funds from ARRA for the major infrastructure categories in Pennsylvania (Source: Allen Biehler)

However distasteful the concept of massive federal spending is to you, it is tough to argue against investing in the highway system, especially if a significant portion can be directed to repairing the thousands of structurally deficient bridges. During the run up to the inauguration, and in the frantic couple of weeks that the legislation was prepared, the nation's governors came up with an extensive wish list of projects and funding needs. Here in Pennsylvania, Gov. Rendell asked for priorities in spending from PennDOT Secretary Allen Biehler even before the holidays.

Once reconciled by the House and Senate and signed by President Obama, ARRA included just under $50 billion for infrastructure, or about six percent of the total stimulus spending. Included in that amount was $27.5 billion for highways and bridges, $8 billion for high-speed rail, $6.9 billion for public transit, and another $6.9 billion distributed among nine broad or specific categories.



PennDOT spending of ARRA funds in southwestern PA, distributed by district offices (Source: Allen Biehler)

More surprising, perhaps because it received less publicity, was the fact that ARRA included even more spending on buildings than highways and bridges. The bill identifies $29.6 billion for building infrastructure and $29.8 billion for energy and technology spending, much of which will go into building projects. Along with another $8 billion that will be distributed directly to state governors for allocation on schools, ARRA's total of $143 billion in construction spending will lean more heavily towards vertical construction than horizontal.

Another pleasant surprise was the inclusion of $21 billion for water, wastewater and environmental work. This piece of the pie includes $5 billion in additional funding for the strapped Army Corps of Engineers, and $6 billion to clean up nuclear waste sites. Of the remaining $7 billion for water and wastewater projects, much of the ARRA funding will end up working directly at the community level, giving much needed aid to underfunded local efforts to meet EPA or Clean Water Act standards. While the smallest piece of the ARRA pie, the environmental investment represents the largest percentage increase over the existing funding stream.

As important as the $143 billion is to the pie, a couple of ingredients, which could have left a bad taste, were successfully kept out of the pie. The legislation omitted the application of Federal Acquisition Regulations on stimulus projects, and the requirement of E-verify on all projects. While E-verify appears to be working on a limited basis it was judged to be too new for widespread use.

The administration did attach strings to ARRA requiring Davis Bacon wage rates for stimulus-funded projects, and imposed a Buy American clause. The latter will be very difficult to interpret, however, especially since the legislation specifies that Buy American cannot violate any existing trade agreements.

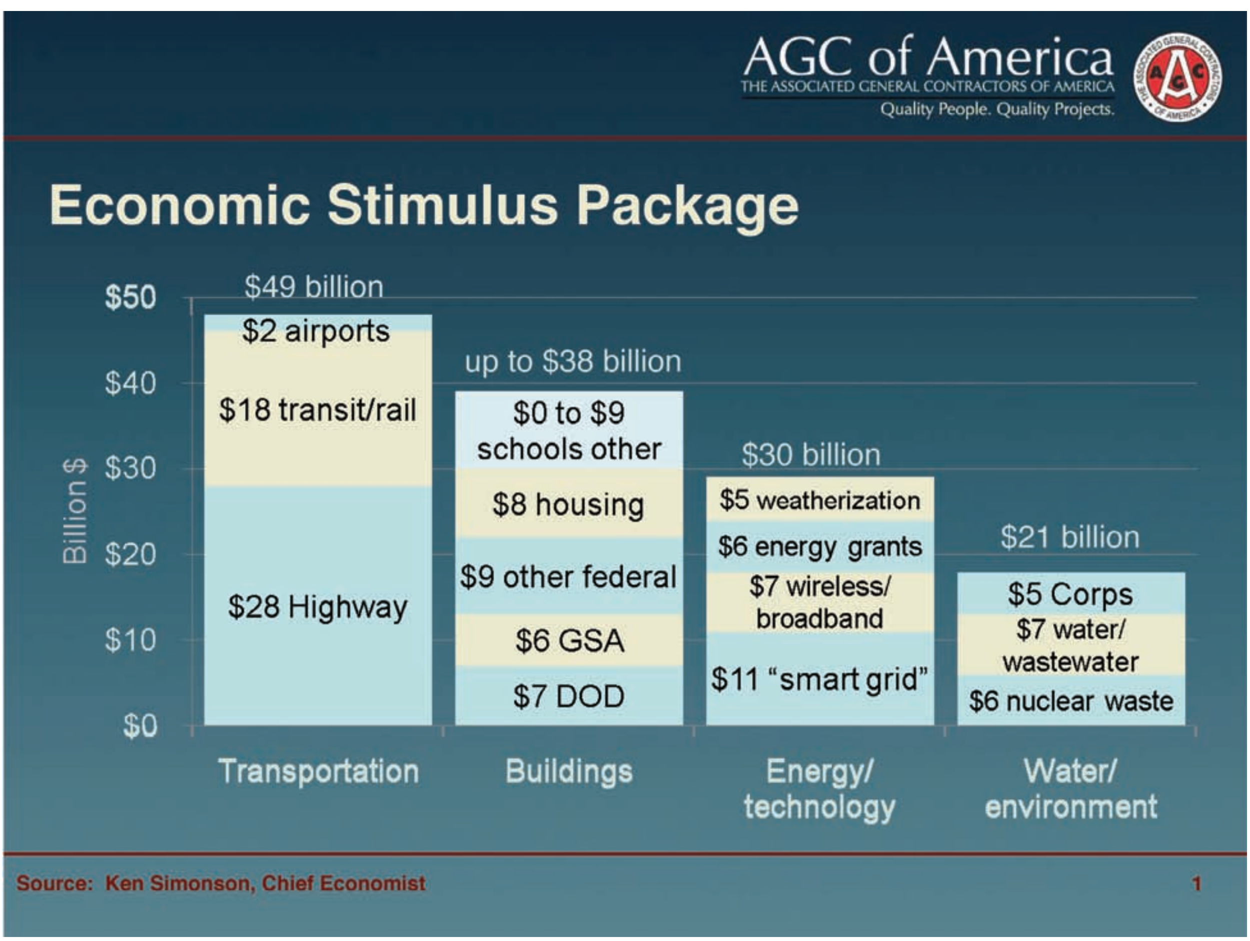
What Does Our Piece Look Like?

For Pennsylvanians, the political timing of ARRA worked out pretty well. Governor Rendell has been chair of the National Governors Association since last summer, which put him at the forefront of the discussions about implementing the stimulus funding. And while he backed Sen. Hillary Clinton as candidate, Rendell campaigned successfully for President Obama, and as former Democratic National Committee chair, Rendell has relationships with administration officials that have served the state well.

The governor appears to have gone into action on the stimulus not long after the election, and well before the legislation had definition. Meeting with the heads of PennDOT, Department of General Services (DGS), and other agencies which will be conduits for the federal funds, Rendell pressed for identification of projects that could be accelerated to contracting in fiscal 2009, and used the opportunity ARRA would represent to shore up some key areas, like prisons, education and infrastructure.

PennDOT Sec. Biehler, testifying before the PA House on Feb 19, explained that a list of projects had been identified for their simplicity of design, lack of right of way problems and availability of qualified contractors. Pressed for a time frame Biehler explained that all of the projects he was talking about were able to be advertised, scoped, and a notice to proceed issued within 85 days. "We're not going to put all $1 billion or whatever out to bid on the first day, of course. There has to be a whole flow of work to be considered. We believe that we can accomplish the entire body of work identified within a short period of time, within six months or so."

Ninety days later, PennDOT has managed to compress that timetable even further. As currently scheduled, roughly $900 million (or about 90%) of the additional



ARRA funding will be let by July 31, with $560 million put out-to-bid in April. With no unexpected hiccups in the letting schedule, all $1.026 billion of PA's stimulus share will be let by Labor Day, including $233 million earmarked for the ten-county southwestern PA region.

Because the billion dollars is added to the $1.8 billion that was already planned for 2009, PennDOT sees additional benefit in the ARRA windfall for next year, since it moves roughly half of the 2010 projects through the system, probably at prices that will be lower than in 2010.

At the same time Gov. Rendell was pushing PennDOT for its 'shovel ready' list, he was meeting with DGS to look at its priorities for the coming year.

"The governor met with us to look very closely at our plans for education and prisons, even without any stimulus money identified," remembers DGS Secretary James Creedon. "We had been contributing about $65 million a year to the State System of Higher Education (SSHE) facilities, but the governor authorized doubling that for 2009."

The impact of that decision has been felt already, as more than a dozen large projects have been advertised for architectural/engineering selections. Authorizing $130 million in expenditures also creates the same schedule acceleration PennDOT experienced, as SSHE projects slotted for next year get moved up twelve months. A number of projects that had been progressing slowly through design have been expedited and bidding on state university projects (including some that bid over budget last year) will ramp up dramatically in the next few months.

Gov. Rendell's commitment to expanding state prisons to meet growing prison populations means that six of the seven state correctional institute projects being planned will go ahead in 2009, and 2010 funding will be secure for the seventh, at SCI-Fayette, once land is acquired. Nearly 9,000 new beds will be added statewide, and because the construction was to be delivered as design/build projects, bidding can be moved to the front burner immediately. As of April 16, the first two of these, $15 to $17 million expansions at SCI-Coal Township in Northumberland County and SCI-Pine Grove in Indiana, PA, were put out for proposals. And the first of the large-scale jobs, a 2,000-bed, $200 million expansion at SCI-Rockview outside State College, was set to be released May 19, with proposals due around July 1.

Three of the other four prisons being expanded will be in Western PA. Requests for proposals on 230-bed expansions at Marienville, in Forest County, and Cambridge Springs, near Meadville, will be issued before Memorial Day. Pending successful site negotiations this year, bidding on the $200 million SCI-Fayette project should occur in February 2010. The final expansion, a 4,000-bed, $400 million project at SCI-Graterford, outside Philadelphia, will bid in August and should attract contractors from Western PA as well.

> With no unexpected hiccups in the letting schedule, all $1.026 billion of PA's stimulus share will be let by Labor Day, including $233 million earmarked for the ten-county southwestern PA region.

One other infrastructure related area that is receiving a big boost is in the wastewater and water improvement funding that will run through the Pennsylvania Infrastructure Investment Authority (PENNVEST). For 2009 an additional 54%, or $270 million, will be available for municipal waste and water projects. These funds supplement the $500 million PENNVEST had planned to distribute to local authorities.

To facilitate as much investment as possible, PENNVEST pushed back its February 19 application deadline so that more communities could be reviewed at the April 20 board meeting, at which $500 million was committed for projects to be underway by mid-June. PENNVEST is then accepting further applications at its May 18 meeting, when the remaining $270 million will be awarded for projects to start in August.

Housing Authority	ARRA Funds
City of Pittsburgh	$ 19,000,000
Allegheny County	$ 7,700,000
City of McKeesport	$ 3,085,000
Butler County	$ 643,000
Beaver County	$ 3,970,000
Washington County	$ 1,570,000
Westmoreland County	$ 2,940,000
Lawrence County	$ 1,650,000
Fayette County	$ 788,000
Armstrong County	$ 916,000
Greene County	$ 558,000
Total Pennsylvania	$ 212,000,000

Municipality	ARRA Funds
City of Pittsburgh	$ 3,430,000
Allegheny County	$ 8,090,000
Washington County	$ 1,920,000
Westmoreland County	$ 3,000,000
Penn Hills	$ 181,400
Total Pennsylvania	$ 102,508,400

One project that was not part of the ARRA funding that will flow directly through the state is the North Shore Connector. More than half completed, the project is facing a shortfall of between $150 and $200 million, and it was hoped that the stimulus would fund the overruns to relieve the county of that burden. The opportunity for funding still exists, but the Port Authority will have to compete for federal discretionary transit funds instead of receiving a portion of the state allocation.

Keeping Track of the Stimulus

One constant refrain from the Obama administration about ARRA funding was that the distribution was going to be transparent, with mechanisms in place for even the average taxpayer to review to ensure that money went where it was intended. To back that claim up the government set up a website, at www.recovery.org, which details projects being funded down to the county level (as of this writing there were 28 in Allegheny County for example). And to police the legislation, sixteen states will be audited to account for the funds. Pennsylvania is one of them.

DGS Secretary Jim Creedon has been named the Chief Implementation Officer for the ARRA funds in PA. While not the official responsible for compliance (that job goes to Chief Accountability Officer Ronald Naples), Creedon must ensure that the implementation of the funding is done transparently, anticipating that funding decisions will be overseen to the smallest detail. The governor's Pennsylvania Stimulus Oversight Commission will meet publicly, and is expected to provide Internet accessible accounting similar to the federal government.

Creedon acknowledges that the average citizen will have a hard time following money through the many conduits without fully understanding the Act, but he encourages doing so.

"People who work for qualifying non-profits or alternative energy really need to monitor how the funds are being administered," he urged. "I've got to tell you it's not going to be all that political. Organizations should examine what criteria and guidelines have been set up by the various agencies and do what is necessary to meet those."

As an example, PENNVEST has created a ranking system that assesses potential projects and scores them according to a series of criteria. For example, the public health need is 30% of the ranking, compliance with DEP accounts for 20% of the score, as does economic development impact. The authority applies objective standards to these categories, looking at jobs created per $1,000 invested, unemployment in the county, construction jobs per $1,000, and readiness to proceed.

"Some of the agencies have calculations and eligibility formulas, but all of them will have to follow the governor's driving principals on this funding," Creedon says. "When he sat down with me to ask me to take the job he said, 'Jim if we don't do this right we may not get another chance to fix the infrastructure for a generation.' Gov. Rendell wants to be ahead of the turnaround so Pennsylvania's better-positioned going forward."

It's hard not to be cynical when listening to an appointed official talk about his boss, but the truth is that ARRA's windfall won't come close to remedying the state's infrastructure problems. Harrisburg will need to keep investing in the future and it will need the voter's confidence to do so.

Where Else ARRA Will Be Spent

Recently the General Services Administration (GSA), the federal government's property manager, announced a detailed list of the projects planned for its $5.5 billion ARRA allocation. Unfortunately, Western PA is not home to many GSA buildings, and not surprisingly, none of the projects listed are in our neck of the woods. For the designers and contractors whose marketplace is a bit broader, there are a few interesting projects to look for. Most of the bigger projects will be in Washington DC, but a few will be in West Virginia.

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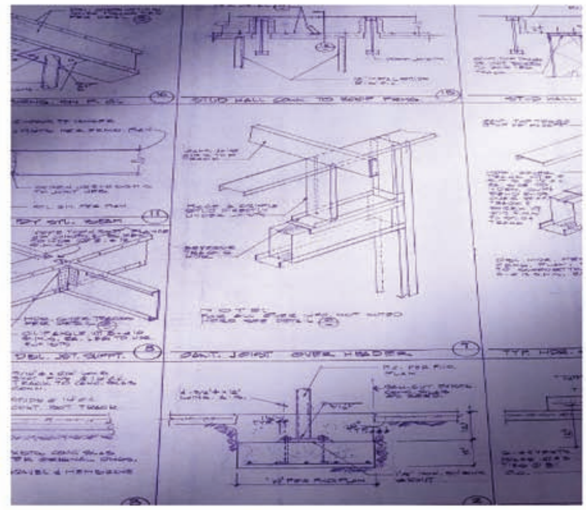

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GSA will spend $17 million on green building modernization at the Huntingdon Courthouse, $9.2 million on the 244 Needy Road Building in Martinsburg and $4.7 million on the Robert C. Byrd Federal Building and Courthouse in Charleston. In Philadelphia, plans are for $53 million in green building and energy updates at the VA Center, US Customhouse and Byrne-Green Complex.

The biggest GSA projects will be for the Department of Homeland Defense, which will receive almost $450 million for consolidation and the development of its St. Elizabeth's campus, and for green building modernization at 1800 F Street Building ($161 million), Herbert Hoover Building ($225.6 million), Department of Interior Building ($63 million), Lafayette Plaza ($128.8 million) and Mary Switzer Building ($68.2 million).

Getting What's Left of the Pie

There are several other federal agencies that will direct funding that could end up in projects within our larger region. The largest portion of that funding will run through the U. S. Army Corps of Engineers, which has a district office in Pittsburgh, but also manages projects in the region from its Baltimore and Louisville offices.

The Corps of Engineers is directing $140 million of its allocation to Western PA, including $84 million to complete replacement of the Charleroi locks and dam. The project is part of the largest multi-year riverways improvement in Western PA. Also allocated is $13 million to continue improvements to the Emsworth locks and dam on the Ohio, and another $13 million for miscellaneous lock and dam repairs.

The Department of Energy has been allocated $1.6 billion for supporting research in alternative energy. Some of that research has been going on at the two Bruceton Mills facilities in Morgantown and South Park, but it has not been outlined yet how much of the money, if any, will go to construction.

National forests to the northeast of Pittsburgh and in West Virginia may see some benefit from the $835 million allocated for the National Park Service for improvements. And the $400 million that has been directed to the National Science Foundation for construction of research facilities could end up benefitting University of Pittsburgh or Carnegie Mellon facilities in line for expansion or renovations. This fund will also be available for grants to private or state universities with science facility projects in planning.

But for organizations with needs related to the Act's construction, energy, education or information technology funding, it will be best to have a road map and a game plan for pursuing the pot of gold.

Local government consultant GSP Consulting has been very involved with digging into the stimulus legislation, and has already helped a number of clients apply for funding. They have a four-step approach that is recommended for any client who wants to try to get ARRA aid.

1) Advocacy and education of the elected officials who represent the organization are necessary first steps to make sure the officials understand the need, and the number of constituents affected by the project.

2) Reaching out to administrative agencies will make sure that the organization knows all the deadlines and procedures for grant applications. Having a legislative liaison at each agency can be helpful. Relationships count.

3) Assemble as many interest groups as possible to help push the project or program at the agency level. These can be labor groups, issue advocates or community groups.

4) Be prepared financially. Remember that government is rarely a lead investor, and expect at least a one-to-one match locally, probably more.

"To their credit, the administration hasn't saddled the agencies with a lot of restrictions to limit how they accomplish their respective missions," observes GSP's CEO Joe Kuklis. "Each department or agency has published their own strategy or priority list, and interested firms need to consider pursuing funding from a variety of sources for a variety of facets of their projects, be it energy, transportation, retraining or whatever."

Kuklis urges clients to understand that this approach will take a lot of energy and time, but believes that effort to be a minimum requirement in order to get heard on the merits of the need. "You have to look at the definition of shovel ready and consider what could apply to your project. Is it asbestos abatement or access/egress or LEED? The big dollars are going to be distributed by a formula. For local organizations to succeed in getting the discretionary funding they must reach out to elected officials, state offices, and managers of the funding agencies to help them understand how the pieces of the puzzle can fit." BG

Master Builders' Association NEW HEADQUARTERS

The Master Builders' Association of Western PA (MBA) is one of those venerable associations whose members figure out a way to cooperate to advance industry concerns while constantly competing against one another. You can imagine that picking which of the MBA's members would build their new association offices was going to be a nightmare of delicate negotiations for executive director Jack Ramage.

"Almost everyone has asked the same question: how did we pick which member would be the contractor for the project? I tell them, believe it or not, that it was the easiest part of the entire process," laughs Ramage.

As it occurred, during a board meeting in the planning stages of the project, Ramage decided to get the issue out on the table, especially since the MBA wanted to have a contractor's input during the design. "I asked who was interested in bidding the project and was surprised that only one hand went up," he remembers. That hand belonged to John Busse, president of F. J. Busse Company. "You have to remember that virtually all our members had pretty full plates at that time, and everyone respected Busse and knew that it was the kind of work they handled well. A couple of board members missed the meeting, and maybe they would have been interested, but from that point on everyone was on board with Busse doing the construction."

F. J. Busse's selection actually occurred after a couple of other tough choices were made. While the rival members didn't have much wrangling over the contractor choice, there were a couple of tussles deciding on where and what to build.

Sealed ash curved soffits accentuate the exterior, with the ash panels carrying into the office ceiling design.

The MBA was in the position to build a new office because they had received a generous offer to buy their old office building, at Noblestown Road and Poplar Street, where the City of Pittsburgh, Crafton and Green Tree collide. In the discussion of locating the new office, a number of varying opinions about where and what to build surfaced. Compounding the problem of reconciling the varying opinions was the fact that several of the members, Jendoco, Massaro and Mosites, had real estate businesses with properties that were suitable.

In the end, an opportunity arose to purchase the former office and warehouse of Iron City Sash and Door, a 10,000 square foot building on the southeast side of Foster Plaza's property. The building was large enough, centrally-located, and required enough renovation to satisfy those who felt new construction was the best choice. All that was left was to hire an architect, and develop a design that matched the needs of the staff and membership with a $1.7 million budget.

In choosing an architect the MBA wanted to have a process that mimicked the best selection methods the members had experienced, one that was founded on qualifications and that focused on the architects' vision for this specific project. To reinforce their desire to conduct a fair search, the MBA's board decided to offer a $1,500 stipend to the finalists in consideration for the time needed to prepare a proposal that included a design concept. After the interviews were conducted and design proposals were presented, two firms emerged as finalists, EDGE Studio and Rothschild Doyno Collaborative.

"The decision almost came down to a dead heat, but I think RDC got the nod because their theme of opening up the central core of the building was very appealing to the board," explained Jack Ramage. "And they did the best job of presenting the plan to getting to the LEED rating, which we insisted upon, and in showing a great commitment to sustainability throughout."

While the competitive architect selection was fair, the nature of the process was limiting in some ways, thinks Rothschild Doyno partner Ken Doyno. "The competition of ideas didn't allow for the normal dialogue you might have with a prospective client," he says. "An office for a member organization needs to reflect the ideas of all the members, which wasn't possible to get during the proposal. Once we were hired we started to meet with more of the members and the committee and got more input."

Doyno remembers that the broader group impacted the evolution of the major design element of the project.

"At first the thought was that the MBA would occupy the top floor, and the ground floor would be for tenants," he explains. "When we examined how the building would be used we started seeing the building as one big building and everyone became very excited about the prospects. The discussions led to a first-floor conference room and meeting room, with the offices on the second, and the whole building revolving around the open central core. One of the great ideas was to have a larger capacity meeting room, one big enough to bring in 80 guys from the field for training, for example."

While the dialogue between client and architect was leading to a different concept for the building, the market


The central core of the existing building was demolished to create a central staircase, and the roof was opened to add light to the space.

was conspiring to prolong the development of that design well beyond what anyone expected. In a stroke of bad luck, the design phase of the project proceeded throughout the spring and early summer of 2008. For those who were involved in construction (or anything else for that matter), you may recall that raw material costs shifted upward at an alarming rate between January and July 2008. The increases in steel, copper and diesel fuel ranged from 50% to 80% during that time, and wreaked havoc on both the budget and schedule for the MBA's project.

"We did major demolition and exploratory demo in spring, and had to leave it sit there until June," recalls John Paul Busse. "Prices went up so fast that we could never hit the budget. We spent from June to October 15th bidding and value-engineering and then re-bidding."
Jack Ramage remembers that the market conditions never really let up on the project, even though the design changed several times to reflect the conditions. "There was a delay from design to build from January to July 2008 because costs escalated, but even then it was hard to get the attention of a lot of subs, because work was good and there wasn't an incentive to give great numbers at the time." By fall, the market began to slow, and the re-worked design was brought in line with the budget.

Of course, that left F. J. Busse with a revised schedule that began in October, not exactly the time of year to start a project that included tearing a building down to its structural steel and roof deck. "Yeah, it made for an interesting winter," said John Paul Busse ruefully. "We took the building envelope off in October and then did the roof and brick and glazed the place in the middle of winter." While winter wasn't an ideal time for tearing the building apart, there wasn't much choice. The old building's central core had been restrooms, but was being opened up, including cutting out the center section of the roof and installing clerestory and new framing. Until that work was completed much of the remaining construction couldn't go forward.

As a member company, Busse did its best to work frugally, maybe to a fault. "The building was completely open and we didn't want to spend $2,500 of the MBA's money each month heating the place," recalls John Paul Busse. "One 20 degree day (MBA board president) Cliff Rowe stopped by to see the progress. It must have been pretty cold because he told Joe Zielonka (Busse's superintendent) to turn on the heat, since he was one of the guys who signs the checks."

Rothschild Doyno's design transforms the old building completely. In addition to the new exterior and the open central core, the building's second floor was opened up to accommodate new open stairs and a bridge-like walkway connecting the entrance to the back of the office.

The use of glass to replace much of the exterior metal panel system creates the daylighting that is one of the building's more significant LEED design elements.

"No one will occupy this building without feeling like they are connected to the outside," says Ken Doyno. "The daylighting from the window system and the central core will reduce the amount of artificial light needed." Doyno pointed out that the windows are operable, which improves ventilation in the building. A brand new reflective roof, heavy insulation, efficient HVAC system and a photo selective PPG glass coating for the glazing are some of the other sustainable components of the design.

One of the elements of their former offices that the MBA wished they could bring along was their conference room. While that wasn't possible, the board agreed to hiring designer Mary Ann Mozelewski, who had designed the old room, to bring the new conference room to life.

"Anyone who was in our old conference room could see that it was a craftsman's workspace," says Jack Ramage. "We had worked with other architects on the room before that but Mary Ann just got it when we explained what we wanted. I was very proud of that conference room every time I walked by it, so I was glad that Dan (Rothschild) and Ken didn't mind that we wanted to have Mary Ann's firm, M/design, do the conference room in the new building."

The MBA staff moves into the new offices on May 14, and is inaugurating the building with a safety-training seminar that week. While the move in date was pushed back by the roller coaster ride of the 2008 market, architect Ken Doyno knows the delay will be forgotten after the move.

"Once they are in no one will think about the calendar; they will just love coming to work in the new space," he says. Rothschild Doyno bought and renovated a building in early 2008, and Doyno remembers the feelings. "People will look back at the effort and say it was the move of a lifetime. The MBA will look at the end result with enormous pride."

"The finished product is very impressive. It showcases the work our members and our allied unions do," says Jack Ramage. "The woodworking and masonry work is highlighted; the cement finishers work is showcased. It's not ostentatious, but if you understand construction, you can't help but marvel at the craftsmanship." BG

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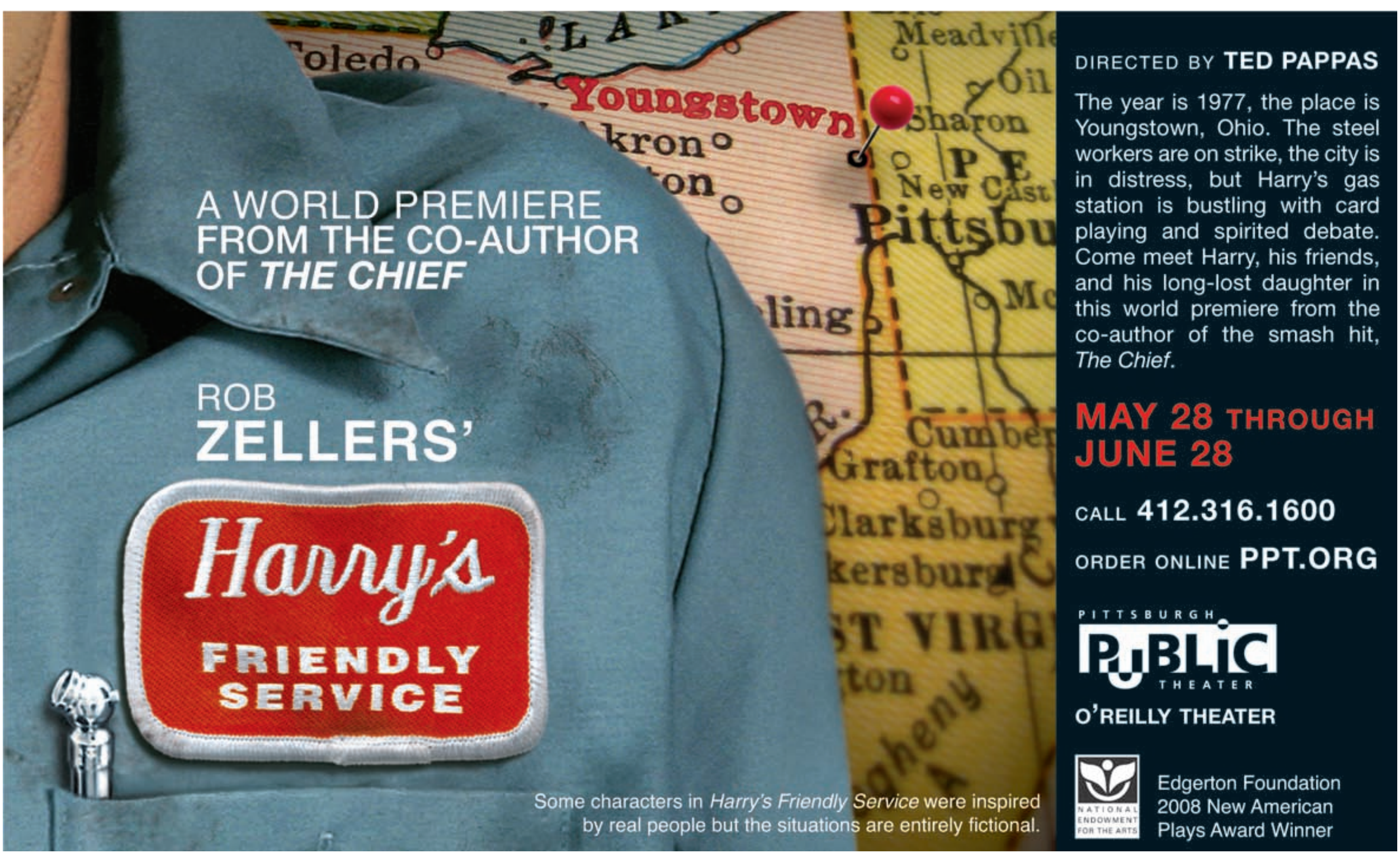
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GSP Consulting

Joe Kuklis was pretty sure that telling his clients that his dog ate his cell phone would work about as well as an excuse as it did about his homework in fourth grade, even if it was the truth this time. He and John Dick had just founded GSP Consulting and they knew that staying in touch with their first clients was critical.

"When John and I started the company, we were using my spare room for the first few months as an office," he remembers. "I had just gotten a yellow Labrador retriever named Jericho, who was a very playful puppy. One day he wasn't getting the attention he thought he deserved and grabbed my cell phone off of the desk and ran. To him it was a game of catch me if you can and by the time I did, he had destroyed the phone."

Jericho helped GSP with one of their early business decisions, motivating the two entrepreneurs to rent their first office several weeks later. "Since then, no staff or other dogs have eaten my cell phone," laughs Kuklis.

Kuklis had worked for Senator Rick Santorum since 1994 after graduating from the University of Pittsburgh. He had been a community representative and was the deputy state director for Pennsylvania when he met John Dick, who was working as an intern for Santorum. Kuklis had an itch to be an entrepreneur, and in Dick he found someone who shared a vision for a very different kind of political consulting and lobbying firm.

"When I worked for the Senator I had been lobbied, of course,' explains Kuklis. "Being on that side of the table gave me a good idea of what worked and what didn't. It also gave me a chance to see what the needs were for businesses in this region." Kuklis also saw that the emerging new economic drivers in Western PA were very different from the past, and would need more hand-holding than high pressure lobbying. And with technology companies as the target user of GSP's services, the stock market was in the process of doing GSP a big favor.

By early 2001, the "dot com" bubble had fully deflated the tech market. Businesses that survived the de-capitalization were operating much leaner, and with smaller budgets. While smaller, these businesses still held the key to our region's economic prosperity and Kuklis and Dick expected that the companies would have greater need for government grants to fund research and development. And, because the tech businesses had grown up fed on venture capital, their executives were less experienced at navigating the halls of government in Washington and Harrisburg. The executives were also from a different generation than most lobbyists.

"People scoffed at our ages when we went out on our own," says Kuklis. "I was 28 and John was 25, so we looked very different compared to other lobbyists, but

GSP founder and CEO Joe Kuklis.

you have to remember that we were targeting businesses who were founded and run by CEO's that were about our age."

The emphasis on technology even influenced their name. With a nod towards acronyms for Internet service provider (ISP) or application service provider (ASP), they chose to call themselves government service providers, and thus GSP was born.

GSP Consulting was set up in Pittsburgh, which gave it some distinct competitive advantages in rent alone. It also helped that they were located near their clients instead of near the government. The philosophy of the company was directed at providing services for their clients that didn't require that GSP staff be long time political operatives. Their clients needed help, but without the kind of baggage that came with traditional K Street or Front Street lobbying firms.

"We hired colonels instead of generals," says Kuklis. "GSP had to be a firm that not only told people what to do but could also implement the strategies with our customers."

While the initial focus was on technology and providing assistance in gaining those companies greater access to government, GSP grew strategically through diversification of the services they offered, and by opening offices in states which matched up to their client profiles. In a little more than five years the firm had eleven offices around the country, and had also begun to serve old technology firms like US Steel and Kennametal. Their approach also turned out to be very appealing to real estate developers, who needed help in accessing the financing, tax credits and grants that could accelerate their projects, and to smaller municipalities, who lacked the wherewithal to attract businesses or grants to improve their infrastructure.

By 2007, GSP Consulting had reached a turning point in its growth. To meet the needs of its growing clients, GSP had added expertise in grantwriting, site selection, community development and government procurement. The management team decided that it wanted to grow services rather than by geographic expansion. Co-founder John Dick had specialized in expansion implementation and the change in direction gave him the opportunity to exit the business. Dick's share of the business was purchased by the company's other principals and he left GSP amicably, remaining on the firm's advisory board.

Joe Kuklis likened the change to a Monopoly game strategy, opting to build more hotels on avenues rather than buying more avenues.

Two of those new "hotels" have provided impetus for more growth. In late 2006, GSP principal Rich Overmoyer helped the Green Building Alliance launch the Green Building Product Initiative. The program is designed to help regional building product manufacturers develop, manufacture and market green building products. The green product market share is expected to grow from $97 billion to $287 billion in the U. S. by 2015. In two years, several million dollars in grants have been won for Western PA manufacturers.

GSP has also found itself with the right relationships at the right time. Working closely with dozens of funding agencies and conduits at the state level, GSP is one of a small group of consultants who are already working the channels through which ARRA funds will flow. Their consultants have grown to be experts in a field that didn't exist just a few months ago.

Today GSP Consulting has focused its services into four main practice areas: economic architecture, federal government affairs, state government affairs and strategic communications. The staff has grown to 31 employees. In addition to CEO Joe Kuklis, Steve Morgan, Rich Overmoyer, Amy Kaminski and Aaron Grau are principals of the company. Its headquarters is in Station Square, and the firm maintains offices in Harrisburg, Columbus, Minneapolis/St. Paul, Philadelphia, and of course, Washington DC.

Thus far, Joe Kuklis hasn't felt the gravitational pull of the nation's capital attracting GSP to change its focus. "Our competitors in DC are paying $70-$100 per square foot for K Street offices, and all the overhead that comes with those addresses. Their offices overlook the Capitol; ours overlooks the Capitol Grille." BG

Company Facts

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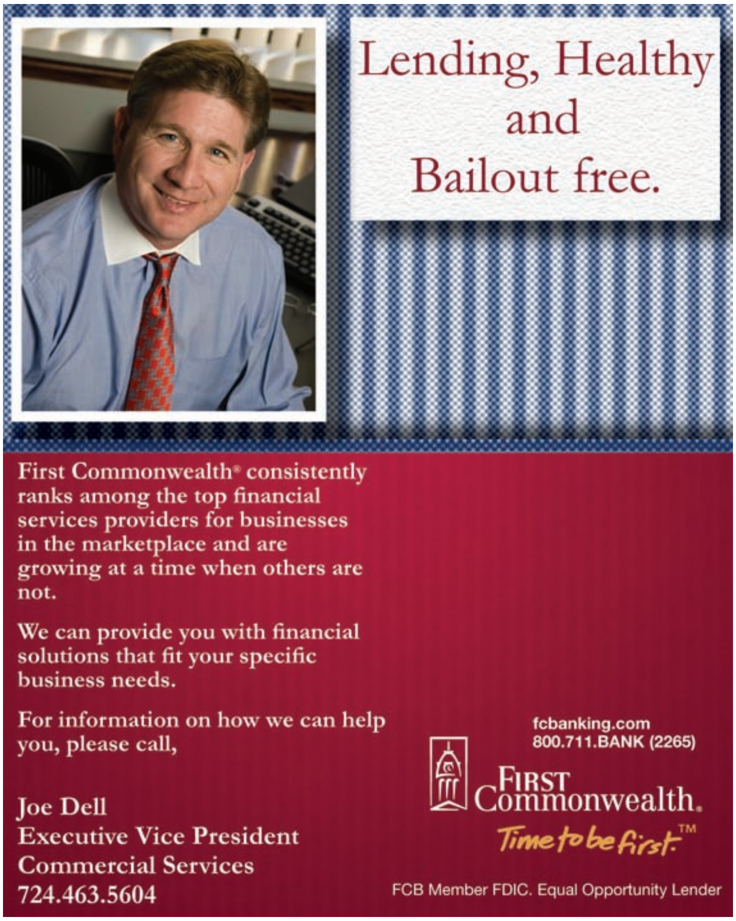

Public or Private Construction Projects? The Line is Becoming Increasingly Blurry

By: D. Matthew Jameson III

Historically, it was fairly easy to determine whether a construction project was public or private. Government entities built public projects, and private owners and/or developers built private projects. As our country tries to pull itself out of the worst recession it has faced in many years, however, taxpayer funds are being used for everything from bailing out banks, saving U.S. auto companies, to funding a massive stimulus package. Many of these funds will ultimately be used by private companies which is causing a significant blurring of the line between public and private construction projects. From a legal perspective, the private use of public funds creates issues on three main fronts: (1) project procurement (bidding), (2) applicable labor wage rates, and (3) project payment protections (payment bonds and/or mechanics' liens).

First, with respect to project procurement, while many public contracting laws have historically required that public construction projects be awarded to the "lowest responsible bidder," several federal agencies (including the U.S. General Services Administration, and the Army Corp of Engineers) now permit the use of "best value" procurement, which allows the agency to separately evaluate both technical qualifications and price proposals and award the project to the entity that the agency determines represents the best combination of technical capabilities and price (even though the entity may not be offering the lowest price).

At the state level, the Pennsylvania Department of General Services ("DGS") has also recently begun using the "best value" method of procurement for certain projects. One of the interesting legal questions regarding "best value" procurement in Pennsylvania has been how the process would work given the Separations Act, which requires that owners on public projects award separate prime contracts for the following trades: general, electrical, plumbing, and HVAC. This question was answered in late 2007 by the Pennsylvania Supreme Court, which ruled in *Pennsylvania Associated Builders and Contractors, Inc. v. Commonwealth Department of General Services*, 932 A.2d 1271 (Pa. 2007), that pursuant to the Commonwealth Procurement Code, DGS was not obligated to follow the Separations Act when implementing "best value" procurement.

Historically, in the private sector, owners have been free to award contracts using whatever method they so desire without any obligation to award the contract to the lowest bidder (or even to the bidder presenting the "best value"). In essence, the only restriction on private owners is that they are obligated to do what they say they are going to do. In other words, if a private owner indicates in a written request for bids that they will award the project to the lowest bid submitted by any of the contractors invited to bid, then the owner must do so.

For the stimulus money that is sent directly to public agencies, we expect those agencies to simply follow their standard procurement process. The more interesting question is whether the stimulus money that is distributed to private entities comes with any public procurement strings attached to it. This issue will not be resolved until there is a court challenge to a stimulus-funded contract that is awarded without following public procurement standards. For example, as part of the Capital Assistance Program of the Troubled Assets Relief Program, banks will be receiving millions of dollars to issue in loans, which, in many cases, will go to construction projects. There is certainly an argument to be made that these public funds should only be loaned on projects that comply with the applicable public procurement laws – this argument, however, will have to be ruled on by a court before we will know what procurement limitations, if any, are tied to these funds.

Second, with respect to applicable labor wage rates, public projects generally require that the labor constructing those projects be paid a certain level of wages, i.e. the "prevailing wage." Most states maintain prevailing wage act statutes applicable to projects in each particular state utilizing state funds, and public projects utilizing federal funds are bound by the wage rate requirements of the Davis-Bacon Act. These rates may be higher than would otherwise be required by the locality or by any applicable collective bargaining agreement, and thus must be considered as part of this public/private issue. Further, these state and federal

The more interesting question is whether the stimulus money that is distributed to private entities comes with any public procurement strings attached to it.

prevailing wage act statutes require strict record keeping that a contractor on a private project may not employ.

Third, with respect to project payment protections, the law has again historically differentiated between public projects (where contractors do not have the right to file a mechanics' lien, but where payment bonds are required) and private projects (where contractors have mechanics' lien rights). The question in today's economy, however, is how do we determine whether a project is public or private?

A recent case decided by the Pennsylvania Superior Court, *Cornerstone Land Dev. Co. v. Wadwell Group*, 959 A.2d 1264 (Pa. Sup. Ct. 2008), addressed this unique intersection of public and private construction work. In this case the Court ruled that the sewage pump work at issue was for a "purely public purposes" and therefore could not be liened by the plaintiff lien claimant. On this project, the plaintiff had a contract with (and paid for by) a private entity, who conveyed title to a public municipal sanitary authority before the work was complete (and before the lien was filed). The Court ultimately ruled, "The manner in which the pump station was being used when [the plaintiff] filed its lien exempted the station." The difficulty for contractors with this case is that the owner at the start of the project was not required to have a payment bond posted (because the owner was a private entity), yet, at the end of the project the contractors and material suppliers did not have lien rights because the Court ruled that the project was for a public purpose. This decision therefore leaves contractors in this scenario without a statutory payment protection, and leaves them with only a standard breach of contract action to enforce payment obligations.

In *Cornerstone,* the Superior Court set forth the following four factors for courts to consider when determining whether the "public use" exemption applies where a project is owned by a private entity but where the work is used for "purely public ends": (1) whether the government or a private entity managed and controlled the attached property when the lien was filed; (2) whether the property was constructed and paid for by a private entity; (3) whether the property was being used to further proprietary motives when the lien was filed; and (4) whether execution on the lien would disrupt an essential public service. The answers to these four questions will guide contractors in determining whether the project at issue will be judicially deemed to be "purely public" and therefore exempt from mechanics' lien claims.

Interestingly, with respect to prompt payment laws, the United States District Court for the Middle District of Pennsylvania has held that (on a federally-funded project) the availability of a federal bond claim under the Miller Act, 40 U.S.C. §§ 3131 *et seq.*, does not prevent a contractor from simultaneously pursuing a private claim under Pennsylvania's Contractor and Subcontractor Payment Act, 73 P.S. §§ 501 *et seq.* ("CASPA"). *Scandale Assoc. Builders & Eng., Ltd. v. Bell Justice Facilities Corp.*, 455 F. Supp. 2d 271 (M.D. Pa. 2006). Under this line of reasoning, the issue of whether a project is public or private should not impact a contractor's ability to recover under CASPA; however, this case did not address the related issue of whether the prompt payment provisions in the public project Commonwealth Procurement Code preempt the application of CASPA on state-funded (as opposed to federally-funded) public projects.

While the multi-billion dollar influx of taxpayer funds into the construction market will certainly serve to boost the nation's struggling economy, significant issues remaining regarding the largely ignored issue of whether the projects that will be constructed with these funds should be viewed as public or private projects. As discussed above, the areas of greatest concern relate to project procurement, labor costs, and project payment protections. Contractors should think through their rights in these three areas as they consider going after these projects that exist on the increasingly blurred line between public and private construction. BG

Matt Jameson is Chair of the Construction Services Group at Babst, Calland, Clements & Zomnir, P.C.

Will the Stimulus Package Prime Construction's Pump?

By Ron Kramer

The American Recovery and Reinvestment Act of 2009, known by its official acronym as ARRA, was signed into law by President Obama on February 17, 2009. This massive $787 billion stimulus package of tax cuts and domestic spending is intended to jolt the U.S. economy back to life. ARRA includes $288 billion of tax cuts and $499 billion of government spending for expansion of unemployment benefits and other social welfare provisions, education, healthcare, for building infrastructure and for the development of alternative energy sources.

The impact of the construction spending on the construction industry and the economy will depend on how quickly the stimulus dollars begin to flow. State and local governments are lining up with their "shovel ready," projects promising to get the stimulus money flowing quickly. This should translate into new work in the near term for many contractors.

But the tax and finance implications of the act could have important benefits to construction businesses and consumers, and those benefits won't depend on the agility of government agencies in getting work to the marketplace.

Business Tax Cuts

ARRA contains a number of tax-cut provisions that will benefit businesses engaged in the construction industry. Some of the provisions benefit businesses in general, and some are aimed at smaller businesses. Some of ARRA's tax incentives for businesses are:

Extension of "Bonus" Depreciation. The new law extends through 2009, the 2008 provision that allowed businesses that had certain capital expenditures to immediately write-off 50 percent of the cost of depreciable property acquired for use in the United States.

Higher Caps on Vehicle Depreciation. Also extended to 2009 is the bonus depreciation cap for first-year depreciation on autos, light trucks and vans. The first-year cap for autos is $10,960 and $11,160 for light trucks and vans. This compares to first-year depreciation deductions of $3,260 and $3,160 without bonus depreciation.

Extension of Enhanced Small Business Expensing. Small business taxpayers that make capital expenditures in 2009 are allowed to write-off up to $250,000 of capital expenditures subject to a phase-out once capital expenditures exceed $800,000.

Five-Year Carryback of Net Operating Losses (NOLs) for Small Businesses. The maximum NOL carryback period is extended from two years up to five years for small businesses with gross receipts of $15 million or less. The extended period is available for an NOL from a taxable year either ending or beginning in 2008, at the election of the taxpayer.

Delayed Recognition of Certain Cancellation of Debt Income (CODI). Certain businesses may recognize CODI over 10 years for specific types of business debt repurchased or restructured by the business after December 31, 2008 and before January 1, 2011. Generally, for the first five years, no amounts are included in income, and then CODI is included in income ratably over the final five years.

Temporary Reduction of S Corporation Built-In Gains Holding Period from Ten Years to Seven Years. A business that converted to S corporation status more than seven years ago can avoid the tax on any built-in gains recognized in 2009 and 2010.

Businesses should consult with their tax advisors to be certain that they are taking full advantage of these new tax incentives under ARRA. Tax savings from these provisions could generate valuable cash flow for operations in 2009.

Financing for Building and Development

ARRA also provides new tools for state and local governments to finance basic infrastructure, government facilities, and public schools. ARRA encourages more activity in the public finance sector by introducing new or modifying existing types of bonds and grant programs sponsored by the federal government. The programs are designed to provide financing for building and development projects in the public and private sectors and should be of benefit to building contractors and developers. Some of these ARRA provisions include:

Qualified School Construction Bonds. A new category of tax credit bonds can be issued in 2009 and 2010 to fund the construction, rehabilitation or repair of public schools, or the purchase of land on which a funded school will be built.

Low Income Housing Grants. States may elect to receive federal grants in exchange for a portion of their unused low-income housing credit allocations for 2008 and 2009. The states may use the grants to make subawards to developers to finance low-income housing projects.

Industrial Development Bonds. For industrial development bonds issued in 2009 and 2010, the definition of manufacturing facilities is expanded to include facilities used for the production of intangible property and facilities that are directly related and subordinate to a manufacturing facility.

Recovery Zone Bonds. To fund qualified activities in economically distressed areas, certain counties and large municipalities can issue recovery zone facility bonds and Recovery Zone economic development bonds in 2009 and 2010.

Build America Bonds. State and local governments may issue taxable Build America bonds before January 1, 2011, that provide bondholders with both taxable interest and a federal tax credit. For certain qualifying bonds, the issuer may elect to receive a federal cash payment that replaces the bondholder's credit. The direct payment bonds can only be used to finance new capital expenditures.

Advanced Energy Investment Credit. ARRA establishes a new advanced 30 percent investment tax credit for electricity production facilities or property otherwise qualifying for the energy credit. The investment credit will be advanced in the form of a cash grant. Credits are available for projects certified by the Secretary of Treasury after consulting the Secretary of Energy. Construction must begin in 2009 or 2010.

Repeal of Subsidized Energy Financing Limitation on the Investment Tax Credit. The subsidized energy financing limitation is removed from the investment tax credit rules in order to allow businesses and individuals to qualify for the full amount of the investment tax credit even if such property is financed with industrial development bonds or through any other subsidized energy financing.

Home Building

Congress first addressed the concern for the downturn in the housing industry in July 2008 by providing the $7,500 First Time Homebuyer Credit. The big drawback of this credit was that first-time homebuyers claiming the credit had to pay the credit back to the government in 15 annual installments or recapture the amount if the home was sold. Accordingly, the credit was actually thought of as an interest-free loan, not a permanent tax credit.

Congress opted to revisit the homebuyer credit provision as part of the ARRA stimulus package, with an eye toward making the credit more attractive to a perspective homebuyer.

In the final stimulus package, the existing refundable first-time homebuyer credit was extended for qualifying home purchases made before December 1, 2009. In addition, the maximum credit was increased from $7,500 to $8,000, and the 15-year payback requirement was waived for homes bought after December 31, 2008 and before December 1, 2009. However, the recapture rules will still apply to homes disposed of within 36 months of the purchase date.

A homebuyer may elect to treat a home purchased after December 31, 2008 and before December 1, 2009 as occurring on December 31, 2008. Thus, a homebuyer may use the credit against his 2008 tax on either an original or amended 2008 return, in order to accelerate the receipt of cash from this refundable credit. The credit is not available for singles making over $95,000 and married couples making over $170,000.

The extension of the first-time homebuyer credit is the primary measure provided in the stimulus bill to help revive the housing market. Congress' hope is that a combination of the credit, improving financial markets, lower mortgage rates and increasing consumer confidence will help to spur home-buying during the remainder of 2009. BG

Ron Kramer is Director of Strategic Tax Planning at Schneider Downs, a regional public accounting and business advisory firm in Pittsburgh, Pennsylvania. Mr. Kramer advises and implements plans with respect to organizing, reorganizing or restructuring business organizations and structuring business transactions to minimize after-tax results for businesses and high-net-worth individuals.

Hunkering Down or Reaching Out

By Suzanne Elliott

Economic slowdowns and recessions always provide opportunities for managers to test their skills. The vast majority of businesses will see a slowdown in their top line results at some point in any slowdown. Consumer-related businesses, from retail to housing, tend to see less demand early in the downturn, with business-to-business spending, like design services or contracting, lagging by six months.

The lurching nature of this recession has proven more testing much earlier than normal recessionary cycles, but the reactions have been about the same. Like previous recessions, the slowing demand has sparked two responses: playing defense by cutting back, or going on the offensive.

Regardless of which camp your company is trending towards, there is virtually no business that actually looks to spend more money during a slowdown in revenue. In construction and real estate, a lot of the overhead expense relates directly to professional expertise and time, so cutting back means cutting bodies. That response is painful but often inevitable when the work to keep the bodies busy declines.

Architecture and engineering activity is a reliable lead indicator of construction, since those professions generally finish their work prior to contracting. It turns out the same is true with employment trends.

Kermit Baker is the chief economist for the American Institute of Architects in Washington DC. He sees the trend among design professionals as dead on with where the country is now going. "A/E firms have lost 25,000 jobs in aggregate since the summer of 2008," Baker explained. "That represents about a ten percent cut from the high point of employment early in the year." Baker points out that design firms have little choice but to downsize to match the workload and ride out the storm.

That hunkering down has begun to happen at some of the region's larger firms. The region's biggest firm, Burt Hill, made headlines early in the year as it cut 68 jobs in Pittsburgh and Butler, primarily in response to the economic slowdown in the Middle East. Layoffs of 50 of those were in its international studio, which had been supporting the Burt Hill office in Dubai, which has also cut staff.

"The work in the United Arab Emirates just came to a screeching halt," says partner John Kosar. "It's not just our work. You could watch all those tower cranes come down one after another." Kosar says that the work hasn't stopped, however. "There are still about 400 people in the Dubai office."

Downsizing has also been reported at other downtown firms, with smaller layoffs at Astorino and Perkins Eastman, a hiring freeze at IKM Inc., and the closing of Hayes Large's Pittsburgh office. One common denominator for all these firms was that a fair amount of their work was for national businesses or located out of the region.

There is no economic downturn in Western Pennsylvania as far as Anthony Martini is concerned. Instead, the president of A. Martini & Co., a Verona general contractor, says the recession is actually an opportunity for him to get back to business basics.

"It really is a time to re-energize," says Martini, whose company constructs a number of medical and college buildings throughout Greater Pittsburgh. "We're far from hunkering down. There is still a lot of work in Pittsburgh. It's just a lot of new things have slowed down."

The strength of the Pittsburgh regional market, Martini and others say, stems from the University of Pittsburgh, Carnegie Mellon University, and Duquesne University and the two major health systems, West Penn Allegheny and UPMC, which are always in a growth mode.

"There is not a lot of sexy stuff, but there is a good base of business," says Martini, though he admits there are fewer projects and those projects are being chased by more companies. "There's just not a lot of private business out there," Martini says.

John O'Brien, vice president of operations at Landau Building Co. in Wexford, agrees. "It's never been a boom environment, so we never went bust," O'Brien says.

Much of the area construction activity now taking place is from large projects already on the books, like the $800 million Rivers Casino complex on the North Shore, as well as Walnut Capital's $130 million Bakery Square mixed-use project in East Liberty, $200 million 3 PNC Plaza, Dick's new $100 million headquarters and the $300 million new Pittsburgh Arena. The impact of those projects on the region's economy has already happened.

For the mainstream construction-related business, the number of opportunities will be less in the near term.

Meeting and Greeting

Laura Huch-Kerckhoff is president of Castcon Stone, which makes precast concrete stairs and architectural products. Castcon Stone rode the wave of hotels and commercial projects in recent years, but saw the collapse in bidding in the fourth quarter of 2008 reflected in their spring production. The slowdown forced layoffs at their Saxonburg plant, but triggered a different strategy for sales and marketing.

"There isn't much we can do in response to a steep drop-off in orders, especially since we worked hard during recent years to manufacture more efficiently. We'll have to see orders come back before we can think about more staffing at the plant," Huch-Kerckhoff says.

Castcon Stone's planning discipline led them to begin ramping up marketing last year, however, even as they anticipated cutbacks in the plant. "We retooled our sales force by mid-2008 when we believed we saw a slowdown in projects coming," she explained. "Our experience is that investing in sales during a recession is the only way to create more business in the short term, and it pays big dividends over the long haul."

Kathryn Jolley, a partner in DRS Architects, a Downtown architectural firm, says her firm is also not waiting out the recession. Instead, Jolley says she is being proactive by taking care of existing clients and going to networking events outside her industry to have more face-to-face contact with potential clients.

"Our business banker recently asked me to go to a breakfast meeting that focused on the economy, the recession and financial strategies," Jolley says. "I sat on one side of the banker and sitting on the other side was a person I had been researching as a potential client. I asked that person if I could call him to discuss his future needs and he said yes. So rather than make a cold call, I am going to make a warm call. Going to these kinds of events is a wonderful way to network. It's a great way to meet prospects."

Jolley says DRS Architects is now making quarterly calls to current and potential clients to find out how they are faring. In addition, the firm is holding "de-briefing" meetings with clients at the close of a project.

Colleen DiFilippo, president of Spectra Contract Flooring, a Downtown-based flooring company also says when the work is flowing, people tend to forget the importance of making the one-on-one contact with past, current and future customers.

"Now really is an opportunity to make contact with your customers," DiFillippo says. "We'll see if it works."

Caution is Still the Watchword

"People who were contemplating projects this year have put things on hold until the fourth quarter," says Tim Goetz, president of Grant Street Associates, a Downtown commercial real estate brokerage firm.

Because of the recession and tight credit markets, commercial real estate leasing activity throughout the Pittsburgh area has dropped 7.5 percent at the end of 2008, compared with a year earlier, according to a study by Grant Street Associates. Construction of speculative office space has slowed down as well. The slowdown in office leasing, however, has meant a boom in office sub-leasing activity, Goetz says.

"Definitely with companies cutting back, there are some (office sub-leasing) fire sales out there," Goetz says. "We are getting more opportunities in the sub-lease market than we did nine or 10 months ago. There are some deals out there. Investment sales are off a bit because of the difficulty getting financing. But, we're keeping our fingers crossed and have no plans to change the way we do business."

Mark Schneider, a partner in Fourth River Development LLC, a Washington's Landing commercial and residential development company, says his firm has not reduced its activities. In fact, Schneider says Fourth River expects to begin construction in the next 60 to 90 days on a $2.2 million, 30,000-square-foot flex space building in Starpointe, a mixed-use business park in Hanover Township, Washington County. The company also hopes to begin the construction of five speculative houses in the Manchester section of Pittsburgh and seven homes in Erie later this year.

"Sure, we've been a little more cautious," Schneider says. "Decisions take longer. But everyone is more cautious given the national news."

Jeff Kimball, president and CEO of L. Robert Kimball & Associates, an Ebensburg-based architecture, engineering and consulting firm, says people seem to have more confidence in government. That confidence, coupled with President Obama's stimulus package, could help jump start business activity. His firm has been aggressively knocking on doors to promote Kimball's infrastructure design business, and reminding old customers that they are still around.

"I think by the middle of the year we could see some turnaround," Kimball says. BG


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MBE/WBE Company Spotlight

Seibert HVAC Sheet Metal Contracting

Jim Seibert has not been an entrepreneur burning to explode onto the scene on his own, and his success is probably due as much to his steady decisions as any other factor.

Seibert has been associated with Sheet Metal Workers Local #12 for 25 years, most of that time in the field, first as a craftsman and later as a superintendent. During his twenty years in the field he worked for McKamish Inc. and then Scalise Industries, eventually running some of the biggest projects in the region during the Plan B years at the beginning of the decade. After the market began to slow down he started to think about the benefits of going out on his own.

"It seemed to me to be such a leap," remembers Seibert. "But a friend of mine, Larry over at Pro Metals, kept encouraging me to start my own shop, because there were no other minority-owned sheet metal shops in the area."

Rather than jumping in cold turkey, Seibert arranged to work for Pro Metals as a training ground for the business end of the trade. Pro Metals' ownership shared with Siebert how they ran their systems for accounting and payroll, and gave him experience with the relevant AIA forms and contracts. Less than a year later, in 2004, Jim felt comfortable enough to launch his own business.

"We are a sheet metal fabricating company, a ground up fab shop, so we were in the red for the first year, but we were doing steady subcontracting for some good contractors and each year has been profitable since," he explained. Seibert's early customers were Sentry Mechanical and R & B Mechanical, and he was able to build relationships from that base. Starting with smaller projects, Seibert has taken on larger projects at Carmalt and Allderdice Schools for the Pittsburgh Public Schools, as well as private projects at Deep Creek and the South Hills L. A. Fitness.

His company's status as the only MBE sheet metal contractor in the city has kept opportunities coming, but Jim Seibert has maintained a measured approach to growing his business.

"We've worked directly for owners, but we've maintained a light bonding capacity," he says. "We've been approached and offered partnerships with larger companies on some of the bigger projects here, but I thought it was better for us to take it one step at a time." Seibert HVAC did pursue the Consol Arena this fall, partnering with Ruthrauff/Sauer, but the team was not successful.

While Seibert has been determined to take growth a bite at a time, the approach has not stunted his operation. In fact, his biggest business problem seems to be that he keeps outgrowing his shop. "We've had to keep moving because we got bigger faster than I thought," he says. "Our current shop (in Clairton) is fine, but we can only produce about $5 or $6 million there. We just had a deal fall through on a new place, but we'll keep looking and find something soon."

Seibert's offices are in West Newton in Westmoreland County, and his search for a new fabrication facility has been narrowed to that area. Even with the economy slowing again, his business isn't expecting to back up this year. The market share of public construction is growing, and should make up a larger portion of the HVAC market for the next few years. Seibert knows that many of these projects will have MBE/WBE participation goals that his business can help prime contractors meet, and that those kinds of projects can be especially successful for companies like his, which perform their own work.

"We keep between four and eight guys busy, depending on the season," Seibert explains. "And I like being the kind of owner who still knows how to use the tools. If there's a problem on a job I know I can get out there and help solve it, and my customers know they can count on the work being taken care of." BG

Company Facts

Seibert HVAC Sheet Metal Contracting
528 Callie Court West Newton, PA 15068 (Office)
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412-537-3647
Seibert-hvac@comcast.net
Founded 2004
Annual sales $5 million
Affiliations: Sheet Metal Workers Local 12

Trend to Watch

Is It Cheaper to Build Now?

As the recession has moved from residential to commercial construction markets, there is growing sentiment that projects that were too expensive last year might have come down significantly in price. In fact, one concern about the recent increase in bidding activity is that it reflects owners taking the market for a spin more than actual planned contracting.

Local owners and developers in Western PA can be forgiven for reading the national economic news or national publications like *Engineering News Record* or *Building Design + Construction* and expecting that the conditions softening prices in other markets will have impacted Pittsburgh in the same way. The truth is, however, that Western PA is not experiencing the extremes of the national market. What is more relevant is that the extremes of a number of specific regional markets, even some within a few hundred miles, bear no resemblance to regional conditions here.

Even though Pittsburgh's market may be more stable there has been some evidence of softer pricing this spring. University of Pittsburgh contracting director Dan Marcinko thinks numbers have been better. "We haven't had as many jobs to bid this year, but I'd say the numbers are coming in a little lower than in 2008," he says. "We've also had some larger projects that we've done some advanced budgeting on big ticket items, and have been surprised to have manufacturers call us back with reduced prices since the winter."

"We've bid four projects this spring so far, and every one has come in below our budget," observed Ralph Sterzinger, partner at Ross Schonder Sterzinger Cupcheck. "It's too early to tell if it's because we've become more conservative in our budgets or if people are really sharpening up their pencils. I can say that the generals are telling us they are getting better coverage, five or six numbers in all trades."

Throughout the winter, stories have come from cities all over the nation of project costs falling ten or twenty percent compared to this time last year. Before assuming that the falling prices in Las Vegas, Phoenix or Chicago mean that projects will be less expensive here, it's worth examining conditions in more detail. Let's look at construction costs from the perspectives of basic materials, building products, labor and competitive balance.
One accurate assumption about any regional or national market is that material costs have fallen steeply since mid-2008. The falling prices of oil, steel, specialty metals and lumber have produced double-digit declines in basic construction materials. As a result, many of the finished building products have experienced similar declines as their raw materials fell. And adding to the equation has been the pricing pressure to reduce inventories in distribution channels once the deep freeze set in at the holidays.

Taken together, materials and building products, which comprise about half the project's cost, may have been slashed since their highs by the recession, but have fallen at best to last year's levels, and may still be running slightly higher than spring 2008. So unless you budgeted or bid your project in mid-2008 the market may not seem as discounted.

"We didn't really have any big jobs bid last summer, so we didn't have anything to tell us to alter our estimates dramatically," says Dan Engen, principal at Eckles Architecture. "We estimated our bigger projects at $185 to $190 per square foot, but in summer everyone was telling us we needed to be at $225. By the fall we decided to stick to our guns, and when our big job came out (Moon High School), it came in at $189."

Engen noted that he has seen more competition on small projects this spring and surprising numbers on some. Eckles put a small restroom job out to bid, which they estimated at $140,000-150,000. On bid day there was a pack of contractors at $150,000, then a few at $130,000, and the low bidder at $110,000.

"Guys have to be taking jobs at cost in those situations," he said. "But materials really aren't that much lower, and everyone is stuck with Davis Bacon wage rates."

The labor costs are the big contributor in many of the markets where stories of big declines exist. This downward movement in labor rates has been confined to non-union contractors and subcontractors, without long-term agreements with wage increases already negotiated. For union trades, the hourly rate has seen an increase close to the Consumer Price Index rate of inflation, or nearly five percent.

In many of the cities hardest hit by the downturn, the labor market has a higher proportion of immigrants, documented or otherwise. While the perception is that this disproportionate share of immigrant labor is a southern or western phenomenon, the reality is that high-volume northern markets, like Chicago or Washington DC, have also attracted lots of immigrant workers. The significance of the immigrant workers on building costs is that their wage rates are typically more fluid, often changing as needed to find work.

The higher share of immigrant or day labor has given contractors in hard-hit markets more flexibility to respond to competitive pressures. Another competitive market issue that has fueled the cost decline has been the fact that many of these same markets experienced competitive imbalances until recently. Whether through limited licensing, like in Nevada or Florida, or extended high growth, such as occurred in Phoenix or northern Virginia, there were not enough contractors in many cities to keep pricing competitive. Simply put, in many markets contractors were able to boost margins well above national averages, meaning that there was further to fall once the competitive squeeze occurred.

In Western PA, the favorable market conditions of the past few years didn't create opportunities for profit growth beyond a few percentage points. And, because the 'boom' coincided with surety and financial conditions that raised the barrier of entry, there was not a surge in startups, so the growth in construction spending wasn't matched by a growth in contracting businesses.

This doesn't mean that contractors aren't hungrier now than twelve or fifteen months ago, but it seems that most are still assessing the risks of the proposed projects, and pricing work accordingly. Those general contractors who subcontract most of the work are finding that the second and third tiers aren't being any more aggressive than they are.

There have been some recent projects that can give some insight into how the market slowdown is affecting Pittsburgh regional pricing.

In the fall, the VA Medical Center in Butler bid two separate projects as set-asides for disabled Vietnam-era veteran owned businesses. The projects came in at around $7 million and $6 million respectively. Re-bid this past month, new proposals came in lower than the earlier bidding. The projects' architect, Radelet McCarthy Poletta Architects, noted one significant difference.

"The two bids came from identical documents, but the first time around the bidders had no questions, which on jobs of that size was just amazing to me," laughed John Radelet. "This time around we had more questions than we could handle for weeks, and they were the kinds of questions that you could tell were from contractors working to get low."

While the Veteran's Administration doesn't share the results publicly, Radelet said that they had been hearing from contractors and subs that the projects had come in $300,000 to $400,000 lower on one, and perhaps a little more on the second. While these are significant savings, the difference was just under five percent.

Lami-Grubb Architects has been completing the design of a 13,000 square foot expansion of a car dealership this winter. "The construction manager bid out 75% drawings in January to verify the budget, and it came in over," explained project architect Rick Avon. "There was a lot of detailing added to get to 100% drawings, but when the CM bid those drawings out, the price came down to our budget."

Avon thinks that the difference may have been due to changing market conditions, with contractors now more concerned with building backlogs than in keeping consistent profit margins.

There's another interesting side to this perceived slide in construction project costs: buyer's remorse. Developers who wrote contracts last fall are now feeling envy about the current conditions, and at least a few are being proactive about the change, looking to renegotiate contracts, or worse.

"One of our guys has a job underway, and had a GMP that was put together last year," says Jack Ramage of the Master Builders' Association. "The owner has been reading the papers and told the general he wanted him to cancel all his subcontracts and re-bid the job. The general declined, but that's a pretty dangerous approach to the market."

If the recession stretches out for another year or more, or takes a deeper plunge, there is likely to be more uncertainty about backlogs and lower pricing will follow; however, the recent bidding activity suggests that the local market is probably trading at a five percent discount to spring 2008, with more competitive jobs approaching ten percent. Expecting much more than that is probably unrealistic, and getting steeply discounted numbers on bid day is no guarantee that the project will close out that low either.

You're more likely to get what you've paid for. BG

Are Lenders and Borrowers Getting Closer to Lining Up?

By Suzanne Elliott

Given the current economic climate, it may come as a bit of a surprise that Western Pennsylvania financial institutions are ready, willing and able to lend to commercial real estate developers.

The catch for area developers who are looking for financing is that lenders are looking harder at the project and taking a longer time deciding whether or not to approve financing. Lenders are asking questions like: Is the project speculative or is there an actual need for it? What kind of equity is the developer willing to put into the venture? What kind of financial guarantees is the developer willing to make? Will the developer go so far as to put up his personal assets?

"While many banks have dramatically reduced their lending activity because of liquidity and capital concerns, First Commonwealth has strong liquidity, which simply means that we have cash to lend our customers," says Joe Dell, executive vice president of First Commonwealth Financial Corp. in Indiana, Pa. "As a matter of fact, in 2008 we grew our loan portfolio by more than 40 percent, our best year ever. And a lot of that growth came from lending to commercial developers."

"For example, we were recently the lead bank for the $107.5 million Dick's Sporting Goods Corporate headquarters project, as well as many new hotel projects and commercial office buildings" Dell says.

Developers who have a proven and successful track record with a bank stand a better chance of getting a loan, says Jack Shelly, Dollar Bank's senior vice president of real estate.

For example, Dick's Sporting Goods headquarters developer, Horizon Properties of Cecil Township, has a proven track record at Southpointe, the Washington County commercial and residential park.

> "Loan structures and pricing are nowhere near the borrower friendly levels that were being offered throughout the better part of this decade. With this in mind, today you may have to provide more equity, recourse and generally more support for the underlying risks."

The current credit crisis has obviously made banks more discriminating. The goal for the applicant company is to convince the lender that dealing with the company is not a risky proposition. Recently, the Valley View race track and casino project in Lawrence County lost its funding following its unsuccessful bid to secure a gaming license.

According to the U.S. Small Business Administration, there are several important steps a developer needs to take before applying for the loan. The most important step for the developer is to go in with a well-thought-out business plan that clearly demonstrates the ability to repay the loan. This plan should describe the business, the type of product, operating procedures and an overview of the competition. Banks will also look at the developer's history: is there a track record of profitability? Banks also want the developer to put up more collateral in case of default.

"Our responsibility is not so much to make loans, as it is to make sure we get our depositors money back," says Andy Devonshire, president of Dollar Bank's Ohio operations.

At least two months before making the official loan application, the developer might want to pull credit reports from the three major credit bureaus. Often there is either out-of-date or even erroneous information. By pulling reports ahead of time, the developer can make the necessary changes before the bank asks for these reports.

The SBA says many financial institutions want to see if the business's debt and liabilities are no more than four times its equity. Banks also want developers to put some of their own cash into the project. The days of 80 percent loan-to-ratio value are gone and there is no more 100 percent financing, says William Schenck, president of TriState Capital Bank.

"We're taking the more traditional approach with lending," says Schenck. "We're going back to the old way of structuring loans. Less speculation."

Before applying for a commercial loan, it's important to know what kinds of commercial loans are available and then determine what the best fit for the particular project is. Typically, there is the fixed-rate commercial loan, where the interest rate remains constant and the term can be five to 20 years. If a developer needs a loan to build an income-producing project, a construction mini-perm loan may be the best option. This is a short-term, higher rate loan that a developer can use until the project has been completed and starts producing income. This way when the short term is up, the developer is free to pursue longer-term financing at a lower interest rate.

Developers can also opt for a participating mortgage. This loan contains conditions that allow the lender to participate in the revenue generated from the project, reducing the overall risk. This gives the bank more incentive to provide the developer with financing. Lenders and developers can also enter into a real estate sale, lease-back arrangement. With this type of loan, the bank will purchase the land and lease it back to the developer.

This kind of financing can work well for the developer because it not only gives instant access to working capital, but can then save money on taxes by writing off a good portion of the monthly payments.

An interim loan can be a useful financing option for a developer if he is looking to purchase commercial real estate, or if he is in the construction phase of a project. These loans range from six months to five years. The interest rates often float over a defined index for the term of the loan. These loans can be beneficial to a business because they are interest only loans with low monthly payments that do not amortize. There are usually prepayment penalties involved with interim loans. These fees are often waived if the developer goes on to get a larger loan from the lender.

"Traditional banks today are providing more term or mini-perm loans to developers and real estate investors on stabilized property," says Luke Elsass, vice president of TriState Capital Bank. "I feel this is primarily due to the fact that real estate credit from conduits like insurance companies no longer plays a major role in this market segment and the traditional banks are directly benefiting from this. "

"If you're a developer and need money, the best thing you can bring to the table is an open mind," Elsass says. "Loan structures and pricing are nowhere near the borrower friendly levels that were being offered throughout the better part of this decade. With this in mind, today you may have to provide more equity, recourse and generally more support for the underlying risks. You are more inclined to receive money if you have a strong relationship with a bank that's lending. Furthermore, the overall cost or size of the project is relevant. The larger the project, the more difficult to get financing."

Developers looking for financing need to realize banks want to lend money, however lenders say developers need to be aware the process will take more time and more equity. BG

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Awards & Contracts

Jendoco Construction Corp. was selected as contractor for the Clarion University Foundations' Center for Biotechnology and Business Development. Next Architecture is designing the 30,000 square foot new facility, to be built in Monroe Township, outside Clarion.

Jendoco Construction Corporation is underway on renovations to Plum Corporation's facility in the Hempfield Industrial Park, Greensburg. Desmone and Associates is the architect on the project, which involves converting an existing 60,000 square foot warehouse space to a manufacturing facility including overhead cranes, loading docks and life safety upgrades

Landau Building Company was recently awarded a contract from UPMC Presbyterian to build a new Cardiac MRI.

Landau Building Company was recently awarded a contract from West Virginia University Hospitals to build a new commercial Laundry Facility. This new 40,000 square foot facility located in the Morgantown Industrial Park will employ approximately 70 people. A projected opening date of July 2009 is anticipated.

Marks-Landau Construction recently completed the core and shell of Phase I of Market Place at Charles Pointe in Bridgeport, West Virginia. It is a three story 58,000 sq. ft. class "A" office building. Tenant space is currently under construction. The Market Place will feature six buildings with more than 230,000 square feet of office, retail and residential space.

GVA Oxford selected Rycon Construction for the construction of the Monroeville Convention Center, a $6.5 million renovation to the former Wickes Furniture building. Design 3 Architecture designed the project, which will replace the ExpoMart.

Rycon Construction was the successful contractor on the second phase of tenant improvements for CVS Caremark in the former ExpoMart in Monroeville. The project involves 132,000 square feet of buildout. Gensler is the architect.

Volpatt Construction was awarded a contract from West Penn Allegheny Health System for Acute Rehabilitation and Toilet Rooms at the Alle-Kiski Medical Center in Natrona Heights. Valentour English Bodnar Howell is the architect on the $572,000 project. Volpatt was also the successful contractor at West Penn Hospital for an $800,000 Acute Rehabilitation renovation. IKM Inc. is the architect.

St. Joseph's Parish and the Catholic Diocese of Pittsburgh awarded Volpatt Construction the Science and Technology Center at St. Joseph's High School in Harrison Township. Burt Hill is the architect for the $3 million project, which includes 18,000 square feet of new construction.

Mascaro was awarded the tenant improvements contract for the 670,000-square-foot Dick's Sporting Goods corporate headquarters complex. The work will begin in April 2009 and complete in March 2010.

Poerio Incorporated is in the process of completing The West Virginia Army National Guard in Kingwood, WV late summer 2009. The architect on this $6,000,000 project is Mason & Hanger. The project is a 17,000 square foot masonry addition to the Armed Forces Reserve Center; it consists of new office space/ locker room facilities, new access roads, retaining wall systems and military parking lots.

Poerio Incorporated was the successful contractor on the JC Penney Store Remodel in Dover, DE. The $1.8 million project involves renovation to the 95,000 square foot space. Nudell is the Architect on the project. It will consist of all floors, wall coverings and a state of the art Beauty Salon.

Poerio Incorporated was awarded a contract to build a 5,000 square foot PNC Branch in the PNC Headquarters building in downtown. Construction on the project is scheduled to begin May 1st and to be completed in August. Gensler is the architect on the project, which is being built LEED certified.

Willis of Pennsylvania selected A. Martini & Co for the 8,000 square foot built-out at 4 Gateway Center. The completion date is scheduled for early May 2009.

A. Martini & Co was the successful contractor on the tenant fit-out at 311 South Craig Street for Carnegie Mellon University. Quad Three Group, Inc. is the architect. Carnegie Mellon also awarded A. Martini a contract for the Puthenveeda Lab at Mellon Institute. The project was designed by IDC Architects.


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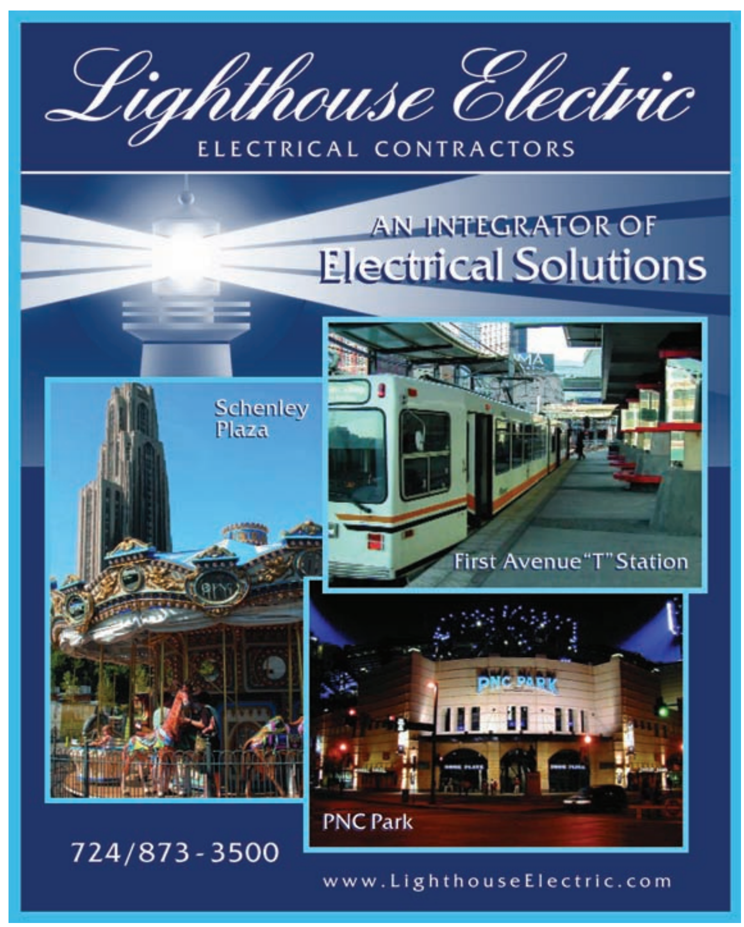
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A. Martini & Co was recently selected to provide general construction services for Pittsburgh Office & Research Park in North Hills. This is a complete renovation of Building 2 for 82,000 square feet. Burt Hill is the architect for this project.

FMS Construction has completed the City of Pittsburgh Zone 3 Police Station Renovation. The four-floor 6,500 square foot renovation was designed by Lami Grubb Architects. The grand opening was held April 15.

The A. W. Beattie Technical Institute awarded a $13,615,775 contract to Uhl Construction for expansion of their McCandless campus. HHSDR Architects is the architect on the addition. Chronicle Consulting is the construction manager. The project was bid under the Separations Act Waiver program.

P. J. Dick Incorporated was the successful contractor for the MRTC2 Building at the Bettis Atomic Lab for Bechtel Bettis. Siemens is the designer for the $13 million, 41,000 square foot new building housing general chemistry and radio chemistry lab space. Work should start in July on the 18-month project.

General Services Administration selected P. J. Dick Incorporated to provide general construction services for the GSA Tenant Fitout at the Greater Johnstown Technology Park in Johnstown, Pennsylvania. The $444,000, 10,000-square foot fitout, designed by L. Robert Kimball & Associates and scheduled for completion June 1, 2009.

P. J. Dick, in conjunction with Joint Venture partner L.S. Brinker, has been selected by the Sports and Exhibition Authority to provide General Construction services for the Consol Energy Center (formerly the New Pittsburgh Arena) parking garage. The new five-story, 191,000 square foot, $8.9 million garage, designed by Graves Architects Inc., will provide 642 parking spots to support the new arena.

Allegheny Construction Group was the successful contractor on two renovations projects on five floors at the former Plaza Building at the New Children's Hospital campus. Allegheny will renovate approximately 30,000 square feet for the Ronald McDonald House space, designed by DRS Architects. The second project involves renovations to the Plaza for medical office and exam space. Astorino is the architect for that portion of the work.

dck worldwide, LLC, through its Saufley Group, LLC subsidiary, is currently in exclusive negotiations with Naval Facilities Engineering Command (NAVFAC) Southeast for NAVFAC's first Enhanced Use Lease (EUL) agreement at Saufley Field, which is a Navy Outlying Landing Field of the Naval Air Station at Pensacola, Florida. EUL is an opportunity created through the National Defense Act that allows Department of Defense installations to maximize their underutilized land through out-leasing and provide in-kind services and/or facilities for the military and public. The property includes 104.5 acres on two sites with 88 facilities and 724,000 square feet of building improvements.

dck north america was recently awarded a contract by the Steamfitters Local #449 for the expansion of their facility located just outside of downtown Pittsburgh. This $1.8 million project will include the construction of a 3,200 square foot addition for Phase 1, with an alternate to construct another addition for Phase 2, which will add another 3,500 square feet. Each phase will take approximately four months to complete, with Phase 1 scheduled to start in May 2009. Phase 2 will be delayed as a result of internal relocations to be performed by the Owner.

The YMCA of Greater Pittsburgh has chosen Massaro Corporation as their General Contractor for their new 37,000 square foot facility in Market Square. This $4 million project is currently in the preconstruction phase and construction is slated to begin in May. The Architect on the project is DRS.

Point Park University has selected Massaro Corporation for preconstruction services for the Public Space Enhancement/Urban Park project. The project is part of the Academic Village Initiative that will transform the campus and the Downtown neighborhood into a vibrant urban campus and community. The architectural team on the public space enhancement/urban park project is TKA, Inc and Klavon Design Associates of Pittsburgh.

Massaro Corporation has been chosen by Pittsburgh Gateways to provide preconstruction services for the design/build project at The Crawford Grille in the Hill District. This $2.5 Million project is slated to begin construction in autumn of 2009.

Massaro CM Services, LLC was awarded a construction management contract from Pittsburgh Public Schools for renovations to the Pittsburgh Science and Technology Academy at Frick. This project is located on Thackery Street in Oakland and houses grades six through nine. The project consists of a complete interior renovation of the existing 43,574 square foot facility and the addition of a new elevator tower. Construction of this $10 million project is expected to begin in mid-June 2009, and will be complete by August 2010.

Massaro CM Services, LLC was also awarded a contract by the township of South Fayette to perform a feasibility study of a former movie theater building in Bridgeville. They are considering converting the building to a civic center.

Massaro Corporation was selected by UPMC for their Catheter Lab projects which will include the renovation to two existing labs in UPMC Shadyside hospital. This fast-track project is slated to begin in May of this year and to be completed by June. The architect on the project is Burt, Hill. BG

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Faces & New Places

Allegheny Construction Group, Inc. welcomes Jamie Johnson as Operations Manager. Johnson was previously employed by Dick Corporation from 1979 to 2009 where he held the positions as Vice President of Estimating and Director of Pre-Construction. Johnson's recent project was the New Children's Hospital of Pittsburgh in Lawrenceville, PA.

The P.J.Dick – Trumbull - Lindy Paving Family of Companies is pleased to announce that Jake Ploeger and Tim O'Brien have joined the Companies as Project Engineers. Jake Ploeger has been a news anchor for WTAE for the past 10 years. Since 2003, Tim O'Brien has acted as the Director of Government Relations for Plextronics, an international technology company based in Pittsburgh. Jake and Tim are sons-in-law of Cliff & Diane Rowe and Jane Burton, respectively.

The companies' owners have decided, as part of the companies' plan for succession, that two family members from both the Rowe and Jane Burton families will be employed at the companies. Jake and Tim join Jennifer Howe and Brett Pitcairn working at and learning the family businesses. They will be given the opportunity to contribute and grow in experience so that they might be able to assume roles of authority and leadership as the family of companies works toward the transition from this generation of leadership and ownership to the next.

Mascaro is pleased to announce that the following employees passed the U.S. Green Building Council exam and are LEED® Accredited Professionals: Colin Gibbons, Jason Scheible and Ed Swiatek. This brings the total count of Mascaro's LEED accredited professionals to 28.

Spectra Contract Flooring is pleased to welcome Joe Kovarik as the Manager of our New Ceramic Division. Joe comes to Spectra with over 25 years of experience. His background includes understanding of marble, granite, ceramic and porcelain tile installation. At Spectra, Joe's responsibilities include product knowledge, estimation, and project management.

Spectra Contract Flooring is also pleased to welcome Linda Hersey as a new Account Manager with emphasis on Education projects. Linda comes to Spectra with over 20 years of experience. She has extensive knowledge of estimating, LEED Certified projects and project management.

Della Miller joined the Massaro Corporation team as an Accountant handling payroll and accounting. She joins Massaro from Masco Construction, Inc where she worked as an Officer Manager and Accountant for the last nine years.

David Disque recently joined the Massaro CM Services, LLC team and will be working as a Project Manager at the Bethel Park project. He joins Massaro from Valentour English Bodnar & Howell, Registered Architects where he worked as a Construction Administrator. Dave earned a Bachelor of Science degree from Duquesne University.

Charles DeRito recently joined Massaro CM Services, LLC as a Site Manager and will be working on the Bethel Park project. He joins Massaro from The Whiting-Turner Contracting Company where he worked as a Construction Manager for the last 17 years.

Rycon Construction, Inc. is pleased to welcome Doug Gawronski and Mike Dillon to their team. Doug has been in the construction industry for over 30 years and is a Project Manager at the W&J John A. Swanson Science Center site. Mike has over 20 years experience and will assist Rycon's Special Projects Group.

On April 27, Richard (Rick) Kalson and David White joined the Construction Services Group of Babst, Calland, Clements and Zomnir, P.C as shareholders. Lauren Rodriguez and Richard (Rich) Saxe joined as associates who bring with them significant construction law experience as well as their own client base. Prior to joining BCCZ all four had been part of the Construction Law Practice of Thorp Reed and Armstrong. BG

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THE INDUSTRY in the COMMUNITY

NAIOP Honors Developers at Annual Banquet

The Pittsburgh chapter of the National Association of Industrial & Office Properties held its 16th annual banquet March 24th at the David L. Lawrence Convention Center. Over 600 of the region's development, real estate, design and construction professionals attended. KDKA's Larry Richert was the emcee for the evening, which featured awards in seven categories. In addition Lou Oliva of Grubb & Ellis and Bob Stephenson, formerly of RIDC, will be inducted into the NAIOP Pittsburgh Hall of Fame.

NAIOP Banquet Chairs Maureen Ford of Lawrenceville Corporation, and Mike Belsky, from Columbia Gas of Pennsylvania.

NAIOP Pittsburgh Hall of Fame inductees Lou Oliva, of Grubb & Ellis and Robert Stephenson, retired from RIDC.

NAIOP Pittsburgh President Mark Dellana of Genesis Partners, Maureen Ford, Dick Donley of Chaska Property Advisors and Hardy Kern of Tetra Tech NUS.

Prior to the banquet, Douglas Howe, Chairman of NAIOP Corporate and CEO of Touchstone Corporation will deliver a presentation about the importance of sustainability in the commercial real estate industry.

The projects recognized were:

- Green Building: Consol Energy Worldwide Headquarters, Horizon Properties Group
- Build to Suit Industrial Category: McClaren Woods Business Park, Building 2000, The Elmhurst Group
- Build to Suit Office Category: Consol Energy Worldwide Headquarters, Horizon Properties Group
- Speculative Building–Industrial: Turnpike Distribution Center, Castlebrook Development & Al. Neyer Inc.
- Speculative Building–Office: Cranberry Business Park, Building 120, Chaska Property Advisors
- Supporter of Development: Larry Reichard, Penn-Northwest Corporation
- Driver of Development: Point Park University

ACE Mentor Program Events

On March 4, Cleveland Brothers Equipment held an event for the ACE Mentor group at their new Cranberry Township facility. The program was designed to help students find the right machine for the right job. Students had to gain an understanding of machine cycle times, fuel consumption, and costs of running equipment to determine the best machine to get the job done.

Members of the Trumbull Corp./Obayashi project team guided 45 students, teachers and mentors on a February 4 project site visit to tour the "Bore to the Shore" project which will link the Golden Triangle and the North Shore. The tour was led by Trumbull area managers John Murray, Adam Belasik and Obayashi-USA project manager Paul Zick.

A visit on January 7th to the Bricklayers & Allied Craftworkers (BAC) Local #9 PA Training Center, sponsored by the International Masonry Institute, offered students hands-on exposure to the trowel trades. Ed Frieze (Apprenticeship Coordinator) and Rich King (Head Instruction) of the BAC Local 9 PA along with four (4) apprentice volunteers from Cost Company, MARSA, Inc., and MI Friday were on hand to talk with 25 ACE students about careers in the trowel trades and to assist them with a hands-on experience in bricklaying.

Some of the ACE Mentor participants at the rodeo sponsored by Cleveland Brothers Equipment. Eric Naughton and Dan Rodgers of Cleveland Bros. are at right.

Three ACE Mentor students work at laying brick at the Bricklayers & Allied Craft Local #9 apprentice training center as part of a hands-on day to promote the trade.

PennDOT Secretary Biehler Presents Stimulus

The Society for Marketing Professional Services held a luncheon presentation featuring PennDOT Secretary Allen Biehler at the Rivers Club on March 18. The packed audience heard a presentation on what portion of the ARRA was expected to come to Pennsylvania for the purposes of infrastructure investment, and what share of that was planned for Western PA. A Powerpoint slideshow of the presentation can be downloaded at ftp://ftp.dot.state.pa.us/transfer/SMPS%203-18-09/

PennDOT's Allen Biehler (center) speaks with Paul Messineo Jr. of Allen & Shariff Corp. Patrick Kelly of Rinker Materials is at right.

Duggan Rhodes is 'Big for a Day'

On March 21, 2009, members of The Duggan Rhodes Group (DRG) volunteered to be "Big" for a day. DRG volunteers were matched one-on-one with youth on the waiting list at Big Brother Big Sisters (BBBS) of Greater Pittsburgh. BBBS of Greater Pittsburgh is one of the nation's premier mentoring organizations and has been serving the local area for over 44 years.

The "Big for a Day "activity is the first of a series of activities DRG has planned for 2009 with the help of its community service partner, Pittsburgh Cares. DRG is proud to be partnered with Pittsburgh Cares in its effort to make a positive impact on the Pittsburgh Community and looks forward to participating in future activities in the spirit of its company shared value "Contribute to the Community."

Members of The Duggan Rhodes Group who participated in "Big for a Day" included Andrew Rhodes, Michael Birmingham, Bill Kerns, Brandon McGlothlin, Will Motley, Jeff Hogan, Chris Jones, Angie Vargo and Sarah Shaffer

Chris Opalinski
Scott Cessar
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WTW Architects Provides Support for Habitat for Humanities New Orleans' Project

As part of its long involvement in a variety of community support activities, and the firm's ongoing sponsorship for the Association of College Unions International's (ACUI) annual meeting, WTW Architects of Pittsburgh funded local transportation for more than 300 ACUI members who took part in a Habitat for Humanity project in New Orleans.

"We were thrilled," said Paul Knell, WTW principal and long-time ACUI member, "to be able to support such a worthwhile endeavor. This represents a reaffirmation of our firm's ongoing commitment to volunteerism and environmental sustainability in a community still struggling to recover from the destruction caused by Hurricanes Katrina and Rita."

A team of WTW Architects employees takes a break from construction at the New Orleans Habitat for Humanity site.

Young Constructors Sponsor Economic Seminar

The MBA's Young Constructors hosted an economic seminar April 16, 2009, with a presentation by PNC Vice President/Senior Economist Robert Dye of the current status and near term forecast for the construction industry, both nationally and locally. Over 70 industry professionals were present. BG

MBA's Jon O'Brien (left) and Jendoco's Michael Kuhn (right) flank PNC's Robert Dye at the Young Constructor's economic seminar at Cioppino.

Mary Donatelli and Kirsten Donatelli of Granite Fabricating with Suebert's Mike Petrasek, and Michael Barnard of Oxford Development.

(left-to-right) Lighthouse Electric President Todd Mikec, Dave Casciani of McKamish and Jendoco's Michael Kuhn.

Maxim Crane's Bob Fleckenstein talks with Jendoco Construction CEO Domenic Dozzi during the American Subcontractors Assoc. Annual Meeting at the Rivers Club.

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

A Letter from Senator Robert Casey

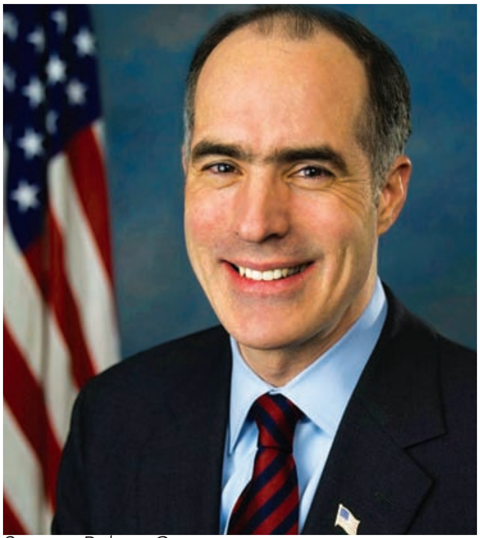
The end of the year brought sobering news about the state of our economy. So many working families have suffered under the weight of this recession. In 2008, 3.6 million Americans lost their jobs and unemployment soared to 7.2 percent. Since then that number has climbed by another percent. In Pennsylvania, 54,300 jobs were lost in a single month between November and December, bringing the state's unemployment rate from 6.2 percent to 6.7 percent. Compounding the bleak employment data is the state's own financial picture. These shortfalls present a danger to communities across Pennsylvania as state and local officials may be required to raise tax rates to meet the looming deficits unless action is taken.

Congress worked with the Obama Administration in its initial weeks in office to come up with a recovery plan to begin to reverse the economic downturn. The bill, known as the American Recovery and Reinvestment Act of 2009, includes many components designed to accomplish this goal. For instance, the plan will give tax cuts to 95 percent of American workers, putting money in their pockets as they struggle to make ends meet. It will provide an infusion of capital into projects across Pennsylvania that will put people to work modernizing the Commonwealth's roads, bridges and water systems, creating or saving an estimated 3.5 million jobs nationwide and as many as 143,000 here in Pennsylvania. It provides direct aid to the state to help fill the budget gap, stave off cuts to crucial services and provide additional unemployment insurance for workers who have lost their jobs. For greater detail on the funding specific to Pennsylvania, please visit my website at http://casey.senate.gov.

Although I recognize that this recovery bill is not perfect, I voted for it to help President Obama get our economy moving again, to create jobs and to aid those hardest hit by the economy. On February 13, President Obama signed this bill into law.

This bill will not only create and save jobs immediately, but it will help us rebuild America for the future, making us more globally competitive and energy independent. The investments it will make in roads, bridges, mass transit, energy efficient building, flood control and clean water projects will have a lasting effect on our economy. The bill's investments in science and innovation will be used to spur new American-made technology, prevent and treat disease, and tackle urgent national challenges like climate change and dependence on foreign oil.

As the Obama Administration moves forward with this plan, I will work with other senators to ensure that taxpayer dollars are spent in an effective and efficient manner. The new law contains unprecedented transparency and oversight provisions that will allow taxpayers to see how their government spends their money. I encourage you to visit the website, www.recovery.gov that has been established so that you can track the implementation of this recovery plan. BG



Senator Robert Casey.

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