Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA
NOVEMBER/DECEMBER 2010

THE BIG PICTURE

NATURAL GAS, HIGHWAYS & FINANCE ARE KEYS TO 2011

AN UPDATE ON BUILDING INFORMATION MODELING

NATIONAL 2011 FORECASTS FOR CONSTRUCTION

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CONTENTS

PUBLISHER
Tall Timber Group
www.talltimbergroup.com

EDITOR
Jeff Burd
412-366-1857
jburd@talltimbergroup.com

PRODUCTION
Carson Publishing, Inc.
Kevin J. Gordon

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

CONTRIBUTING PHOTOGRAPHY
Carson Publishing, Inc.

ADVERTISING SALES
James Hilliard
412-548-3823
milfordbay@comcast.net

MORE INFORMATION:
BreakingGround is published by Tall Timber Group for the Master Builders' Association of Western Pennsylvania, 412-922-3912 or www.mbawpa.org

Archive copies of BreakingGround can be viewed at www.mba.wpa.org/articles

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Publisher's Note

IN January 2008, I was asked to make a speech to a homebuilders association in Washington County. After about a half hour of presenting what were somewhat gloomy predictions a particularly colorfully dressed man stopped me and asked, "It sounds like you're saying that we're already in a recession, aren't you?"

You'd think that would have been a perfect opening for a know-it-all, wouldn't you? Here was a chance to be the first one on the block to make that pronouncement. Remember that this was just a couple of months after the stock market reached its all-time high. Bear Stearns hadn't happened yet and we were still half a year away from discovering what a mess Fannie and Freddie had become.

But, when that old boy called me out about the recession I choked. The fairly obvious conclusion anyone would have drawn from listening up to that point was that the economy was going to hit a wall. As a presenter, I was fine with the listener drawing that conclusion, but when someone else asked me to verify that conclusion I decided to pull back from the abyss of making an actual prediction. Nine months later I certainly regretted not being just bold enough to say what I meant.

What I took away from that moment of caution (actually cowardice) was to never avoid that kind of question again. For one thing, speaking on the economy is a pretty fat gig. Five years out of six, everyone in the audience knows what you're going to say. Either the market is good or the market is bad. In those years the only difference between what I know and the audience knows is that I have a Powerpoint. It's knowing when that sixth year is coming, that time when the worm is turning, that determines whether or not you're worth asking back. To make that call you have to risk being wrong.

So, gentle readers, I am going to go out on a limb right now and say that I think that 2011 might be the year we see things pick up after all.

Please feel free to disagree. Far too many of my friends in the industry are struggling still and can't prudently look ahead to next year with a forecast of more opportunities. The basis of my prediction is pretty anecdotal. I have plenty of data on the trends and a pretty nice pipeline of projects being tracked, but the size of the pipeline doesn't always translate to immediate contracting opportunities. In the end, I just believe the regional economy is simply too healthy for demand to be suppressed three years in a row. The sentiment is too positive, I believe, to keep investors in real estate on the sidelines much longer.

And the final convincer for me was the mid-term elections. Like the 1994 elections, the incumbent administration found out how quickly the winds of change can shift. My sense is that the net effect of the elections will be an easing of tensions in the business community, which will be a tipping point in decision making. I certainly don't think anything remotely revolutionary is about to happen but business seems to think gridlock is a good thing, and we're about to get a couple of years of that.

If I'm right, the architects ought to be busy right after the Holidays, and there will be lots to bid in the early spring. If I'm wrong, well we'll know by the time the Pirates lose their first home game. Until then you can find my email and phone number on the contents page. Don't hesitate to use them to tell me I'm all wet. Just don't call me chicken.

Jeff Burd

REGIONAL UPDATE

Autumn is the harbinger of the hibernation to come for nature, and usually ushers in a flurry of last-minute bidding before hibernation in the construction industry sets in. While the bidding environment this Halloween wouldn't qualify as a flurry, there are signs that the autumn may be bringing a thaw to the frigid business conditions of the past two years.

The difficulty in judging a return to a growth cycle after an extended period of decline is that there are a lot of nibbles that things are getting better for a year or more before a real robust recovery kicks in. Often those nibbles turn out to be mirages or simply a good thing in a bad time. The current nibbles have more to do with confidence and frustration than strong economic signals and could certainly turn out to be a passing phenomenon, so for the near term it is best to view them with a healthy dose of caution. That caveat is especially valid when you consider the year-to-date construction starts.

Once again the housing market offers no indication that a turnaround is brewing. Total new home permits from January through September 30 totaled 1,923 units, an increase of 1.4% over the first nine months of 2009. Single-family detached units have showed more activity than last year, as 1,232 units were started, a 13% increase. That growth was almost entirely offset by a decline in attached dwelling units. If the fourth quarter activity is true to expectations, the new housing construction permits for the year will end about 4% higher than the total for 2009. That volume of new construction will still be less than half the annual number of units started in the middle of the decade.

Non-residential contracting showed more life during the third quarter and the January-September total was $1.78 billion, down from $1.98 billion during the same period in 2009. Unlike in the residential market, however, contracting in the fourth quarter should be significantly higher than the previous year, or the third quarter for that matter. With contracts being let on a handful of larger projects, and a general uptick in commercial construction, the forecasted total of $2.8 billion for the full year seems to be a good estimate.

Municipality	#SFD	#SFA	Total
Single-Family Detached			
Jefferson Hills	62	0	62
Peters Township	62	0	62
Adams Township	59	42	101
North Huntingdon Township	56	10	66
Moon Township	55	12	67
South Fayette Township	51	15	66
Cranberry Township	46	67	113
Pittsburgh	38	55	93
Cecil Township	37	20	57
Ohio Township	34	36	70
Single-Family Attached			
Cranberry Township	46	67	113
Pittsburgh	38	55	93
Adams Township	59	42	101
Collier Township	6	41	47
Ohio Township	34	36	70
Total Pittsburgh MSA 2009:3	**1,090**	**807**	**1,897**
Total Pittsburgh MSA 2010:3	**1,232**	**691**	**1,923**
% Change	**13.0%**	**-14.4%**	**1.4%**
By County	**SFD**	**SFA**	**Total**
Allegheny	563	306	869
Beaver	90	48	138
Butler	166	138	304
Fayette	64	14	78
Washington	178	55	233
Westmoreland	171	130	301

Housing starts in the most active municipalities in metropolitan Pittsburgh through nine months. Source Pittsburgh Homebuilding Report.

The volume has been pushed higher by public construction projects and the contracting of the Battery C phase of the US Steel Clairton Works, which is estimated to be $450 million. Among the bigger public projects are the $60 million dollar Penn Hills High School, the $185 million expansion of SCI-Fayette, the $32 million Salk Hall expansion at Pitt, the $27 million Pine-Richland High School addition, the $30 million VA Pittsburgh CARES research building and the $25 million Benedum Hall upgrade phase 4.

The optimism that exists is coming from a perceived increase in clients turning loose projects that had previously been on the shelf. There is no quantitative analysis that can be done to verify this sentiment, at least not until there is a related increase in contracting. But anecdotal evidence is being reported by architects and contractors of institutional owners and developers releasing work or calling with projects that had been priced two years ago.

Without more objective data or even a regional version of the AIA Architectural Billing Index it would not be difficult to find architects and contractors who aren't having the experience of project release. The evidence that conditions are improving regionally is consistent with national data and surveys that show improving conditions, but even those data aren't suggesting everyone's business is better. Remember that an ABI reading of 75 would be off the charts, but it would also mean that 25% of the respondents had a declining month for billing.

Aside from anecdotal evidence or the logical extension of national surveys to our local market, the timing of a pickup in activity is consistent with the psychology that exists at this point in the business cycle. Retail trade in Western PA is certainly off, but foot traffic and sales for retailers in good locations and Class A malls is much improved. National 'A' credit retailers have been expanding their footprints in the region, in many cases taking over spaces that had been vacant or re-branding their stores. Consumer electronics store HH Gregg has taken a handful of vacant stores off the market and Best Buy is the latest to begin a round of store makeovers, spending roughly $1 million per location. Consumer spending may not have returned to housing bubble levels but it is growing, which is an expression of optimism about the coming year.

"... THE RISK OF INACTIVITY **OUTWEIGHS THE RISK OF INVESTING CAPITAL.**"

The other psychology that seems to be at work is at the opposite end of the emotional spectrum, a kind of response to the frustration that has plagued businesses that were essentially healthy but pulled back from construction out of caution. Here again the frustration response also suggests that the owners have decided that the risk of inactivity outweighs the risk of investing capital. That implies a belief that more opportunities will exist in 2011.

Any optimism about the regional economy, however justified, must still be tempered with the reality of the current market. Competitive conditions are still fierce. Project owners have been explicit about their recognition that it's a buyer's market and have broadened their invitations to bid. Duquesne University is an owner that has historically bid its projects to a handful or fewer contractors, but the list of invited contractors for its $25 million, 12-story Des Places Residence Hall includes 11 generals. The paucity of large projects during the past two years has also compressed the market, forcing the region's larger firms to pursue smaller work. While a handful of $100 million-plus projects are in the queue for 2011, the opportunities for larger architects and contractors won't satisfy the market.

Adding more fuel to the competitive fires has been the surprising influx of national firms to the region, particularly those with strong healthcare resumes. An unfortunate byproduct of Pittsburgh's burnished reputation is a heightened awareness that this region has weathered the recession better than most markets. For construction managers, architects and engineers who find their home markets barren of opportunities, Pittsburgh has come to be viewed as a Mecca of opportunity. Aside from expanding the number of competitors, the dynamics of market entry – sacrificing margins in favor of gaining share – adds more competitive pressure to a tight market.

That's a sobering conclusion to what is generally a more upbeat outlook for the construction market through year end. The third quarter reports from the real estate service companies CB Richard Ellis, Grubb & Ellis and Grant Street Associates/Cushman & Wakefield continue to show declining vacancy rates or occupancy levels remaining steady in commercial structure types. Demand for office and industrial space continues to build, especially in the Cranberry, Oakland and Southpointe submarkets. Smaller construction projects are moving ahead in those areas, but the fundamentals support further new construction. In Oakland and Cranberry in particular, it has become harder to judge demand because it is so commonly known that vacancies don't exist that regional users – like the University of Pittsburgh or companies trying to serve Westinghouse in the north – may not be expressing their needs fully.

Assuming that the mid-term elections do send the signal to the corporate world that a less obtrusive government is coming, private sector investment should follow. That would be a good thing, since regional and state governments have serious funding problems. DGS has not issued an RFP for design services in several months, and very little state spending is anticipated in Western PA next year.

For the commercial construction the key is available financing with reasonable conditions. Regional developers, like those with national profiles, expect that 2011 could be the beginning of a run of higher interest rates. That expectation, along with a bit more leverage in loan-to-value, should kick start the commercial sector. BG

NATIONAL MARKET UPDATE

September and October data may finally be showing that the way to a construction recovery is visible. The difficulty in predicting an upturn is that often leading indicators give little 'head fakes' for a month or two before falling back or going higher, depending on where the business cycle is. September could yet prove to be such a head fake, but the indicators have some weight.

One indicator that isn't showing a head fake or a positive signal is unemployment. No matter what becomes of the economy over the course of the winter, the employment picture will remain stubbornly negative. It is important to remember that 20 million people out of work will be a drag on the economy and 9.6% unemployment could, in fact derail a recovery in 2011.

But while the global economy may still have room for further stagnation from high unemployment, the construction economy seems poised to recover even without an improved jobs picture.

The economic indicators that are trumping some of the more gloomy macroeconomic signals are related to consumer confidence, business investment and finance. Consumer confidence is at best a dicey indicator, and in September and October surveys of confidence often showed sagging results. Consumer confidence as surveyed is highly susceptible to a bad news cycle or some event that professional investors may deem negative and then digest and ignore a few days later.

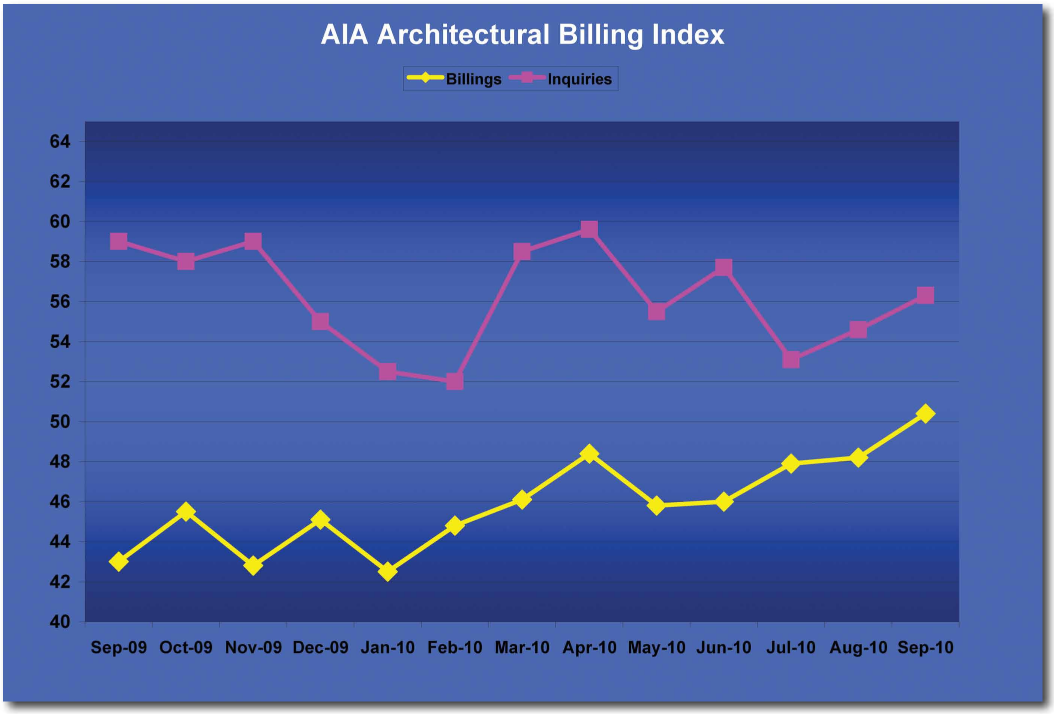
The European debt crisis earlier this year was one of those events that spooked markets for a while, until investors determined that measures would be taken to avoid a widening crisis and discounted the problem (of course investors discounted the mortgage crisis in 2007 too). Most consumers can't truly grasp the European sovereign debt problem but they heard it was causing the stock market to fall and saw the balances in their 401-K fall 10% or more during the following couple of months and therefore, Greek debt begets weaker consumer confidence.

At this point the better consumer confidence indicator is how consumers are using their pocketbooks. The Commerce Department reported that consumer spending rose .6% in September, following an upwardly adjusted .7% increase in spending in August. International Council of Shopping Centers (ICSC) reported that consumer spending at chain stores had risen 2.6% in September. These increases are particularly interesting because they bridge a period between back-to-school spending and the holiday season.

At an October ICSC Pittsburgh Alliance program in Cranberry, retail veteran Steve Schuler expressed a theory about the reasons behind the re-emerging consumer. Schuler is a principal at DowntownWorks LLC, a Washington DC-based retail consulting firm.

"My experience is that the American consumer will respond to an economic crisis by cutting back spending and worry and get their house in order but will only deprive themselves for so long," he says. "Right now it seems the consumer has decided that depriving themselves for two years is enough and retailers who know their customers are doing well. The Class A malls are packed and smart retailers are seeing good traffic again."

Schuler pointed specifically at the Baby Boomers as a demographic that seems to be recovering its appetite for consumption, reminding the attendees that Boomers



Architectural Billing Index shows a positive reading in September.

Business Investment in Equipment & Software Indicates Future Investment in Structures

U. S, Dept. of Commerce data for annual growth in inflation-adjusted dollars

Recession Period	Year 1: Business Invest. in Equip. and Software*	Year 2: Business Invest. in Structures**
1973-1975	6.0%	4.8%
1981-1982	23.1%	14.1%
1990-1991	7.3%	-0.2%
2001	-1.8%	-1.7%
2008-2009	16.0%	???
Average – past 4 cycles	8.7%	4.3%

* Annual growth rate in first year after recession
** Annual growth rate in second year after recession

Source: Kermit Baker, AIA chief economist

A close correlation between expenditures in the first two years after recession bodes well for 2011.

weren't like their parents. "They buy clothing that makes them feel cool, because the clothes are new not because they need another shirt or whatever, and they think they are going to drive their Corvette until they are 90."

Another intriguing aspect of the consumer mentality is that it transfers directly to work. Business spending decisions are made by people who don't change their behavior all that much when they go to work. A quarterly survey of 73 corporate economists released in September by the National Association for Business Economics (NABE) showed that industry demand, profits, costs, employment and capital spending all strengthened compared to results in the July 2010 survey. Of the 50 respondents to a question about plans for spending on structures, 12 said they expect their firms to increase spending over the next 12 months, while 11 expect a decrease. It was the first net positive response to the question in over two years.

For the past year, businesses have been consuming more as well, driving inventory replacement up and setting the stage for positive decisions about construction projects in 2011, according to Dr. Kermit Baker, chief economist for the American Institute of Architects (AIA).

Baker was part of a webcast on October 21, titled "After the Fall" that addressed when the rebound would begin. He keyed in on the historical pattern of construction spending that followed business investment in the years after a recession ended. Baker found that the correlation between the two was extremely close and had accurately foretold how the recovery unfolded in each of the past four recessions, going back to 1973.

"Business investment in equipment and software in the first year after a recession represents smaller expenditures that can be expensed rather than large investments like structures," he explained. "The two are generally related. If there is weak spending, like in 2001, then the investment in structures is weak the following year. Now who knows how this cycle will go but the spending this year has been very positive. If the traditional pattern holds we could see a much stronger recovery than expected next year." Growth in spending in 2010 was 16%, greater than that following all but the 1980-1982 recession.

The AIA was also the source of another positive and reliable indicator, the Architectural Billing Index (ABI), which passed the 50 mark in September. The ABI is the result of a simple yes/no survey of member firms that asks if billings were better or worse than the previous month. Any reading over 50 means that more firms responded affirmatively than negatively. September marked the fourth consecutive month of increases, following a dip in May, and the eighth month of increased ABI in the past nine. The ABI reading of 56.3 for inquiries also marked an extended period of positive readings dating back through the entire year (*see chart on page 7*).

"Firms are seeing recovery that is fairly broad-based and is especially good in commercial buildings," Baker explained. "It looks like on the commercial/industrial side we're looking at a real recovery."

... BUT THE SPENDING THIS YEAR HAS BEEN VERY POSITIVE.

AGC of America's chief economist Ken Simonson agreed with Baker about the prospects for non-residential construction in 2011, predicting an increase of less than five percent for that sector of the market, and an overall increase in contracting of between three and seven percent.. Simonson expressed more concern about the impact of state and municipal finances and felt the mid-term elections would yield results that were less hopeful for a solution than the current political balance.

"State and local pension fund shortfalls have moved to the forefront in most places and government is going to be forced to deal with the funding," he says. "Almost all local government is struggling with reduced revenues for operations and pension fund contributions will be a higher priority than construction spending for most municipal and state governments."

Simonson also expressed concern that the next transportation authorization, if passed, would not be the remedy most states are seeking, predicting that the federal portion would require more state matching funds rather than less. "I think heavy and highway construction will be extremely challenged over the next few years."

A KEY ELEMENT TO THE RECOVERY OF THE HOUSING MARKET IS A SUSTAINED REBOUND IN HOME PRICES. CAPITAL.

The Reed Construction Data forecast for 2011 takes into account four threats to U. S. recovery. Reed economist Dr. James Haughey is concerned that government pension obligations, slower Chinese growth and demand, higher taxes to pay for the Obama administration's ballooning deficit and European Union defaults could deal a serious blow to restored growth in the U. S. His conclusion, though, is that any impact from these structural problems will be blunted or deferred for the future. Reed's forecast is for total construction spending to expand 5.3% next year and 11.4% in 2012. This will bring spending by the end of 2012 up to 87% of the spring 2007 peak level.

One segment of the market that is overdue for recovery is not likely to see much better conditions in 2011. The housing construction market remains mired in a downturn that has yet to see the stars align for growth. A key element to the recovery of the housing market is a sustained rebound in home prices. And while home prices continued to inch higher again in September, additional pressures on a continued rise mounted.

Bank repossession of homes passed 100,000 for the first time in September, according to industry research firm RealtyTrac. A record total of 102,134 bank repossessions were reported for the month. The RealtyTrac U.S. Foreclosure Market Report for the third quarter of 2010 shows that foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 930,437 properties in the third quarter, a 4% increase from the previous quarter and a 1% decrease from the third quarter of 2009. This figure is one out of every 139 homes in the US.

Potential homebuyers have been showing increased traffic through the summer months but the concerns about a glut of foreclosure properties have been compounded by the federal inquiries into foreclosure procedures of the national banks. Few observers expect the federal and state investigations to yield any inappropriate foreclosures but the proceedings will add uncertainty to the market, possibly casting enough doubt on a buyer's ability to determine clear title to further suppress demand in an already tough environment.

The volume of new home construction in 2010 will likely end up below 750,000 new units. If so, it will mark the third consecutive year of new home starts at a level that is half the new household formation rate. This kind of demand suppression should be creating an explosive recovery, but other factors besides underbuilt supply will keep new construction growth in single digits for 2011.

Next year is likely to be a rare market: a jobless recovery with little new housing construction. BG

WHAT'S IT COST?

The recent run in precious commodities in response to the drop in the dollar and better signs of global recovery has missed most of the products and inputs that factor into construction costs. And according to AGC's chief economist, the calm in construction pricing should remain into early 2011.

"I still think PPI for construction will be flat year-over-year when all is said and done," offers Ken Simonson. "My bet for 2010 is that it will end looking like December 2009. The recent spikes in diesel, copper and steel will calm down and the declines in gypsum board and lumber will continue through the end of the year."

PERCENTAGE CHANGES IN COSTS	Sept 2010 compared to			
	1 mo.	3 mo.	1 yr.	Dec. '03
Consumer, Producer & Construction Prices				
Consumer price index (CPI-U)	0.1	0.2	1.1	18.5
Producer price index (PPI) for finished goods	0.3	0.6	4.0	24.7
PPI for construction	-0.1	-0.1	3.8	38.0
Costs by Construction Types/Subcontractors				
Residential buildings	-0.1	-0.2	3.2	31.1
New industrial building construction	0.0	0.1	0.4	N/A
New warehouse construction	0.0	0.2	-0.3	N/A
New school construction	-0.1	-0.2	1.0	N/A
New office construction	-0.2	0.1	-0.4	N/A
Concrete contractors, nonresidential	-0.4	0.7	0.1	N/A
Roofing contractors, nonresidential	0.0	-1.6	-2.7	N/A
Electrical contractors, nonresidential	-0.2	-0.2	0.1	N/A
Plumbing contractors, nonresidential	0.0	-0.4	2.8	N/A
Costs for Specific Construction Inputs				
#2 diesel fuel	-1.5	2.6	17.8	132.0
Asphalt paving mixtures and blocks	-0.3	-0.6	5.1	98.3
Concrete products	0.0	0.2	-0.8	36.0
Brick and structural clay tile	-0.3	-0.7	-0.1	18.5
Plastic construction products	-0.2	-1.0	1.6	36.7
Gypsum products	-2.6	-4.9	-2.3	16.4
Lumber and plywood	-1.3	-5.0	6.5	-9.3
Architectural coatings	0.0	0.0	-3.2	43.0
Steel mill products	1.2	-4.1	13.8	71.3
Copper and brass mill shapes	5.1	11.8	5.9	155.1
Aluminum mill shapes	2.0	3.2	7.9	19.9
Fabricated structural metal	0.1	0.9	-0.7	37.1
Prefabricated metal buildings	-0.4	0.9	10.4	73.6
Crude petroleum (domestic production)	-2.2	-0.5	9.6	147.7
Asphalt (at refinery)	-8.0	-12.9	12.6	195.4
Cement	-0.6	-0.8	-6.1	27.3
Iron and steel scrap	5.1	2.2	33.9	136.2
Copper base scrap	2.3	13.6	23.8	265.7

Source Bureau of Labor Statistics, Updated October 15, 2010
Compiled by Ken Simonson, AGC Chief Economist

It appears that weak supply and demand dynamics are trumping any dollar denominated inflation run, except for the three commodities Simonson names above. The mid-October inflation reports from the Bureau of Labor Statistics confirmed that the producer price index would remain below inflationary concern levels for the year. In September, the PPI rose just 0.3% from August and the moving twelve-month PPI increase was 4%. The weighted average of products and materials used in construction was even tamer, with inputs for construction down 0.1% for the month and up only 3.8% for the previous twelve months.

Of the three commodities showing significant gains, copper has been the most volatile. Copper for December delivery ended October 27 at $3.77 per pound up from $3.46 on September 15. The action in copper was most likely the result of investors seeking safer returns as the dollar weakened and other metals gained in favor. The October 27 close was only 50 cents lower than the $4.27 record high of May 5, 2008, a time when copper demand globally was much higher. A more optimistic explanation for copper's recent run is its reputation as a harbinger of economic activity. The metal gained 1.5% in August and 12% in July as well.

Copper tends to run up in price ahead of demand because it is used broadly in construction, manufacturing and electronics, and its supply inventories are somewhat erratic, leading to shortages with even modest increases in demand. The current copper market isn't showing spikes in demand but exchange inventories for the metal run only about five quarters. Speculators in copper are seeing signs of global demand improvement and betting ahead on recovery leading to spikes in price.

The prices of steel and diesel, although somewhat higher than in

2009, are trading within a fairly narrow range since the beginning of 2010. Nothing extraordinary is in the offing to create a spike in demand for either, and seasonal slowdowns in usage should pressure pricing back to levels that were seen in January 2010.

Of the materials that showed unusual changes earlier in the year, the most interesting was the jump in gypsum board. Price increases of 20% were put in place in May by National Gypsum and U. S. Gypsum to reverse a trend of losses by the nation's drywall manufacturers. With only four main producers in the market, and two that dominate the share, the price increases were fairly arbitrary and the manufacturers had to take great care that the increases weren't seen as being collusive. All the manufacturers had been losing money for more than two years so the increases could be justified, but with the end use markets for drywall in such bad conditions the increases looked like they would be difficult to hold. After a couple of months of stubborn resistance, competitive pressures worked to erode the pricing during the slow summer and the trend is for the erosion to wipe out the increases by year's end.

THE BIGGEST SPIKES WERE IN ENERGY AND OIL-RELATED COMMODITIES, COPPER AND STEEL.

Global conditions haven't produced growth just yet but the perceived improvement in conditions has allowed for prices to drift slightly upward on selected materials and products.

The National Association of Business Economist's mid-year survey found slightly more firms reported rising materials costs than in the second quarter (33% vs. 30%), while only 2% reported falling costs, down from 10% in the previous survey. In contrast, more firms lowered selling prices (17%) than raised them (14%). These pricing dynamics reflect continued competitive conditions that would ease if a recovery begins, and allow producers to begin passing higher material costs on to their customers.

Because Ken Simonson anticipates slightly higher levels of residential and non-residential construction in 2011, he anticipates that manufacturers will be able to push price increases through, although his forecast anticipates a range of price inflation – between 3% and 8% - that is fairly broad.

Before drawing the curtain on 2010, one interesting exercise is to compare pricing on commodities to the year end of 2003, a year that had a similar feel in terms of the recovery from the last recession. Consumer price index inflation has been a cumulative 18.5% over that time, a low rate historically for consumer inflation. The producer price index during that time rose 24.7%, with the PPI for construction up 38%. Inflation for almost all construction inputs rose more or less in the range of the PPI, between 25% and 40%. A look at the outliers, however, provides insight as to why construction costs are up so stubbornly in a bad economy.

The biggest spikes were in energy and oil-related commodities, copper and steel. The latter rose the most modestly of this group, up 71% since December 2003, but that increase is roughly double the overall PPI. Prices for oil, refined products and copper rose at twice the rate of steel or higher. A few notable items among this group are diesel (up 132%), asphalt (up 195.4%), copper (up 155.1%) and copper scrap (up 265.7%).

The disparity between these commodities and those closer to core inflation and producer prices can be explained away as anomalous for a few reasons, but there is also a case to be made for the higher rates of inflation in these items as indicators of future inflation in all commodities. Virtually all of these runaway commodities and especially those with the highest inflation are subject to speculation, which could suggest that the allowance for coming demand increases is being built into the pricing now. Demand for all construction materials and products will have to grow significantly for a longer period of time to test that theory, but if predictions of growth in 2011 are correct, we should see some validation tested early next year.

Energy, Infrastructure & Finance

No matter where you stand on the subject of the chances of recovery for the overall economy and the construction/ real estate market for 2011, it has become apparent that the southwestern PA region has fared better than most during the past two years of shock and recession. The combination of civic vision and the continued emergence of a new economy based in the fruits of healthcare and higher education has created an employment environment that is synchronous with where the demands of the global economy have gone.

Trumpeting the Pittsburgh economy as the residue of 'meds and eds' takes too narrow a look at what has worked and is probably not as accurate as most observers once thought. As is often the case, the analysis of how Pittsburgh became such a strong – even hot – market requires more time than the usual 24-hour news cycle allows. And as the business cycle evolves from recession to recovery (and on to prosperity we hope), a different picture of the regional economy is coming into focus. Healthcare and higher education will continue to be cornerstones, but the prospects for the construction and real estate industry for the coming twelve to eighteen months rest on how quickly the emerging energy economy can confirm its space needs, whether or not the government can find a way to invest adequately in infrastructure and ultimately, whether or not the credit markets achieve the long-awaited return to normal conditions.

Eergy Means Gas

For the past two years, energy has come to mean Marcellus shale in Western PA. In truth, the emphasis on energy in the regional economy has paralleled the national emphasis on energy independence in recent years. Much of that focus is the result of the extraordinary spike in the cost of energy in the first half of 2008, but the concept of a national energy policy as a facet of national defense policy has its roots in post-9/11 geopolitics.

The thrust of national energy defense policy is to develop resources and technology to reduce or eliminate the dependence on imported oil, both because oil reserves have dwindled to levels that will be short-lived and because a significant amount of the world's reserves lie under countries we view as enemies or as unstable friends. Seeking other sources of energy has been catalytic to our region because the region has a mature and vibrant coal industry, possesses research and technology resources to develop alternative energy sources – especially nuclear, is a leader in energy conservation and of course, because the region sits on top of one of the most productive natural gas deposits ever discovered.

Regional officials are quick to point out that Pittsburgh's energy focus involves more than Marcellus shale. The region is a global center for nuclear energy. Coal continues to be a strong business in Western PA. And our region has emerged as a player in alternative energy technologies like wind or solar.

But as healthy as these industries are – and as bright an opportunity as these technologies present – their impact on the construction and real estate market in Western PA has been limited. While the long-term development of these alternative energy businesses will benefit the region, none will have the impact over the next couple of years that the natural gas industry will.

It has been interesting to watch the natural gas exploration evolve here. Prior to 2008 virtually no one in the region knew what the Marcellus shale formation was but by this time the phrase has taken on a marketing life of its own. Dozens of Marcellus shale industry associations, aimed at making it easier to do business with the gas exploration explosion, have popped up to document the industry. Business media have created new sections and sponsored events to attract interest from businesses trying to cash in on the exploration boom. At the same time the politicians have come to grips with the potential for revenue that the industry represents when taxed. Perhaps not coincidentally, the regulatory and environmental opposition to the drilling has also escalated.

The irony of this elevated public expression about the Marcellus shale is that the industry itself had a relatively quiet year here.

What has been occurring is a movement from exploration to production because of the properties of the Marcellus shale formation and the economics of the marketplace. Drillers are discovering that Marcellus shale gas that is cheaper to produce than in other regions because the reserves are located less than half as deep as the reserves in Texas and Arkansas. The

…PRODUCERS ARE LEANING TOWARDS DRILLING

THOSE AREAS WHERE THE WET GAS IS RICHER.

"sweet spot" is better in terms of the volume and pressure of the wells, and the ability to cluster wells in an area. Marcellus shale wells are proving to be more productive than predicted and are maintaining the higher pressure of initial drilling for longer periods than forecast.

It's not surprising then, that production in the first seven months of this year has increased, compared to the same period a year ago, according to reports from the state's Bureau of Oil and Gas Management. There were 1,721 permits issued for wells in the Marcellus reserves from January through July and 822 were drilled, compared with 999 permits issued and 263 wells drilled in the same period a year ago, state figures show. The greatest activity was in Washington and Greene counties, where 273 permits were issued and 148 wells drilled.

"Half of the drilling going on now is aimed at acreage retention," notes Range Resource's Matt Pitzarella. "Even as we focus on the core areas of operations, activity is still going on in outlying areas to keep leases alive."

The market realities have pushed the drillers to focus on the 'wet' gas extraction. These gases, like butane, propane or methane, exist with the dry gases in the shale and are easily separated in production. With prices for wet gases garnering about double those for dry gas, producers are leaning towards drilling those areas where the wet gas is richer. That's good news for Washington County, which has more wet gas that most other areas. The movement towards wet gas is reflected in the early facilities that have been developed.

As the industry has matured in Pennsylvania, activities are becoming more predictable, making it easier to identify and track opportunities for construction of the facilities needed by the drillers, and to anticipate the related real estate requirements of the companies doing business here.

Real Estate brokers have seen opportunities for gas-related companies in three main areas: Canonsburg area, Cranberry Township and Indiana, PA. The Canonsburg area has been the focus of the largest construction investment, which has been in production facilities. Between Chartiers Township and Majorsville on the border, something on the order of a half billion dollars has been spent on MarkWest Development projects to create compressing, separating, storage and distribution capacity. A multi-million dollar frac water remediation facility is underway off Route 519 near Eighty-Four PA. Southpointe surrounds Canonsburg and has been the hub of the gas exploration companies' office activity. Range Resources is at the first stages of constructing its $20 million regional headquarters in what was to be part of the Southpointe Town Center property.

Cranberry Township has been a popular spot for real estate search, particularly for engineering and service companies looking to be in a convenient location between the Washington/Greene County production fields and the expected future production activity in the northern Beaver Valley and Shenango Valley. Crossgates has developed a 30,000 square foot building for East Resources and Talisman Energy is having a 53,000 square foot building constructed by PA Commercial Real Estate at Pennwood Commons, with the potential for expansion into the planned Pennwood Commons II building.

Dozens of other facilities, mostly smaller, have popped up throughout the region. The largest of these is the office/warehouse complex built for Baker Hughes near New Stanton. The project was a $12 million design/build project for A. Martini & Co. with Desmone & Associates Architects. Other facilities built or purchased for various drillers, tool and equipment companies, servicers, etc. have required the proverbial "15,000 square feet and a five acre yard" that is so un-commonplace in Western PA.

A great example of how the Marcellus shale activity is poised for real estate growth is the recent surge in interest in the Alta Vista Business Park. Alta Vista is a small industrial park built in Fallowfield Township on a brownfield site along the north side of Interstate 70. Developed by the Monongahela Industrial Development Authority, Alta Vista has attracted only one business in half a decade, but is now near a deal with a Houston-based company for its 50,000 square foot spec building and is working towards securing deals on five of its remaining six parcels. All of the interested firms are involved in the Marcellus shale exploration.

The final piece of the natural gas development story will be the attraction of industries that need gas as a feedstock or raw material. Pittsburgh's location, which is within 500 miles of 40% of the United States population, makes it more attractive to locate manufacturing and distribution compared to the relatively isolated current heart of the natural gas industry in Louisiana and Texas. Natural gas is the feedstock or is essential to the manufacture of industrial chemicals, plastics, fertilizer, glass, specialty metals and pharmaceuticals. These companies will often require gases that are byproducts of the refining that the gas providers are focused on producing, adding more efficiency to the process. Deals such as Proctor & Gamble's with the gas producers in the northeastern corner of the state are being investigated in our region now.

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Reinvesting in Infrastructure

For all the excitement that the natural gas industry is generating, another opportunity is being lost for the heavy construction industry and the regional real estate market.

Regardless of your political beliefs about the American Recovery and Reinvestment Act of 2009, the provisions for infrastructure have proven to be successful in their stated aims of creating immediate jobs and rebuilding the nation's highways and bridges. For 2009 and 2010, the benefits of ARRA were certainly felt in Pennsylvania. What resulted from the act was essentially a doubling of the state's annual capital expenditure on transportation construction. ARRA allowed Pennsylvania to accelerate its long-term capital projects by one year. Heavy and highway contractors and engineers certainly felt the increased volume during the past 18 months and the rapid implementation of the stimulus money wasn't just a Rendell administration PR success. The U. S. House Infrastructure Committee ranked PA first in the nation in efficiency of ARRA spending.

Beyond what benefit was created by emergency legislation, investment in infrastructure in Western PA is important to keep pace with the demands of the commercial and industrial development market. Even with all the improvements in the regional economy and the dramatic rise in reputation that Pittsburgh has experienced, its number one liability hasn't changed.

"Poor infrastructure," was Dick Donley's succinct response to the question of the region's biggest obstacle to development. Donley, founder of Chaska Property Advisors and current NAIOP Pittsburgh chapter president, was attending the NAIOP Developer's Showcase on October 15, an event that brought national site selectors in to offer their views on Pittsburgh's strengths and weaknesses. Donley offered the incomplete Findlay Connector as an illustration of his point. The highway will ultimately link an underutilized airport with the heart of the natural gas play at Southpointe, but its completion remains an unfunded project.

Looking at the capital plans for PennDOT and the PA Turnpike Commission offers little hope of a change in the dynamics for 2011 or 2012.

PennDOT's problem is a gap in funding that equals half its planned expenditures. When the legislature passed Act 44 in 2007 authorizing $950 million annually for a decade, it provided for half of that funding from the proceeds of tolling Interstate 80. The problem, of course is that the Federal Highway Commission denied permission to convert I-80 to a toll road, leaving a $472 million shortfall. The total allocation was designed to allow for necessary expansion and repairs, plus a plan to gradually eliminate the state's 5,000-plus structurally deficient bridge total. The decision to deny I-80 tolling didn't eliminate the decaying bridge and roadway problem.

"The legislature currently has no appetite for addressing the funding gap, so we're focusing on fixing highways and bridges," says PennDOT spokesman Rich Kirkpatrick. "Unfortunately the

problem goes beyond the funding gap because a report in May showed another $300 million shortfall in needed capacity expansion."

Without a plan for plugging the shortfall, PennDOT's budget for capital expenditures will fall to $4.5 billion in 2010, with the expectation that the reduced level will remain steady in the succeeding years. Of the budget approximately $2.87 billion will go to construction contracts and $1.48 billion will be spent directly on PennDOT maintenance. A big concern for the Department is how that funding will affect the effort to reduce the number of structurally deficient bridges.

Gov. Rendell has been one of the national leaders advocating for bridge repairs as a top priority. His administration's goal was to accelerate the pace of repairs in Pennsylvania and an additional $200 million in bond financing was issued in 2008 to support the program. The results have been generally positive. In July of 2008 there were 6,034 structurally deficient bridges in the state. As of October 15, 2010 that number had been reduced to 5,500. But the funds for more aggressive work are depleted.

Funding for the Turnpike comes from a more stable mechanism, but one which is also lagging behind the need for capital expenditures. The Turnpike Commission's capital budget for 2011 will decline to $374.8 million, of which $153 million is earmarked for reconstruction and $92.8 million for bridges & tunnels. The Commission anticipates enough revenue growth to up the 2012-2013 budgets to $400 million and $413 million in 2014-2015, but these increases will not cover the costs to do even current levels of construction if inflation returns as expected.

Accounting for inflation will be one of the state and municipal governments' biggest headaches in the coming decade. The disparity between inflation mechanisms and the reality of cost inflation is at the root of the federal government's funding gap. That conundrum is one of the main reasons that no federal highway authorization bill has been passed. Fiscal conservatives have refused to sign off on even continued levels of funding without clear plans for how the funding will be supported and proponents of increased spending are reluctant to authorize steady or decreased funding support in light of the evidence of a rapidly deteriorating infrastructure.

Rep. Jason Altmire, one of seven Pennsylvania congressmen serving on the Transportation Committee expressed concerns

and optimism about the process of getting a new highway bill passed at a September 9 address to the American Subcontractors Association of Western PA.

"The highway trust is funded through a gas tax that was last increased in 1993. That means we are trying to maintain our infrastructure in 2010 with 1993 dollars and construction costs quite a bit more now," he explained. "At the same time no one wants us to raise the gas tax, no matter how bad the roads and bridges are."

Rep. Altmire did express confidence that Congress would get a highway funding bill in place in 2011, but wasn't confident yet as to what kinds of funding mechanisms would create a consensus.

Pittsburgh is at the center of a region rebounding quicker than most other parts of the country from the recent recession but its future progress will be hampered without investment in infrastructure improvements that meet the expectations of potential developers.

By all accounts Pittsburgh is one of a handful of cities vying for the site of a vaccine manufacturing and research facility. What if the success or failure of the UPMC-lead proposal turned on the ease and quality of access to the site? The chances aren't good that an airport site with access to one interstate highway and no mass transit will be rated at the top of the list.

The opportunities for the regional economy are as great as they have ever been but investment in highways and transit systems that complement or improve commercial transportation is critical to leveraging the region's assets to greater economic opportunity in the next decade. For 2011 at least, that investment won't be made.

Finance: Is the money coming back in 2011?

October earnings season on Wall Street brought the markets further evidence that the financial institutions that precipitated the economic crisis in 2008 are healing. But an objective look at the full scope of bank earnings also gave some insight into why lending and credit conditions haven't returned to normal yet.

The list of banks reporting big earnings surprises is a who's who of the survivors of the crisis of 2008. J.P. Morgan Chase,


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Bank of America, Citibank, and PNC were among those reporting operating profits that were as much as double what analysts expected. Similarly, all reported significant reductions in the reserves held for bad loans. Even the poster child for the mortgage meltdown, AIG, reported plans to complete repayment of its federal liquidity infusion by the end of 2011, along with the elimination of its non-performing CDO's from the meltdown.

Nearly all the banks who were involved in the residential and consumer credit meltdown had the same story: lots of cash, greatly improving credit portfolios and declining mortgage exposure – at least on the surface.

It is the latter concern, that the mortgage-backed securities and financial derivatives of the mortgage market are being valued unrealistically high, that remains the drag on the return to normalization of the debt markets. With federal inquiries into banking foreclosure procedures and reports of bond investors demanding repayment from former Countrywide Financial securities backed by failing mortgages, investors can't develop confidence that the financial institutions have worked through the toxic assets that sunk their competitors two years ago. Uncertainty still exists and uncertainty freezes markets. Until they can feel confident that the problems have worked through the system, sellers and buyers will be reluctant to act.

Since mid-2007, this reluctance has made it difficult to generate demand for commercial mortgages and tamped down demand for residential mortgages. Without the secondary market to offload loan risk from the originators, fewer loans have been made. Some of the credit freeze has obviously been due to higher credit standards but just as obstinate has been the limited interest in buying loans.

The upbeat news is that interest in commercial paper is on the upswing as 2010 ends, in part because the so-called 'extend and pretend' strategy appears to have worked.

From the time the dust settled on the financial crisis in early 2009, there has been a school of thought that another big crisis was pending with commercial real estate. For certain, the dynamics of the commercial real estate market supported that theory. Commercial property values declined more precipitously than residential did, dropping 40% to 50% in most markets. Compounding that problem was the fact that the commercial mortgage-backed security (CMBS) market was much younger and had reached its zenith in volume just as values peaked, leaving bondholders with mortgages on property that was worth much less.

But the real fear was the impending 'tsunami' of commercial financing resets that were to occur over the next few years. These refinancing deals were to be the other shoe to drop on the markets. It was this onslaught of maturing debt that was pushed out by the banks in hopes that a recovering economy would revive commercial property values and allow new financing based on values that were comparable to those at the time the CMBS was issued. As of today, that hopeful strategy seems to be working.

"There are still CMBS maturities being kicked further down the road, but this year there have been a fairly sizable number of transactions as well," observes Grandbridge Capital's executive vice president Dan Puntil. "For the most part, the big wave – this crashing wave of maturing CMBS debt – hasn't happened."

Puntil is optimistic about the continued improvement of conditions in 2011 because of the money he sees looking to enter the market again. Lenders are re-entering commercial real estate again and the resulting impact on capitalization rates has been surprisingly quick.

"Cap rates are starting to come down and values are going up," he says. "The benchmark for cap rates is Walgreen's – they are such desirable deals – and the cap rate for those deals has moved from 7.75 earlier this year to 7.35 recently. It helps that ten-year Treasuries are at 260 basis points or thereabouts, but there are maturing debt deals being refinanced."

One source of funding that is approaching normal conditions, at least from the standpoint of volume, is life insurance funding. At the peak of the commercial real estate boom in 2007 the life insurance companies were providing financing for $35 to $40 billion annually. Estimates are that that segment of the market will fund $30 billion in 2010, although with much more conservative conditions.

"Commercial mortgages are the only way the insurance companies can get the kinds of yields they need to pass on to their investors," says Mark Popovich of Holliday Fenoglio Fowler LP. "The pricing is very attractive but the conditions are very conservative. Insurance company underwriters are looking to do no more than 70% loan-to-value and the appraisals are still coming in very conservative but they are trying to find deals. The trouble is that chief investment officers at these companies read the newspapers too, and that tends to keep them nervous."

Popovich also notes that while volume is returning from insurance companies, $30 billion is a relatively small piece of the market. The lion's share of the commercial debt market has been CMBS issues, which topped out at over $250 billion in 2006. Estimates for 2010 are for $8 billion in CMBS volume.

"That's tiny but it's much better than $2 billion that got done last year," reminds Popovich. "CMBS is coming alive. Documentation is extensive; it takes more time to put the deal together and the market is conservative, but compared to last year many more deals are being done."

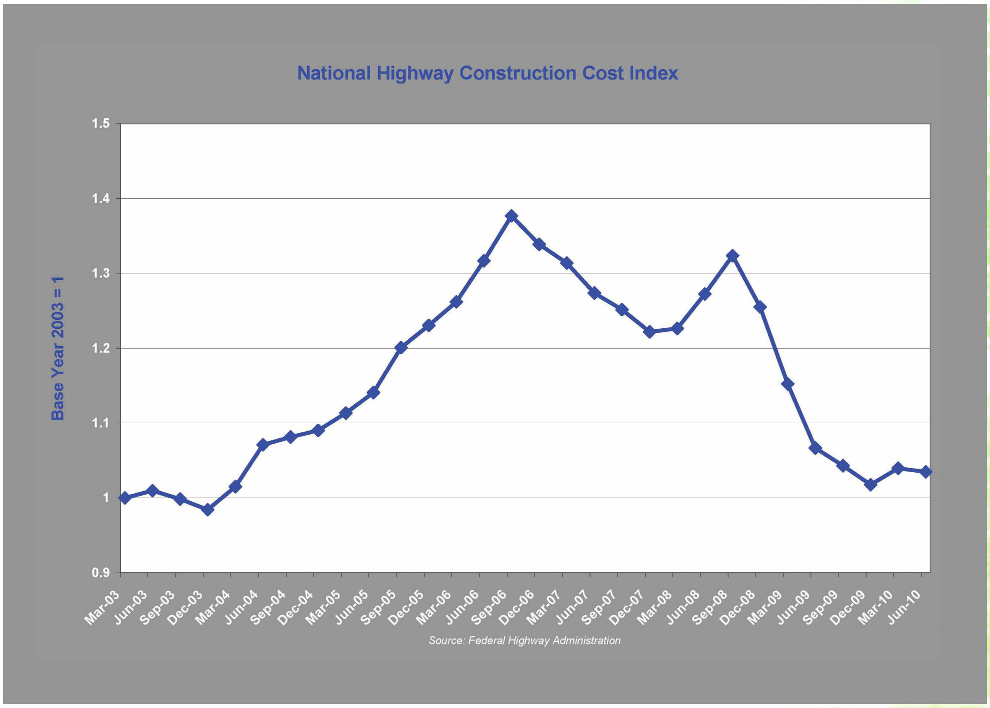
One misconception about where the market is at this juncture is that banks are holding up financing. Banks play an interim role in the development process, generally sticking with construction lending or mezzanine financing that will be taken out once the construction is complete and the building is stabilized. The permanent mortgage comes from the insurance companies or CMBS market, and those markets are no more than 15% of the 2006 or 2007 levels. What will it take for the CMBS market to restart?

The missing ingredient is still confidence. Although new deals are better documented and carefully examined, the dramatic fall in CMBS is not because it takes so long but because there is almost no money demanding the deals. Improving dynamics in commercial real estate have a self-fulfilling effect on the market in that perceived improvements attract more investors, and an increase in investor demand lifts values. In other words, the more investor interest there is in commercial property, the more sellers can ask for the property.

With healthcare, education and new technology providing that base, THE OUTLOOK IS MORE OPTIMISTIC THAN JUST A FEW YEARS AGO.

As we transition into 2011, the good news is that investor demand is growing again, and capacity seems almost limitless. It has been a long time since so much cash was on the sidelines waiting to be invested, and commercial real estate is one of the few places to offer anything close to normal conservative returns. With a sluggish recovery more likely than a robust 2011, the Federal Reserve seems unlikely to begin tightening rates, thus keeping returns on cash almost nonexistent.

Low interest rates, falling cap rates, rising property values, falling vacancy rates and anxious capital are aligning to predict a greatly improved credit environment in 2011. The $64 million question is whether demand for development will rise to meet the better conditions.



Highway construction costs are particularly vulnerable to spikes in diesel and oil prices. After two years of falling costs, the trend is turning upward for 2011.

The Big Picture 2011

The boost in regional self-esteem and international reputation that has occurred between Bob O'Connor's election and Luke Ravenstahl's trip to Shanghai has been phenomenal. So much positive has happened that it is easy to forget that it has only been five years. For all the hoopla over three professional sports championships and most livable cities and the G-20, the real regional improvement has been in the development of a sustainable employment base.

With healthcare, education and new technology providing that base, the outlook is more optimistic than just a few years ago. The natural gas industry and other energy-related businesses will provide another catalyst to employment and business development. None of these industry segments will make the region recession-proof, but as they mature it is likely that unemployment levels in southwestern PA will remain a couple of points lower than the national rate into the future.

Tom Corbett's election assures the region that a native son will be setting the initiatives in Harrisburg for at least four years and history has shown that's a good thing for local construction. What will be more influential is if regional leaders can flex newfound political muscles as an economic power to shape investment in highways and transit to make conditions that much better for the emerging businesses in the region. We tend to focus on transportation when we address infrastructure from a development perspective but it shouldn't be forgotten that an industrial renaissance – which would get a booster rocket if UPMC is chosen for the vaccine factory – puts that much more pressure on an overburdened water and wastewater treatment system. And very little has been done to address the billion dollar stormwater/wastewater separation problem that has been mandated to solve.

The good (new industry), the bad (weak financing) and the ugly (crumbling infrastructure) balance out for a more favorable 2011 than the conditions in 2010. As you follow the trend line into the next decade our big picture outlook has more sunshine than rain. BG

JOINT APPRENTICE TRAINING COMMITTEE CENTER

FOR GREATER PA CARPENTERS COUNCIL

THE GREATER PA COUNCIL OF CARPENTERS COULD HAVE FACED A DELICATE CONFLICT WHEN THEY DECIDED TO BUILD A NEW TRAINING CENTER. AS AN ORGANIZATION THAT SERVES DOZENS OF CONTRACTORS IN THE REGION, THE CARPENTERS COULD HAVE HAD A DIFFICULT CHOICE IN DETERMINING WHO WOULD BUILD THEIR NEW FACILITY. IT TURNED OUT TO BE A WALK IN THE PARK, LITERALLY.

By the summer of 2007 the growth of the Carpenters membership and the expansion of their apprentice and journeyman training programs had rendered their facility on Neville Island obsolete. Once the decision was made to build new, the leadership began to look at the ten acre hillside property adjacent to their Ridge Road council offices overlooking the Parkway West. It was their good luck that the parcel was owned by Mosites Development & Construction.

"[Carpenters executive secretary] Jack Brooks ran into Don Mosites [CEO of Mosites Construction's Building Division] on a walking trail in Upper St. Clair one day and they began to talk about our buying the property," says Ray Vogel, training director for the Carpenters. "Before too long they had an agreement that Mosites would sell us the property at a very fair price, and we would hire them as the general contractor."

The need for an expanded training center grew out of the evolution of the construction trades during the past decade or so. Efforts to recruit young people to the trade had begun to bear fruit when the 'Plan B boom' kicked in during the late 1990's. The demand for skilled craftspeople swelled and the Carpenters began to attract more apprentices each year than they needed. When the commercial construction boom of 2005-2008 reached its full strength, Vogel and assistant director Ricky Okraszewski found they were very much out of room in their Neville Island facility.

"Jack came down to Neville Island one day in early 2007 and I presented him with a plan to expand vertically and to put an addition on to this side and another one over here, and to buy some adjacent land for more parking," Vogel laughs. "By the time we were done talking about the additions he said, 'Ray, how about if we built something new'."

Clerestory windows allow ample daylight while freeing the perimeter walls for storage and training areas.

The existing training facility had been adapted from the old K-12 school on Neville Island. While it totaled 64,000 gross square feet, the old school's wide corridors and staircases were unusable for class or training space, and the net area available was only 45,000 square feet. Beyond the sheer size constraints, the building's layout, which was fine for educating public school students, was less than ideal for technical training and workshops for carpentry.

When they began planning the new facility in summer 2007, Vogel says they realized the architectural selection process would be fairly simple as well. "Astorino's design/build group is signatory with the Carpenters. They are the only architect with an agreement with us. The fact that they are a renowned designer made the choice easier," he says.

Astorino began the process of planning the new facility by undertaking the difficult task of figuring out how the Neville Island center worked.

"We wanted to live a day in the life of the trainer and the trainee before we started planning something new," explains Louis P. Astorino, senior principal at the firm. "Through our affiliate research company, fathom, the process started by identifying usage patterns and the critical adjacencies within the operation. We gave $99 video recorders to all the instructors and asked them to use the recorder throughout the day. Each one got up to an hour of video and it was the perfect way for our research team to see critical aspects of their operations that couldn't be expressed verbally."

Using the research outputs, Astorino's project architects worked with the instructors and the owner to come up with a roster of key requirements for the new facility to provide the optimal teaching environment. They also came away with a healthy respect for the work that was done in less than optimal surroundings.

"Our theory was, if this is what they are able to accomplish in their current space, imagine what they could achieve if they had a world-class facility." Astorino says. "We felt our mission was to create the best environment to enhance their already impressive efforts, and to use materials that reflected the carpenter's craft."

Their working set of priorities became:

- More daylighting
- Larger classrooms
- More wall space for storage
- More efficient layout of break areas
- Separation of back of house/front of house, or dirty vs. clean spaces
- Using elements that would be installed or built by carpenters
- Create very high bays to allow for full scale mock-up construction
- Leave finish spaces that would reveal how the building went together

The final element became an important theme for the project. Because the building was designed with as many materials and systems that were carpenters' work as possible, the construction

"...IT WAS THE PERFECT WAY FOR OUR RESEARCH TEAM TO SEE CRITICAL ASPECTS OF THEIR OPERATIONS THAT COULDN'T BE EXPRESSED VERBALLY."

The main conference room at the JATC Center, designed by m/design.

of the new JATC center would become a learning experience itself. Selected wall sections are covered in acrylic sheet to reveal the sub-assemblies of the construction and a section of the concrete floor was built with an access door to reveal the framing and rebar details of the concrete construction.

"Our blueprint class uses the plans for this building," says Vogel. "Our apprentices can actually see how the details on the drawings appear when finished. We try to make sure the whole building is a training tool."

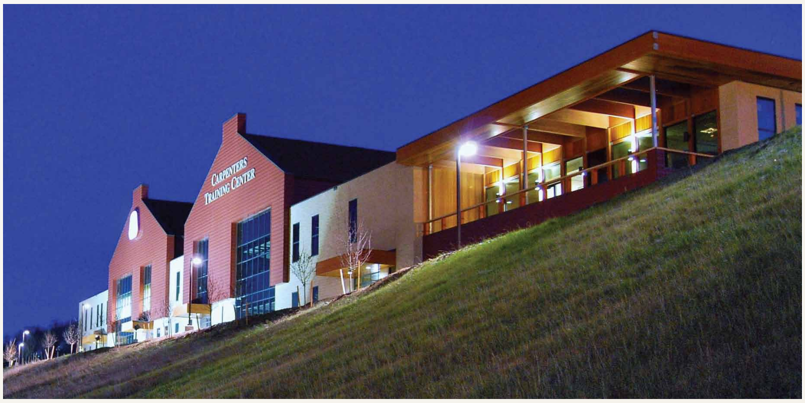
Vogel also went to great lengths to ensure that he wasn't reliant on his architect to come up with all the design ideas. Prior to the planning he visited 26 other training centers around the U. S. and incorporated what he felt were the best practices and concepts into his new center.

The program that resulted from all this research was an awesome upgrade in space and training technology. The building is a 92,500 square feet, two story center with 10 classrooms, a 132-seat auditorium, a cafeteria that accommodates 100 people with a commercial kitchen, a 28,000 square foot carpentry workshop, 6,000 square foot shops each for specialty interior/exterior systems and floor systems, a state-of the-art mill cabinet shop (which on October 19 garnered the 2010 Woodworking Machine Industry Association's Educator of the Year award), and a millwright shop with 24 welding booths.

"There's a big emphasis on safety in the new shops," notes Vogel. "Every station has a slop sink, eye wash station, state-of-the-art ventilation and lots of light to maximize visibility for the trainee. Every class and shop has lots of windows."

Of course, while all this programming and design was going on, the third party to the project, Mosites Construction had the responsibility to try to manage interpreting the design into a budget that was under severe price pressure. The project was not being done as a design-build process, but the environment in the first half of 2008 dictated that the preconstruction act a lot like a design-build job.

"We were given kind of a vanilla box set of drawings to begin with," says Tim Corbett, Mosites' project manager. "It was not a design-build job but it drifted towards that as it went along. A lot of the coordination meetings were used to make adjustments that were needed to make things work."



"Our people worked very closely with Mosites estimating during the design while the prices were escalating," recalls Louis Astorino.

Prices for oil and diesel nearly doubled from early planning until permits were issued. The cost of copper, steel, cement and anything that was transportation dependent all jumped 40% or more. Mosites vice president Mark Edgar struggled mightily throughout the planning stage to pin down systems and material decisions so that he could figure the costs for their self-performed work and get responsive bids from subcontractors. Some of the early challenges were the result of the realities of the site work, which wasn't overly difficult but involved an extensive amount of equipment and effort.

"The site work included 250,000 cubic feet of cut and fill," says Corbett. The site sat atop a mine but the slope allowed for excavation rather than grouting. "The excavator undercut to below the level of the floor of the old mine and we filled seven feet of engineered material to build a new subbase. Because of the depth, part of the building goes down to rock and sits on footings while the other part has caisson foundations."

Excavation began on the project in August 2008, which meant that the foundations and cast-in-place concrete work was done during the winter. Mosites worked through the cold weather concrete placement to prepare for going vertical with the building in the spring of 2009.

Looking back at the project's progress Corbett remembers a couple of unusual circumstances that stretched the experience of those involved. "Some of the gable ends were unusually large and required extra bracing," he says. "The solution we worked out with the architect was to use 30" TJI's [engineered wood trusses] vertically as bracing. The manufacturer had to be persuaded to allow us to use them – they were afraid of delaminating – because they were designed to carry a floor load. Even though they weren't carrying a load on this building the joists weren't made for a vertical application."

"We also had to work hard on the coordination of the welding shop," Corbett says. "They put in some pretty sophisticated welding equipment that no one in town was familiar with."

Perhaps because the project was being built for an owner who was creating a facility to teach problem solving, the progress of the project was reasonably unremarkable. Having the client literally next door to the project can be a little intimidating and can encourage more than their fair share of 'minor change' requests, but Astorino says that in this case the relationship was highly advantageous.

"It certainly impressed our people when Jack Brooks would come to a job meeting," he says. Astorino acknowledged that there can be drawbacks to having a client overly involved but the Carpenters were "a fantastic client. They were so involved and their energy just transferred over to the whole team."

One noteworthy circumstance about the JATC project was the sad coincidence that both of Astorino's project architects passed away during the project. Robert Beckjord died suddenly on September 4, 2007 as the planning was beginning, and Frank Becker passed away in January 2010 just as the construction was wrapping up.

"Bob Beckjord, who was the original project architect, went to high school with me," says Ray Vogel. "Ricky O. worked closely with Frank Becker throughout the rest of the project and he was the kind of architect that was a field guy's dream. He would come out to the site and work out a problem by drawing up a solution on a sheet of drywall. It was a shame to have both of those men pass before we could move into the building."

The team, which also included interior designer Mary Ann Mozelewski of m/design, managed the project without disruption. Perhaps because the project developed as a quasi-design/build job, things went fairly smoothly, according to Ray Vogel. To Tim Corbett, the fact that the JATC was being built by so many carpenters helped the project succeed.

"We have a good working relationship with the carpenters but I think because of the way they wanted to finish the building the carpenters on this project took extra steps," he says. "It was a successful project for us. The building gets accolades from anyone who visits it and the shops and training spaces are working out exactly as planned."

For Ray Vogel there is great pride and joy in working in a state of the art center after decades of training carpenters. And he seems to enjoy that the accolades are coming from places that wouldn't normally look to Pittsburgh as a standard. "We had the New York people in here so they could see what to do as they plan their new training facility," he says. "And we're getting the carpenters from Boston in here this winter because they are building a new center. I guess we're the place to visit if you want to see how to do it right." BG

KEY SUBCONTRACTORS

McGowan-Stauffer Inc...... Excavation
Brayman Corp. .... Foundations
Littell Steel Co. .... Steel fabrication
Scalise Industries .... Fire protection
K & I Sheet Metal .... HVAC
North Pittsburgh .... Mechanical Plumbing
Lighthouse Electric .... Electrical
Seech Industries.............. Wood & steel trusses
Easley & Rivers Inc. .... Interiors
Harris Masonry .... Masonry
Phoenix Roofing .... Roofing
Specified Systems Inc. ...... Windows

Visitors to the neighborhoods that lie between the 16th Street and 62nd Street bridges and the Penn/Liberty corridor will almost certainly know they are in Lawrenceville if they entered the area by any one of four different major intersections. But if they don't, they will probably notice that wherever they are in the business district they can throw their trash in receptacles that have the Lawrenceville Doughboy on them.

LAWRENCEVILLE CORPORATION

If you have ever noticed those Doughboy trash cans and wondered what that was all about, the Lawrenceville Corporation would be happy to tell you all about it.

You could be forgiven if your perception of the Lawrenceville Corp. was that they were the community development group that has been creating the buzz about Lawrenceville recently. While it is true that Lawrenceville has gained a high profile in the last five years – the New York Times and the New York Post have both written about the place since 2007 – the story is anything but an overnight success.

What we now know as the Lawrenceville Corporation is the result of a merger in 2000 between Lawrenceville Development Corp. and the Lawrenceville Business Association, two of the pioneering organizations who were dedicated to revitalizing the neighborhood after its industrial occupants closed their doors. LDC was founded in 1984 and filled the role that the merged organization now does, including developing 35 townhouses on Penn and the former Pennsylvania National Bank Building at 3400 Butler Street, at the triangular intersection known as Doughboy Square. Lawrenceville Business Association filled the role that is usually served by a chamber of commerce for the local businesses.

The western end of Lawrenceville, the Strip District, began to develop a certain cool about it in the late 1980's and it became a magnet for tourism and suburban Yuppie shopping trips on the weekends. But the main business district, the corridors between 34th and 48th Streets remained largely unchanged and un-revitalized except for the methodical redevelopment of a building at a time by a few small local real estate firms and landlords like Joe Edelstein, Lee Gross, and Bill Barron.

At that time, the LDC had to take an active role in changing the landscape, explains Matthew Galluzzo, the recently hired executive director of Lawrenceville Corp. "Their function was to play a catalytic role in redeveloping the community. At the time, the community development required LDC to acquire property and develop projects that it felt would serve the neighborhood and spur private investment."

The merger that formed the Lawrenceville Corp. came just as a national recession was beginning. For the new organization that wasn't a bad thing. Lawrenceville Corp. undertook a change in direction that would focus on promotion, design, organization and economic restructuring. They hadn't changed their core belief that bricks and mortar drove economic restructuring but with their board's support they began to market the neighborhood in a more targeted way. A key new business development effort was the 16:62 Design Zone, a collaborative niche marketing/branding effort for design-related businesses in Lawrenceville and the Strip District.

Photo by Nadia Diboun

"...The new team is very competent."

Lawrenceville had a strong connection to the design and construction industry even before it was fashionable. The interesting architecture and flexible spaces made Lawrenceville attractive to design firms. Desmone & Associates were pioneers, occupying the Doughboy Square building as its offices, but weren't the only early neighbors. Brenenborg Brown Group located in a storefront at 4018 Penn Avenue. Bill and Jill Joyce and Stephen Casey moved their practices to Lawrenceville buildings in the 1990's. Other architectural firms that now call the neighborhood home include KSBA Architects, Next Architecture, Cochran & Associates and McCormick Architects + Planners.

The 16:62 branding also attracted non-construction related design businesses. The vibe that Lawrenceville Corp. was trying to create began to draw one-off retailers, galleries and restaurants. The efforts also attracted a significant new project, the Blackbird Lofts, which was developed by Artists and Cities in 2004. The building was a 47,000 square foot live/work space designed by Strada Architecture. The project served as an iconic modern structure planted roughly half way between the 16th and 62nd Street boundaries of the district. Lawrenceville Corp. now owns the building.

In 2005, Lawrenceville Corp. collaborated with the Lawrenceville stakeholders and Lawrenceville United to develop a comprehensive plan to capitalize on the migration of new businesses and residents to the neighborhood. The plan aimed at accentuating the burgeoning commercial districts while setting design standards that protected the generally residential nature of most of Lawrenceville. The Lawrenceville Planning Team was created to review projects being planned that will impact the neighborhood.

"The comprehensive plan looked at best use and infrastructure issues, like making the Butler-Penn-34th Street intersection safer," says Matt Galluzzo. "What resulted was a pretty complete plan that allows developers interested in the area a chance to understand exactly what the neighborhood expects of a project."

Lawrenceville Corp. launched a Main Streets program in 2006. Funded by the Pennsylvania Dept. of Community and Economic Development through the URA, the program provides grants to small businesses for improvements to storefronts and streetscape. One of the programs started in 2008 offers Lawrenceville businesses grants for signage. The grants are relatively small,


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Photo by Nadia Diboun

capped at $500, but the assistance has been right on target.

"The $500 does not seem like much but it's an amount that can have an impact on the quality of the sign an owner can afford," says Maya Henry, business district manager for Lawrenceville Corp. "One of the new business owners told me it made a big difference to him to have the extra money to get an attractive sign. So far we've handled 22 sign grants."

For a neighborhood whose image is centered on a walkable business district that both attracts commerce and services to the neighborhood, streetscape is a critical element. In the ten years since the 16:62 Design Zone effort began, the Lawrenceville Corp. has facilitated more than 200 Streetface projects, yielding public investments of nearly $2.4 million and private investments of more than $4.2 million.

Another grass roots effort is a micro grant program that offers up to $1,500 in support of an event aimed at driving traffic to Lawrenceville. One of the oldest of these is the annual Joy of Cookies tour that takes place during the holidays. Neighborhood businesses show off homemade Christmas cookies during a four-day weekend span to offer an alternative to the suburban malls for holiday shopping. Last year's tour attracted 4,000 guests and businesses reported a 30% increase in sales during the duration.

The Lawrenceville Corp. hasn't lost its focus on real estate development. This summer the Lawrenceville Corp. took proposals from developers to renovate five townhouses on 48th Street and commissioned a team lead by Desmone & Associates to do a master plan for the re-use of the former Pittsburgh Brewing property. The most active project in the neighborhood is October Development's $30 million mixed use plan for residential renovation, new construction and commercial space in the area surrounding the 34th and Butler/Penn intersection. "Our real estate focus is on Doughboy Square right now. What will be the best and highest use for the properties there," says Galluzzo.

> THE LAWRENCEVILLE CORP. HAS FACILITATED MORE THAN 200 STREETFACE PROJECTS...

Because of the recession, neighborhood development corporations all over have experienced an outmigration of people and have had to shift their focus to collaboration and facilitating development instead of driving it. Lawrenceville Corp. hasn't been immune to these dynamics. Galluzzo came on board in August 2010 and found a staff that was essentially brand new. In addition to Maya Henry, the staff includes marketing and communications director Patrick Bowman, finance manager Karen Oliver and community outreach coordinator James Eash.

"We're fortunate to have momentum right now," says Galluzzo. "The new team is very competent. Over the past year or so 12 new businesses – destination businesses – have located on Butler Street between 34th and 40th Street. We've seen houses sell in the neighborhood for $250,000 or more and people are building market-rate new construction in Lawrenceville without subsidy. There is positive inertia."

"The table is set," he says. BG

Company Facts

Lawrenceville Corporation

Ice House Studios

100 43rd Street Studio 114

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Legal Perspective

Why an Understanding of Copyright Law is Vital for Architects

By Joseph J. Bosick, Esq.
and J. Peter Shindel, Esq.

Most architects attempt to protect their work product and intellectual property through contract. The general practice in the industry is for the architect to retain ownership in the plans and specifications that the architect prepares. See U.S. Copyright Office, *Report of the Register of Copyrights: Copyright in Works of Architecture* (1988). The American Institute of Architects ("AIA") provides standard form agreements that satisfy this standard, and which are designed to ensure that the architect retains ownership in the architect's plans and designs as against both the owner and the contractor(s) involved in a project. See AIA Document B141-1997, Owner-Architect Agreement ¶ 1.3.2 (regarding owners); AIA Document A201-1997, General Conditions of the Contract for Construction ¶ 1.6.1 (regarding contractors).

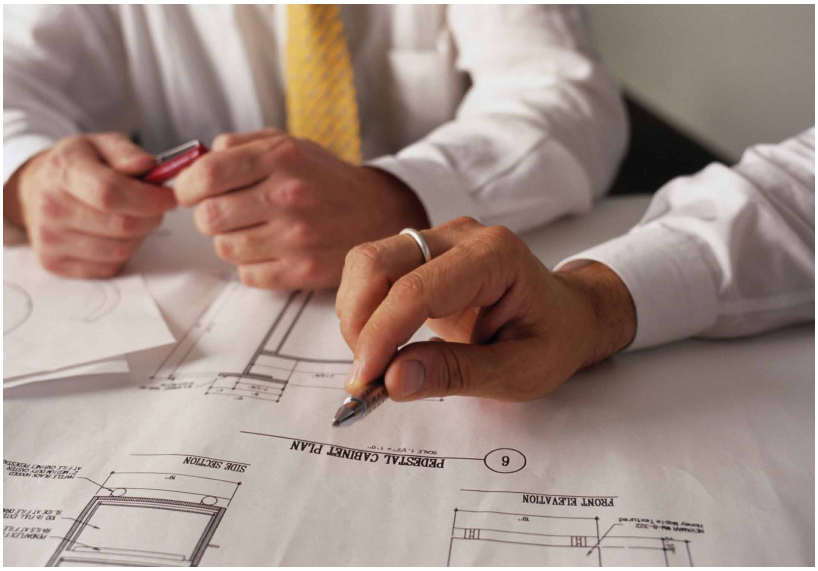
It should be noted that the contractual rights of an architect are limited in that they cannot generally be applied against individuals or entities who are not a party to the contract. Conventional tort remedies are also frequently inapplicable. Protection falls within the domain of copyright. See, for example, Bruner & O'Connor on Construction Law § 17:85 (collecting cases).

As a general matter, where an architect employs the standard form language supplied in the AIA agreements, that language will suffice to protect his interests in his work product and bar a subsequent owner or contractor from using those plans if the architect is replaced on a particular project. This concern for protection is no small matter, as the owner may well be interested in pursuing the original design, but want to replace the original architect as a result of disputes unrelated to the design (such as, for example, the owner's supposed financial constraints). See, for example, <u>Sparaco v. Lawler, Matusky, Skelly, Engineers, LLP</u>, 303 F.3d 460, 462 (2d Cir. 2002).

However, in certain cases, the AIA language has been found ineffective to prevent the owner from utilizing an architect's drawings and plans outside of the original, contracted project. The court held in the case of <u>Wright v. Tidmore</u>, 430 S.E.2d 72 (Ga. App. 1992) that a clause in a contract between the owner and the first architect that the drawings and specifications were to remain the property of the first architect, did not prevent a second architect from preparing the plats and plans for recording by redacting certain sections of the first architect's designs and then filing them under the second architect's seal. In the Wright case the second architect prudently retained the first architect's name on all the plans as the design architect.

In <u>Sparaco</u>, the second architect and contractor who were found to have infringed on the first architect's copyright could not have been held liable for breach of contract, as they were not parties to the contract between the first architect and the owner. Pursuit of a tort remedy by the first architect would have been equally difficult, given that the owner had authorized use of the designs. In such situations, an architect must rely on copyright law as his sole source of protection. The federal copyright statute protects both architectural drawings and the finished architectural work itself. 17 U.S.C. §102(a)(5) and (8).

In United States law, a hornbook is a text that gives an overview of a particular area of law. In the arena of copyright, it is considered to be "hornbook law" that fact and ideas themselves are not copyrightable. The expression of ideas is copyrightable. However, exactly where the line is drawn between an idea, on the one hand, and its expression, on the other, is a subject far too detailed for a hornbook to cover. Indeed, that "endlessly baffling" question has bedeviled the federal courts since Judge Learned Hand's famous discussion of abstractions in <u>Nichols v. Universal Pictures Corp.</u>, 45 F.2d 119, 121 (2d Cir. 1930). See Sparaco, 303 F.3d at 469. As Judge Hand put it, "[n]obody has ever fixed that boundary, and nobody ever can." <u>Nichols</u>, 45 F.2d at 121. The courts, especially in the past decade, have struggled with the endless task of attempting to determine where to draw the line between idea and expression for architectural drawings. As Judge Hand predicted, what has emerged is not a definitive answer, but certain clear guideposts that are critical for architects, and indeed all designers, to be aware of when entering into a project.



ARCHITECTS MUST BE COGNIZANT OF THE INTERACTION OF COPYRIGHT LAW WITH THEIR PROFESSION.

The use of common design features in a particular drawing or plan does not constitute copyright infringement. Here are some examples of what is not copyrightable. "In and of themselves, domes, wind-towers, parapets, and arches represent ideas, not expression." Sturdza v. Utd. Arab Emirates, 281 F.3d 1287, 1297 (D.C. Cir. 2002). Also "…generalized notions of where to place functional elements…" are not copyrightable ideas. Attia v. Soc'y of N.Y. Hosp., 201 F.3d 50, 55 (2d Cir. 1999). Finally, "…the use of standard structural elements and the concept of a one-story office showroom are not copyrightable." CSM Investors, Inc. v. Everest Dev., Ltd., 840 F. Supp. 1304, 1310 (D. Minn. 1994).

It is not the case that technical drawings can achieve copyright protection only where they are sufficiently complete and advanced to support actual construction. See, for example, Sparaco, 303 F.3d at 469. Instead, a sufficiently unique *design* employing particular features will be protected by the Copyright Act. The courts that have considered the issue have recognized that the entire set of drawings and plans must be considered as a whole, "because protectable expression may arise through the ways in which artists combine even un-protectable elements." Sturdza, 281 F.3d at 1296; Sparaco, 303 F.3d at 467. Thus, for example, the particular arrangement of the un-protectable elements discussed in CSM Investors, above, was found to be "sufficiently original to be afforded copyright protection." As another example, the concept of designing a restaurant/bar area with an island or peninsula-shaped bar to bisect a seating area with booths on one side and stool seating on the other is too general to merit copyright protection itself, and where the actual designs for such a floor plan are of different dimensions and contain different seating layouts, copyright protection will not exist. See, for example, Ale House Mgmt., Inc. v. Raleigh Ale House, Inc., 281 F.3d 137, 142-44 (4th Cir. 2000).

However, the more specific a particular plan or set of drawings is, the more likely it will be amenable to copyright protection. ***See*** Sparaco, 303 F.3d at 468. And, even where specific elements contain certain differences, if the "overall look and feel" of the designs is substantially similar, copyright protection will obtain. ***See*** Sturdza, 281 F.3d at 1298 (reversing grant of summary judgment where, despite differences in individual design elements, the "overall look and feel" of two designs was sufficiently similar for a jury to find copyright infringement).

Thus, in order to protect their work product, and in addition to the types of contractual protections afforded by the AIA form agreements, architects must be cognizant of the interaction of copyright law with their profession. In particular, the more specific and detailed the plans they create are, the more likely the architect is to be protected in the event of future infringement by a contractor or rival architect. To the extent that the architect has a particular idea or vision for a project, that vision should be captured in as detailed a plan or drawing as possible, and should be marked with an appropriate copyright notice including the "©" symbol, the author, and the date the drawing was completed. To the extent that a design expresses the manner in which to capitalize on an idea, copyright law will provide protection.

Joe Bosick is the Chair and Pete Shindel is a member of the Construction Practice Consortium at the Pietragallo law firm. For questions, you are welcome to contact Joe Bosick (JJB@Pietragallo.com), Pete Shindel (JPS@Pietragallo.com), or members of the firm's Intellectual Property Practice Group. BG

What's New with BIM?

Building information modeling (BIM) crossed an important milestone within the past year. The process, which uses data-rich three-dimensional elements to create a project design model instead of a static two-dimensional representation, passed the 50% adoption mark. According to its annual survey of all A/E/C firms, McGraw-Hill Construction found that more than half responded that they had used BIM on a project.

With a nod to Mark Twain, however, it's important to remember that statistics don't always reveal the full story behind the data. While more than half the A/E/C firms can now claim a BIM project there's still a long way to go before the share of BIM projects approaches 50%.

When *BreakingGround* first detailed the use of BIM in January/February 2007, there were a number of significant obstacles that were inhibiting the growth and adoption of modeling as the dominant process for design, construction and operation of buildings. The most obvious of these obstacles was simply the inertia resisting it. Construction is an unusually risky industry and the adoption of new or unproven technology is not commonly embraced as a risk management strategy. Add that risk aversion to the basic human instinct to resist change and it's quite impressive that over half the firms had used BIM roughly two years later.

Aside from the apostles – the dealers, software developers and professionals who are promoting BIM – the rapid growth in adoption has resulted from a growing acceptance of the problems that result from the traditional methods of design and construction. One of the important landmarks in BIM's timeline was the publication of the Construction Users Roundtable (CURT) white paper on productivity loss in 2004. The CURT research showed a loss of $15.8 billion annually to what it called 'information backflow,' the loss of information (and the cost to reproduce it) that occurred as a project moved from one phase to another.

"There does seem to be growing acceptance that the way the industry delivers projects has problems," says Mark Dietrick, director of services for Autodesk dealer Case Technologies. "I see increasing pressure from owners who understand that they are the ones paying for the inefficiency."

Another significant shift in usage patterns is the increased usage from contractors, and especially from specialty contractors. Construction companies surpassed engineers in terms of their share of BIM project adoption in 2010.

A point cloud representing the cross section of the produce terminal renovated by the URA in the Strip district (source Image4Design).

In fact, many projects are being coordinated in the field using 3-D, which weren't designed using a building information model. While such cases help drive up usage of BIM they do so without gaining the intended benefits of the model. Locally, some of the most active users of BIM are specialty contractors like Lighthouse Electric, and mechanical contractors McKamish Inc. and William T. Spaeder Co. of Erie. Even though each is using BIM to more efficiently produce their own work, the design model they are using isn't being shared with others on the project.

Mark Dietrick isn't surprised by that. "We hear daily that contractors are building models from the hard copy plans and specs because the documents aren't being provided to them as a model," he explains. "The shame of it is that the hard copy is often being created by a model that was put together by the architect or engineer but not shared with the whole project team."

> ... THE MISSING ELEMENT IS STILL THE SAME AS IT HAS BEEN: AN EPIDEMIC LACK OF TRUST.

The usage of BIM in vertical 'silos' does not result from an intentional hoarding of information so much as a result of how the design and construction are contractually related to the model. An owner who is committed to doing a BIM project is generally thinking in terms of design, and therefore the designer. Architects are more often than not still creating a model to represent what their client wants a contractor or contractors to price. To some extent the owner thinks in terms of the output as separate from the model: he or she wants to use BIM to prepare the drawings without bringing a contractor into that process. It is certainly possible to use BIM to create a model that will be used for competitive bidding, selecting a contractor and then get passed along as revised for the contractors and subcontractors to use for submittals, fabrication and coordination.

Those cases just aren't happening very often. To do so would require the various parties to suspend their natural reluctance to openly share the model for revision by other team members. And design models are frequently not built in a manner that supports downstream activities.

To get the full benefit of a building information model requires that the opposite occur freely. The optimum situation for BIM is an integrated project delivery system (IPD). The slow acceptance of IPD is another obstacle to BIM's wider acceptance, one that hasn't been reduced much since 2007.

Integrated projects have, at minimum, the input of a complete project team from the earliest stages of development. Taken to its logical conclusion, IPD projects would be built with contracts that reflected a high level of collaboration by sharing the risk and reward of the project proportionately among the parties. That would mean owners, architects, contractors and major subcontractors indemnifying each other from blame (and claims) when problems or unanticipated conditions arose. Contracts do exist in several formats to accommodate IPD and a recent AIA white paper on IPD details six projects' contractual arrangements as examples. The missing element is still the same as it has been: an epidemic lack of trust.

Another obstacle to widespread usage of BIM that has been overcome to a large degree is difficulty of using modeling for renovating existing structures. In mature markets like Pittsburgh, the majority of the work is being done in existing conditions rather than new construction. Moreover, the more active construction owners, like the universities and hospitals, write the vast majority of their contracts for renovation. Heretofore, using BIM required exhaustive measuring and surveying existing conditions to create a model. The process was labor intensive, costly and inaccurate to a higher degree than most owners cared for.

The marriage of BIM to another emerging technology, laser scanning, has rapidly evolved the opportunity to cost effectively and digitally measure and store all the values that represent the existing building conditions in a BIM model that can be re-used whenever the space is adapted again. Once conditions are verified in the field the revisions that result from the new project will be stored in a newly revised model of the new 'existing conditions' and those conditions will now be available indefinitely.

For example, if UPMC wants to renovate the east wing of the eighth floor of Scaife Tower, a laser scan of the project site can be done and a model representing how the space will be modified will be created as part of the construction project. When that same space is renovated five years from now that model will still exist, with the same accuracy of detail as today, and without the missing sheet A-5 from the as built drawings.

Laser scanning is not new. Researchers have been using portable scanning equipment or LIDAR (light detection and ranging) to get accurate images of surfaces for historical restoration or other heritage projects. The entire state of Pennsylvania was shot by airborne LIDAR two years ago. The technology collects high-speed light reflection points – hundreds of thousands per second – and outputs an image called a point cloud that is a kind of laser scan X-ray. Because the technology uses light, it is possible to scan in all directions and can integrate multiple elevations and orientations, which allows for a 360 degree point cloud of a surface, or building, within a few minutes. Therein lays the problem for its use in renovation: laser scanning requires uninterrupted time within the area to be surveyed.

"The biggest problem is our ability to get free access to the space for a few hours," says Charlie Yuill, partner in Origin4Design and landscape architecture professor at West

The BIM elevation drawing which resulted from the laser scan (source Case Technologies).

Virginia University. "The complexity of the space isn't an issue as long as we can get access to it." Yuill points out that laser scanning is the ideal solution for multi-faceted surfaces like crown molding or hardware in historical restoration but in those situations he has access to the details being reproduced.

In its application as a surveyor for historic reproduction of details laser scanning has a distinct advantage that it doesn't have in supporting building information modeling just yet. The output from the scan is a digital point cloud. In machining and milling operations the software already exists to take the digital point cloud directly into a CNC router or computer-aided mill. Point clouds are not yet an operable input to any of the BIM software. The laser scanned image must first be interpreted by software like Edgewise, which recognizes planer surfaces, and then cleaned up and construction assembly information added with BIM software.

While the seamless transfer of information involves interoperability with a relatively unused technology, the problem of interoperability remains the single biggest headache for BIM users and developers alike.

Steve Williams, regional manager for Autodesk, a provider of BIM solutions such as Revit and Navisworks, foresees owners' involvement as a key driver in interoperability solutions. "We are seeing a strong uptick in owners asking about firms' building information modeling capabilities in RFPs and in many cases starting to specify model-based standards and deliverables. Those data standards will help provide direction for integration points that provide value throughout the building lifecycle."

Most application software development came from more than one competitor historically (think Lotus versus Excel), and eventually open standards evolved so that data from outside sources could be easily and accurately imported into any number of similar applications. Today any data arrayed in rows and columns will assemble as a spreadsheet regardless of the spreadsheet application. There is no similar history of open standards adoption in design and construction. The leading CAD software, AutoCad, became the *de facto* open standard by its sheer market share and even then won primarily because the federal General Services Administration adopted '.dwg' as its file standard. There is no reason to think that a tug of war won't occur between Revit, Bentley and Graphisoft until a similar decision by a large buyer of design services.

"The biggest headache is still the poor interaction between the different elements within the design," allows Dietrick. Even though the different software applications allow for some level of interoperable file transfer, "there are still a lot of information exchange issues due to insufficient standards," he says.

What Dietrick refers to goes back to the nature of BIM itself. Elements of the design in BIM are embedded with all of the information that relates to the element – dimensions, materials, cost, manufacturer's data, etc. – plus the information from the related elements. So while one BIM environment may import an interior wall assembly geometry from another application, much of its related information may not import with the detail. Thus changes to related elements – door or window selections, insulation values that impact energy calculations – won't be reflected in the model without updating the effected elements manually. This isn't a monumental task but such interoperability neuters one of BIM's more important benefits.

Despite the inconvenience of these early and persistent obstacles, BIM continues to emerge as an agent for changing how construction projects are delivered. The obvious benefits of BIM – tighter documents and improved client communication – were sufficient to drive the dramatic climb in usage over the past two years. For early adopters, the expanded use of BIM in project delivery has them seeking to use the model to help them design better, using cost information or energy data or daylighting models to better inform the decisions they are making about the buildings they are designing. BG

Financial Perspective

FASBE is Coming! FASBE is Coming!

The Financial Accounting Standards Board (FASB), which sets American standards, has been working with the International Accounting Standards Board (IASB) to merge its generally accepted accounting principles with international standards.

The draft of the revisions is now circulating among professional organizations to allow comment on the new standards from both an accountancy perspective and from the point of view of the impacted industries. As the comment period unfolds, three provisions are causing the real estate and construction industry some headaches. Those are changes in accounting for real estate leases, revenue recognition and potential liability for withdrawal from multi-employer pension plans.

As you might imagine, the underlying goal of the revisions is to bring more transparency to financial reporting. Mostly the changes are an attempt to reconcile differences between U. S. and international accounting practices. Part of the motivation is undoubtedly the fact that it was asset reporting and recognition issues that were at the center of the financial crisis. There's little to suggest that any decisions would have been changed about investing had the proposed standards been in place in 2007 or 2008, but like in the early part of that decade, much of the misunderstanding about the affected businesses was owed to off balance sheet transactions. Many of the proposed FASB revisions that effect construction and real estate deal with making potential liabilities more visible.

What is creating the most push back is that the accounting standards are overlooking the downstream impact to the businesses that will have to recognize those potential liabilities in their reporting.

"My big concern is that it significantly increases the amount of subjectivity rather than reducing it," says Eugene DeFrank, of Schneider Downs & Co. "For example, the revenue recognition standards that are proposed will require dividing the contract into a series of performance obligations, each with separate accounting and estimates of costs. There will be greater opportunity for manipulation of financial statements since the number of estimates will have multiplied many times."

One of the more basic tenets of accounting is balance. The aim of financial reporting is to create documents that result in offsetting income and expense or assets

and liabilities so that the result is an apparent reporting of a business's profit/loss or increase/decrease in owner's equity. While some of the revised standards will result in more complex accounting the net result will not be a change in the business's financial position as a result of accounting changes, but the concerns are that the changes will result in a net change in how it does business.

Each of the three areas of concern to the building industry has that potential. Perhaps the most counterintuitive revision is the change in the way leases are accounted. The revisions apply to leases for real estate, natural resources (think natural gas), and capital equipment. If accepted, the new GAAP for leases will require tenants to recognize the right to use the property as an asset with the full present value of the property to be used for the duration of the lease. The obligation to pay rent is recognized as a liability for the entire lease period. As the lease proceeds the value of the asset is reduced by the payments (plus an interest calculation) and the liability is amortized similarly. On the balance sheet the asset and liability offset in terms of the owner's equity position but the recognition of what was previously an off balance sheet expense as a potential liability has an enormous effect on how its debt ratios are perceived, for example.

The Securities and Exchange Commission estimates that public companies will have to put some $1.3 trillion in leases on their balance sheets, and with private companies who use GAAP the expectation is that the number will grow to $2 trillion. Those levels of liability will significantly shift the leverage of corporate America, at least on the books.

Banks will have to respond with a more understanding approach to business credit. The reality of a company's cash flow won't change under the new standards but its balance sheet will show an added liability that may change its debt ratios unfavorably. If that company's bank reviews its customers' credit lines annually and responds without individual analysis, it's possible the company will see its credit chopped. The additional liabilities could also trigger debt covenants, and will weaken the perception of a company in the eyes of less detail-oriented investors.

There are also some potential headaches for commercial real estate – and tenants – that the lease as asset/liability standards will create. Because a short-term lease will book as a smaller liability than a long-term lease, renters may opt for shorter leases. In the long run this would mean brokers would need to do more leases to generate the same dollars in transactions. That's not an efficient model. For tenants, such a strategy would also discourage taking advantage of motivated landlords who are willing to lock in lower lease rates in exchange for long-term leases when markets are soft.

"I expect there could be periods when tenants would be less likely to take on long-term leases and have that larger liability on their balance sheet," says McCrory McDowell's Jeff Spengler.

The new lease accounting also poses additional problems for the retail sector because of some of the ways in which those businesses operate. For an industry already struggling to emerge from a tough recession, retail companies will be especially burdened with the administration of the new standards. National retailers have hundreds, some thousands, of leases to analyze. Because there is no 'grandfathering 'of leases, all of retailers leases will be subject to the revisions on day one. Retail leases often have renewal options for favorable locations. The FASB revisions may require that the additional term spelled out in the option also be treated as a liability, depending on the likelihood of renewal. In addition most retailers sign leases with contingent rents, which are based on a percentage of sales. Under the new standard, companies with these agreements will have to estimate their sales numbers over the entire term of the lease to book it on their balance sheet.

For construction the two alarming sections of the FASB revisions are the revenue recognition and the accounting for potential liability for withdrawal from multi-employer pension funds.

The former is the change of which DeFrank speaks. FASB/IASB intent is to make revenue recognition consistent across all industries, but the method that has been proposed will make contractors and project owners less than happy. Chopping the construction contract into separate performance obligations is meant to encapsulate the progress in a way that makes each payment cleaner, but the estimation of subcontractor and labor costs and allocation of overall costs like overhead and general conditions is likely to accomplish just the opposite.

> "I'm concerned these changes have the potential to have the accounting rules influence the decision-making itself."

Like with the leasehold accounting, FASB's proposed changes to accounting for multi-employer pension plan obligations will also add complexity and subjectivity. For contractors with labor agreements the revisions require them to estimate their obligation for any unfunded pension contributions that would be due if they nullified their agreements with that trade. For contractors with multiple agreements this will present an unpleasant administrative burden. It will also create opportunity for unintended subjectivity since the accounting includes projections of the likelihood of such a withdrawal from a multi-employer plan.

Before storming your accountant's office with shotguns, remember that what has been released are FASB/IASB proposed revisions. The comment period, which has sparked strong responses, runs through the end of 2010, and it will be followed by a series of roundtables once the comments have been digested.

"I don't expect any final announcement of standards until at least mid-2011," offers Schneider Downs' John Null. "Judging from what has happened in the past I'm guessing it will become effective in 2013."

Null also expressed a concern that all business people should have about the proposed revisions to GAAP, regardless of the industry.

"Financial reports are meant to reflect the way the business is operating and accurately represent how the business is performing," he says. "I'm concerned these changes have the potential to have the accounting rules influence the decision-making itself."

This is the first of three Financial Perspective articles that will examine the impact of the FASB/IASB proposed revisions on the construction and real estate industry. BG

MBE/WBE Company Spotlight

Rebecca Mizikar

Charlie Yuill

Laura Patterson

Origin4Design

The global financial meltdown proved to be a case of one door opening when another closed for the landscape architects and land development consultants at Origin4Design (O4D).

One of O4D's founders, Rebecca Mizikar RLA, LEED AP, was part of Burt Hill's growing landscape architecture practice when co-founder Laura Patterson, ASLA was hired in June 2008. The firm's landscape architecture department was based in the Pittsburgh office and was responsible for master planning and design on Burt Hill's booming higher education and K-12 work. The projects they were working on increasingly involved the use of building information modeling (BIM) on both proposals and in the site planning for projects in design.

As the financial crisis roiled across the world, Mizikar and Patterson watched as numerous projects were delayed or cancelled altogether, and noted the strain it was putting on the business. "We were feeling uneasy day-to-day – it was a difficult environment – and Rebecca and I began to have conversations about what we thought was next for us," recalls Patterson. "As we talked about what the future might be we would bounce ideas off Charlie."

Charlie is partner Charles Yuill, ASLA, at the time a researcher, educator and landscape designer working in Morgantown. Yuill had been one of Patterson's professors at West Virginia University and had become a pioneer in the use of technology to aid in landscape architecture and land use planning. Mizikar and Patterson were strongly interested in site design that was true to the native landscape and existing conditions in their cultural and historical context, whether urban or undeveloped. Yuill had begun using laser scanning technology as part of a consulting venture that worked with WVU research projects, like the Yukon gold mine restoration. That project, in Alaska, used 360 degree laser scanning of the surrounding landscape to do heritage restoration of the mine site to conditions that would have existed when the native ancestors populated the area.

When Mizikar and Patterson were laid off in June of 2009, they had already developed a close working relationship and had a clear idea of what kind of work they wanted to pursue. They joined forces with Yuill and incorporated Origin4Design in September 2009. While the first few months were spent working through detailed business plans, developing marketing materials and doing preliminary marketing, O4D was able to land some work as well. Their first project was a follow-up phase to the streetscape work being done by the Oakland Neighborhood Improvement district. O4D conducted a study to evaluate the feasibility of street tree planting. The partners also worked with St. Vincent College's Small Business Development Center to help with their planning and their Women-owned Business Enterprise certification, which O4D received on March 11, 2010.

O4D makes use of BIM and laser scanning to a higher degree than most, if not all other landscape design firms. Laura Patterson is quick to point out that their use of cutting edge technology is meant to support landscape architecture, not the other way around.

"We use technology to do landscape architecture with a more organic approach to design," she explains. "[Using a laser scan or model] allows us to step back and think about how to work with the existing conditions before we start drawing cool curvy lines."

Rebecca Mizikar points to an early commission to illustrate the role she feels landscape architecture should play. O4D worked with the Uniontown YMCA to implement a Center for Disease Control grant to promote wellness in communities with limited access to exercise facilities. "Fayette County has a high rate of obesity and a lower median income than most. Our task was to connect the at risk population with the Y," she explains. "The goal was to design trails and make pedestrian connections to recreation – intersections, walkways – safer. We first used GIS to map out where the audience was and then designed connections that made sense to the existing environment."

Mizikar's philosophy about landscape architecture centers on people. "Planning, design and development of the outdoor environment should work to help people interact with that environment."

The firm takes a similar approach to landscape design for commercial development and promotes parametric planning in advance of acquisition and development of a site. The practice gives a set of values to the constraints and advantages of the site, making use of the laser scanned surveys to model site plans at the earliest stages. The approach models the adjacency to known utilities, using topographical and geological information to forecast site utility costs, identify the optimum site for the structures and estimating what value the neighboring properties add to the development. O4D's developer clients are able to give lenders more information, and a higher comfort level about a potential project with the depth of knowledge that comes from integrating all that is known about the site with the preliminary design. O4D's partners, who grew to four in October with the addition of business development specialist Pam Kifer, recognize that their competition is fierce and getting work as a subconsultant is difficult without some way off adding value that other landscape architects don't.

"We hope that our willingness to redefine our profession along the way will set us apart," says Mizikar. "Our job is to feel the needs of our clients and to shape the result to those needs. We use technology to explore all the tools to do that." BG

Company Facts

Origin4Design

443 South Atlantic Avenue

Pittsburgh PA 15224

412-973-8997

www.origin4design.com

Founded: September 2009

Number of employees: 4

Satellite offices: Uniontown, Morgantown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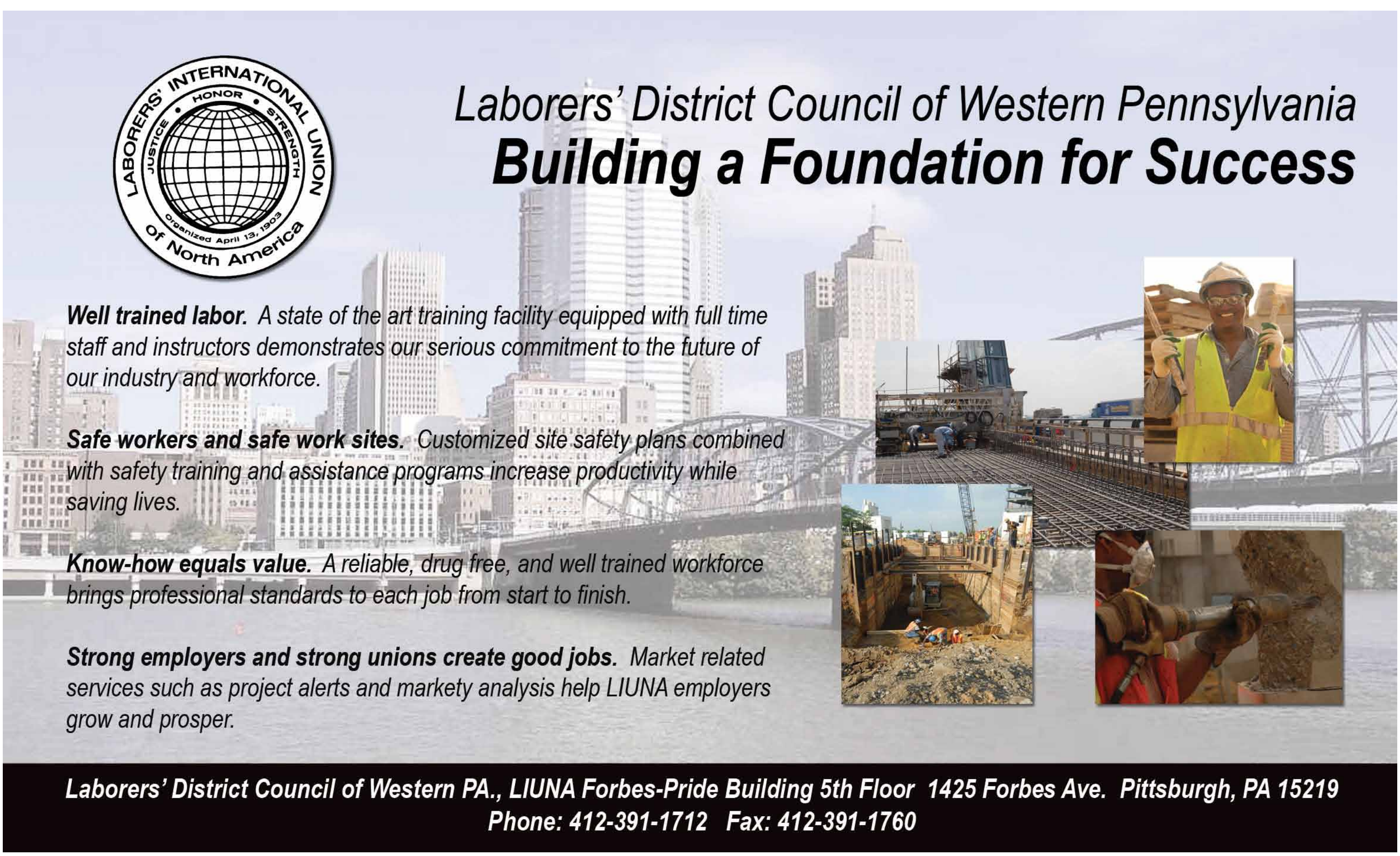
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WHAT IS GREENWASH?

By: Valerie Beichner LEED Green Associate

What if I told you that the page this article is printed on is the greenest paper you could buy? Would you believe me? Is this just another case of greenwash? Even if this printed page is highly sustainable, how would you know I'm telling you the truth without some information to backup my claim? Unfortunately, blanket statements such as the above are commonplace and perpetually adding to the problem known as "greenwash."

Greenwash is loosely defined as the act of claiming that a product or service is green or sustainable when, in all actuality, it may not be. Many greenwashing claims are indistinguishable from the truth, but key indicators can help you recognize the difference. The real travesty of greenwashing is that many wonderful products are mentally discounted by consumers due to inappropriate uses of terminology or absence of key information

WHAT QUALIFIES BUILDINGS, PRODUCTS AND SERVICES AS GREEN?

Before we delve further into greenwash, it is important to identify what qualifies a building, product, or service as "green" in the first place. Especially as the Commonwealth of Pennsylvania redirects focus to the 350,000 existing green jobs in our state and touts the opportunity for over 115,000 more, companies and jobseekers alike are taking notice and beginning to play ball in the sustainability world. The investment of $10 billion in state initiatives such as the Alternative Energy Portfolio Standards Act and Act 129 have helped Pennsylvania and the Pittsburgh region become leaders in green buildings, green energy, and green products. In particular, the Pittsburgh region has reinvented itself in the past few decades with an outpouring of community initiatives, foundation support, innovation, and local university involvement. This region is now nationally recognized as one that not only builds and innovates green, but helps support a workforce looking for jobs in a new green economy.

WHY GREENWASH EXISTS

So the question remains: With an evolving marketplace that's supposedly so in tune to sustainability, why does greenwash continue to exist? Most greenwashers are not individuals or companies who have a deep desire to trick others into buying their non-green products. In fact, greenwash continues to persist in the green building market place due to lack of initial and/or continued education. For instance, I recently met with a company who expressed deep concern that their competitors were clouding their market sector with misinformation that made it difficult for my client to share their sustainability story, which they have documented thoroughly. So little is known about green products that any information is accepted as truth, and a contradictory story is tough to tell.

HOW TO IDENTIFY AND PREVENT GREENWASH

Finding yourself in the situation of having the right story but the second story can be difficult. However, by concentrating on your company's message and providing factual evidence that further documents your greenness, you can often overcome the greenwashers you're up against.

RULE #1: Start with the basics and remember people are looking for a building product (or service) first. Green features may just be a bonus.

RULE #2: Back up your claims! If you are going to tout your green products as such, be able to back up those claims factually. Failure to do so may have a severe detrimental effect on your individual or company reputation and credibility.

RULE #3: Watch your language. By using vague terms as "green," "ecofriendly," or "sustainable," you open yourself up for criticism and potential litigation. Be sure to read through the Federal Trade Commission's Guides for the Use of Environmental Marketing Claims for clarification. Also, whether addressing green features or not, use appropriate terms and systems in your marketing materials. Number one for the green building industry, there is no "LEEDS" program. Drop the "S."

RULE #4: Invest in third-party certification. If you have an unbiased third-party verifying your claims, you become more credible to the marketplace.

RULE #5: Get with the programs. If you are going to market to the building rating systems, make sure you are familiar with how they work and correctly reference how your firm plays a role in them!

RULE #6: Get the terms straight. There are no "LEED certified products" and no single product will ever earn you a point in LEED. Be careful of manufacturers who make these claims - it could be a key indicator that they are not familiar with the system or the green marketplace.

RULE #7: Use your website. If I have to hunt to find green information about your products or company, chances are there is more to the story than you're telling me. By making all of your information quickly and easily accessible, you become more transparent, honest, and easier to find.

RULE #8: Tell the truth. Don't get so excited to talk about your green products or services that you start to embellish the truth, even a little. Eventually, consumers will figure out the real story and you could face serious credibility problems.

RULE #9: Green your company. Savvy consumers don't just pick up a green product off the shelf and feel all warm and fuzzy inside. They want to know that the company behind the product is also doing its part to walk the talk. According to the U.S. Green Building Council, the next generation's perspective will weigh heavily in these decisions, as 89% choose brands aligned with their social cause, which includes the company behind the product.

RULE #10: Understand sustainability and avoid the downfall of ignorance. Sustainability is a journey that we continue to learn about every day. You don't have to be a green guru right away, if at all. You just have to make sure you have a clear picture of the market, your role in it, the truth about your products, and how you intend to move forward.

The latest edits are out for public comment...

FTC GREEN GUIDES' FOCUS ON GREENWASH

In 1992, the Federal Trade Commission (FTC) first issued The Green Guides to help marketers use true and substantiated claims. In 2010, those Guides are being updated for the first time so that they address the evolving sustainability market and more common claims. This update will better assist companies in aligning their product claims with consumer expectations, which can be very different. The latest edits are out for public comment until December 10, 2010. They update regulations about claims addressing general environmental benefit, "degradable," "compostable," "recyclable," "recycled content," "ozone safe," "ozone friendly," "free of," and "nontoxic" terminology, as well as the use of certifications and seals of approval. New claims to be addressed by the document include "sustainable," "organic," "natural," "renewable materials," "renewable energy," and "carbon offset" claims.

The Green Guides update is a significant step by the FTC to further define how companies can ensure a truthful story about their products and that consumers get what they expect.

POTENTIAL LITIGATION?

Aside from making sure you're delivering the right message with your marketing claims, be sure you're protecting yourself legally as well. The architecture, engineering, and construction community is well aware that a handful of building owners have begun to litigate over "failure" to achieve a particular LEED certification level or performance level. Although I'm not aware of these suits reaching down to the product level, some people believe it is only a matter of time before it happens. Disclosure statements on marketing materials are one example of how to inform potential clients that there are no guarantees. Many companies use marketing materials to draw a direct correlation between the LEED green building rating system and building products, but also use language and disclosure statements to shield them from potential litigation, should specific LEED credits not be awarded for one reason or another.

Additionally, several law firms offer services to assist companies in examining the potential legal ramifications of greenwashing and further protection regarding green claims.

THE ROAD TO GREENWASH RECOVERY

For sustainable building products manufacturers greenwash has a negative impact on the operations daily. Beyond the commercial ramifications, greenwash perpetuates confusion, which still exists even in some of the most sophisticated jurisdictions, about the green building marketplace. For example, many in Pennsylvania still believe that building green costs significantly more than traditional construction, when this is far from the case. When companies who only have a piece of the sustainability story or are overzealous, it only gives naysayers more ammunition.

Greenwash persists because high level measures have not been taken to force companies to prevent it. The FTC crackdown on environmental claims is only the beginning of federal intervention and national collaboration to combat greenwash – an effort that will be key in controlling how much misinformation is disseminated into the marketplace and how long companies can get away with doing so.

Greenwash continues to be a serious problem. One of the most serious results is a confused, and potentially disappointed, consumer base. By combating greenwash, we all provide consumers with better choices, clearer definitions, and better buildings, products, and services to protect their health and safety. Isn't that the point of green building to begin with?

Valerie Beichner is the Manager of Products and Policy at Green Building Alliance, a Western Pennsylvania nonprofit organization that advances economic prosperity and human well-being in Western Pennsylvania by driving market demand for green buildings and green building products. BG

INDUSTRY & COMMUNITY NEWS

PJ Dick/Trumbull/Lindy employees who participated in the Making Strides 5K Walk.

PJ Dick Companies Make Strides Against Cancer

The PJ Dick-Trumbull-Lindy Family of Companies competed to raise money for the American Cancer Society by participating in the Making Strides against Breast Cancer 5K Walk on October 16, 2010. More than 50 employees and family members gathered to honor breast cancer survivors, remember loved ones and raise awareness and funds for breast cancer research, education, advocacy and services for those who need help with this diagnosis. Together the Family of Companies raised $10,609.00 in support of fellow employees, family members and friends that have battled breast cancer.

CLC Hosts Candidates Breakfast

The Construction Legislative Council held a governor's candidate's breakfast on October 11, 2010 at the Master Builders' Association education center in their Green Tree headquarters. The CLC is a multi-association council

Event moderator Paul Messino from Allen & Sharif Engineers, representing NAIOP, County Executive Dan Onorato, and CLC chairperson Paula Maynes, owner of Maynes Associates.

dedicated to raising awareness and advancing issues of public policy that impact construction in Pennsylvania.

Massaro

Massaro Helps Build Braddock Playground

Massaro Corporation, in conjunction with KaBoom! Playground project, the Home Dept, and Heritage Community Initiatives worked to install a brand new playground in Braddock, PA. The three day event took a lot of hard work from skilled carpenters', laborers and volunteers. It is the only playground in Braddock and the community is thrilled with it!

GREEN BUILDING NEWS

USGBC Launches Center for Green Schools

The U.S. Green Building Council (USGBC) announces its newest initiative, The Center for Green Schools on September 20, 2010. The Center for Green Schools received a multi-year, multi-million dollar sponsorship from United Technologies with the goal of creating a green learning environment in each of the nearly 140,000 schools, colleges and universities in the United States. Resources from the Center will be directed at creating opportunities for ensuring that all schools projects are LEED certified.

Through the Center, USGBC is escalating its work on green schools caucuses in the U.S. Congress and the 50 for 50 Initiative with state legislatures nationwide; the nationwide Mayors' Alliance for Green Schools; and the Coalition for Green Schools, which represents more than 10 million members collectively and comprises organizations such as the National PTA, the National School Boards Association, the National Education Association and the American Federation of Teachers. The Center is creating new resources and advocacy tools to support USGBC Student Groups on college campuses and a nationwide network of more than 1,000 Green School Committee professional volunteers. If focused on providing training and helpful resources to those who need it most – K-12 schools serving lower-income families, under-resourced institutions and community colleges.

Bakery Square, Clarion University, Westinghouse Get LEED Certification

Developer Walnut Capital partners announced on October 28 that its $130 million, 450,000 square foot mixed-use Bakery Square project has been awarded LEED Platinum certification by the United States Green Building Council (USGBC). The adaptive re-use of the former Nabisco bakery was built by PJ Dick with architect Astorino.

Two new student housing complexes built for Clarion University's Foundation were awarded LEED Silver certification by the USGBC. The projects, the 361-bed Campus View/Valley View residences, were built by the Capstone Development, Mascaro Construction and RSH Architects team.

Westinghouse Electric's new 920,000 square foot corporate campus in Cranberry Woods received LEED certification in mid-October. The four building project was designed by IKM/LLI Joint Venture for developers Wells Group, CBRE/Trammel Crow and Ferchill Development.

(left-to-right) David Scotti, Diocese of Greensburg's Ed Turner and Ray Volpatt Jr.

First Niagara's Jim Keating (left), Damian Soffer and Alex Paul (right) of Alpern Rosenthal at the MBA golf outing at St. Clair Country Club.

RIDC's Kristyn Siwiec with NAI Pittsburgh principal Patrick Sentner and Jamie Hilliard (right) advertising director for BreakingGround.

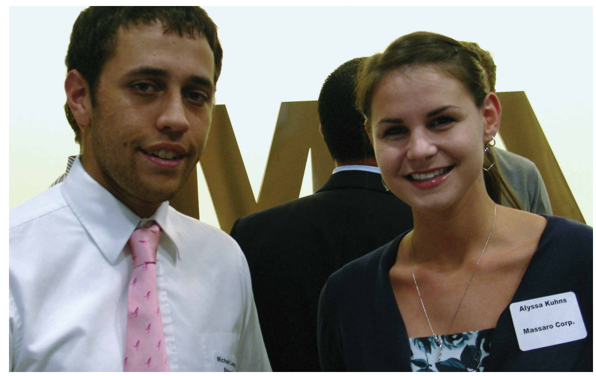
Dick Rivers of Easley & Rivers with Huntington Insurance's Pete Burke at the MBA golf outing.

(left-to-right) Mark Scalise, president of Scalise Industries/ EMCOR, Franklin Interiors CEO Ralph Dallier and Lawrence Maiello of Maiello Brungo & Maiello at the NAIOP Pittsburgh Developers Showcase at Bakery Sq. on October 15.

Panelists Bill Derence from Mascaro (left), Laura Goetsch of Simplex and Chris Chiusano from Astorino (far right) with Young Constructors chair Brett Pitcairn of PJ Dick at the YC/YAF seminar.

Anne Chen and Gary Carlough of EDGE Studio (left) with Phil Hundley of DRS Architects and Rycon's Todd Dominick at the AIA Pittsburgh Design Gala.

Don Stewart of Standard Solar chats with Oxford's Mike Barnard and wife Alicia Avick of Advantus Engineers at GBA's Party at the Arena at Consol Energy Center Oct. 21.



Mike Larson-Edwards & Alyssa Kuhns of Massaro Corp. attend the October 20 Young Constructors/Young Architects Forum technology seminar at the MBA training center.

AWARDS & CONTRACTS

The General Services Administration awarded Burchick Construction two projects at the Post Office & Federal Courthouse in downtown Pittsburgh totaling $1.2 million. Construction is underway on the GSA Post Office Floor Renovations and the North Public Lobby Renovations. The architect for the post office is Oudens Knoop Knoop + Sachs and the architect for the north lobby is Shalom Baranes Associates.

Burchick Construction was awarded a contract for the $12 million, 57,000 square foot new locomotive maintenance facility for Norfolk Southern at the Conway Yard in Beaver County. The project was designed by Urban Engineers.

The University of Pittsburgh awarded a contract to Poerio Incorporated for the installation of the Sprinkler Systems at the Cathedral of Learning in Oakland. This project covered seven floors and approximately 115, 000 square feet. HF Lenz is the architect for the project.

KoSports Hockey selected Nello Construction Company as design-builder for their new retail space in Canonsburg. Pieper O'Brien Herr Architects is the designer of the 8,700 sq. ft. facility. The project is scheduled to break ground in spring 2010.

Poerio Incorporated was awarded the contract on the Fed EX ground renovations project in Cleveland, Ohio. The project involves a 43,000 square foot addition to the distribution center and 2,000 square ft addition to the truck service garage and a new Applications building was built on site. There were also site upgrades completed on the project. The architect on the job is Austin Company.

JC Penney Department Store awarded a contract to Poerio Incorporated for the renovations of the Northwood Shopping Center Store in Peoria Illinois. The renovations included interiors on the main sales floor, the public restrooms, the styling salon, and expansion of the portrait studio. The renovations covered 95,000 square feet. Renovations also included demolition and replacement of the loading dock concrete. The architect on the project is Nudell.

Poerio Incorporated was the successful bidder for the renovations of the locker room and shower facilities at Shenango Incorporated Coke and Battery facility located on Neville Island Pittsburgh, PA. The Improvements included the interior demolition of approximately 8,000 square feet of existing office space. The renovations consisted of four separate showers, restroom and locker room facilities. Exterior work consisted of construction of a new ADA ramp and exterior sidewalk installation. Sidock Group is the architect on the project.

Forest City Enterprises awarded a contract to F. J. Busse Co. for renovations to the lobby of the Commerce Court Building in Station Square. The architect for the project is DL Astorino & Associates.

Mascaro Construction completed construction of the $18.5 million expansion and renovation project at the National Aviary. It features the world's first indoor, free-flying bird theater, The Helen M. Schmidt FliteZone Theater. The theater features the talent of local theatrical artists including Andy Ostrowski for lighting, Michael Essad for scenic design, Jessie Sedon-Essad for video design, and Producer Dan Fallon of CMU.

Mascaro recently began construction on two projects at the University of Pittsburgh's Oakland campus. The projects are for the interior and exterior upgrades to the historic Concordia Club (RSH Architects) and construction of new laser labs at Eberly Hall (Renaissance 3 Architects).

Mascaro is providing preconstruction services to the University of Pittsburgh for the Biosafety Level 3 Suite to be constructed in Langley and Crawford Halls. Perkins + Will is the architect and construction is planned to begin in early 2011.

The Children's Museum of Pittsburgh awarded an open-ended contract to Mascaro. Under the contract Mascaro will assist with the planning, design, and construction of various maintenance and construction projects. Along with FortyEighty Architecture, Mascaro is working on café and store renovations at the North Side facility.

Mascaro received a contract from Marshall University for the Translational Genomic Research Institute. The project involves 9,200 square feet of research and lab space, offices, and related support space in the Edwards Comprehensive Cancer Center in Huntington, West Virginia. Edward W Tucker, Architect is the designer.

Mascaro Construction is the contractor for the Capstone Development team that was awarded the new student housing complex at Lock Haven University in Lock Haven, PA. The $30 million first phase includes new construction of 682 beds. STV Inc. is the architect for the project.

Mascaro was awarded contracts for major foundations packages at the $650 million V & M Star seamless steel pipe plant in Youngstown OH and the $450 million USSteel Clairton Coke Works Battery C project, which is part of a $1.2 billion expansion.

Landau Building Company was recently awarded a contract to build a new Pharmacy at the UPMC Hillman Cancer Center, the nationally and internationally recognized flagship treatment and research facility of the UPMC Cancer Centers network, in Pittsburgh, PA.

Landau Building Company has been contracted to build three more MedExpress interior fit-outs. They are located in Altoona, Reading, and Lancaster PA. MedExpress is an urgent care facility that is open seven days a week, 12 hours a day.

Massaro Corporation was selected by Point Park University to serve as the general contractor for the Public Space Enhancement project which is part of a $244 million Academic Village Initiative. This project has an 18 month schedule and will include new, urban hardy trees, milled and resurfaced street, accessible sidewalks and curbs, new signaling systems at the intersections with the Boulevard of the Allies and Third Avenue pedestrian-scaled lighting. TKA is the architect on this project.

Massaro Corporation was selected by Jefferson Regional Medical Center to perform as the general contractor on their upcoming expansion project. This $12 million, two-story addition will include six new operating rooms and renovating and enlarging the existing surgical suite at the hospital located on Coal Valley Road in Jefferson Hills. The design is being done by WTW Architects.

St. Elizabeth Ann Seton Parish has selected Massaro Corporation and Glance and Associates to serve as the general contractor and architect, respectively for their expansion project. The 11 month schedule will include an addition to the church, parking lots, and sidewalk enlargements.

Massaro Corporation was selected by MEDRAD, Inc. Heilman window replacement project in O'Hara Township. This fast-tracked project is slated for completion in December 2010. WTW is the architect.

Carnegie Mellon University awarded a contract to Jendoco Construction Corporation for interior Renovations to the Doherty Hall Art Department at Level C. Burt Hill is the architect.

TEDCO Construction was the successful contractor on the $2 million third floor Behavioral Health Department renovations at Ohio Valley General Hospital's Kennedy Township campus. Burt Hill is the project architect.

TEDCO was awarded a contract for locker room renovations by Duquesne University. The architect for the project is WTW Architects.

dck north america, a dck worldwide company, received notice from the Federal Aviation Administration (FAA) on the award of a national Basic Ordering Agreement (BOA) for Design-Build Services. The scope of work for the En Route Facilities Planning and Modernization Program involves the design and construction as required by task orders to support the FAA's En Route Air Traffic operations and service level availability through life cycle management of the 21 Air Route Traffic Control Centers (ARTCC) throughout the country and the Combined En Route Radar Approach Control Facilities (CERAPs) in San Juan, Puerto Rico, and Guam.

dck international, a dck worldwide company, was recently awarded a contract by DeVry Inc./Ross University in St. Kitts, West Indies, for the renovation of the University's on-campus residences. dck is currently providing pre-construction services and will serve as the general contractor on this $4.6 million project, which involves five buildings and a total of 120 rooms.

Rycon Construction, Inc. is responsible for a 7,400 SF renovation located on the 4th Floor wing at UPMC McKeesport. The project was designed by Image Associates.

Rycon Special Projects is currently working on their third office renovation project for CIGNA. Rycon's first major project at CIGNA, a 100,000 SF, multi-phased office renovation, was recently awarded LEED Silver Certification. Congratulations to CIGNA, HSB Architects and the rest of the project team for achieving this goal.

Dick's Sporting Goods selected Rycon's Special Projects Group to start construction mid-October on a new Winter Classic Hockey Store located in the Strip District. It is scheduled to be open for business in November.

Rycon Special Projects Group is responsible for their second dining hall renovation at the University of Tennessee at Knoxville. The Volunteer Hall Restaurant is over 3,500 square feet.

For UPMC, Rycon Special Projects Group was awarded contracts to complete the following five renovations: Passavant Foundation Office, Passavant GI Lab, Monroeville Cancer Treatment Center, Natrona Heights Urgent Care and 23rd & Jane Street Office.

A. Martini & Co., Inc. was awarded the construction of a new Allegheny Valley Bank branch located in the Lawyers Building. Construction started mid October and will be completed by early January. The architect for this project is The Design Alliance.

The A. Martini & Co., Inc was selected by UPMC – Mercy to provide preconstruction and construction services for the renovation of the ERC and the Emergency Room Administration areas. This project is scheduled for completion in February 2011. GBBN is the architect for this project.

UPMC – Shadyside Hospital selected A. Martini & Co., Inc. for renovation and construction of a new MRI suite in Shadyside Hospital. Completion is scheduled for February 2011. The selected architect is Radelet McCarthy Polletta Architects.

The US Army Corps of Engineers, Huntington District, has awarded an $11.9M contract to Brayman Construction Corporation for the Phase 1 construction of the Dove Dam Safety Assurance Project. The scope of services for the first phase includes the installation of 36, multi-strand, anchors in the spillway section of Dover Dam. The multi-strand anchors range in size from 19-strand to 48-strand and will be installed in holes ranging in size from 9-17 inches in diameter. The length of the anchors will vary from 103-153 feet and will be used to secure sections of the dam to the bedrock.

On September 22, Brayman received the 'National Rehabilitation Project of the Year' award at the annual Association of State Dam Safety Officials (ASDSO) Conference in Seattle, WA. The award was presented to Brayman Construction, along with Rummel, Klepper & Kahl (RK&K) and Alvi Associates, for Prettyboy Dam's Gatehouse Anchorage System in Baltimore, MD.

PJ Dick was awarded design-build services for renovations to the 3rd floor of the Children's Home of Pittsburgh & Lemieux Family Center. Perkins Eastman is the architectural partner for the 2,000 square feet of patient rooms, construction of private bathrooms and reconfiguration of additional spaces.

PJ Dick was awarded construction management services for Range Resource's new Appalachian office facility at Southpointe II in Canonsburg, PA. Developed by Horizon Properties, the project is a 5-story, 180,000 square foot office building featuring a 225-seat auditorium, a café and an outdoor event plaza. The project is being designed by DesignStream Architectural Studio.

Construction will get underway in spring 2011 on the new specialty metals hot rolling and processing plant for Allegheny Ludlum in Brackenridge, PA. Walbridge East is the construction manager for the new $1.16 billion facility. Siemens VAI Metals Technology is designing the mill equipment. Hatch is the engineer of record.

FACES & NEW PLACES

James Huber joined Volpatt Construction as lead estimator/senior project manager.

Jendoco Construction Corporation added Scott Koontz to their staff as part of the Estimating Team. Scott brings 17 yrs of preconstruction experience to Jendoco. He has a Bachelor of Science in Civil Engineering from Penn State University and is a LEED Accredited Professional

Rycon Construction is pleased to welcome John Adamson as Senior Estimator. John has 23 years experience in the construction industry and carries a B.A. Degree in Business Management & Accounting from Marietta College.

Rycon's new MEP Coordinator / Project Manager, Tim Carlon, has over 30 years experience in the construction industry. He earned an Electrical Engineering degree from the University of Washington and has previously won several design and building awards.

Rycon Special Projects Group added Frank Sweitzer as a Project Manager. Frank obtained an Associate's Degree from ITT Technical Institute and has over 10 years experience in the construction industry.

Mark Anchors is a new member of the Massaro Restoration Services team. He has been working in the Restoration industry since the fall of 1997. As a Project Manager with Massaro Restoration Services he will work with Claims Adjusters and their insured customers.

Nicholson Construction Company has opened new offices in Austin, TX and Overland Park, KS (Kansas City). The two offices are now fully-operational with engineering, project management, and field operations resources available. Cary Lange, P.E., is the branch manager of the Texas office. The branch manager for the Kansas City office is William F. (Bill) Powers III, P.E.

Arthur Lubetz, founder of Lubetz Architects has merged his firm with two of his former students, Yen Ha and Michi Yanagishita to form Front Studio Architects, LLC with locations in Pittsburgh and New York City. Front Studios LLC will operate in Pittsburgh from 357 North Craig St Pittsburgh, PA 15213. Phone is (412-682-2121); Fax is (412-682-2151). The office email is design@frontstudio.com. The New York office is located at 187 Lafayette St, Fl 6 New York, NY 10013.

The Gateway Engineers, Inc., headquartered in Green Tree, was recently honored as a 2010 Hot Firm by ZweigWhite. This prestigious national designation is given to successful A/E/C consulting firms that have outperformed the economy and competitors.

PJ Dick welcomed Phillip Marraway as Project Engineer at UPMC East in Monroeville, PA. Mr. Marraway is a Civil Engineering graduate of Penn State University with ten years of industry experience.

PJ Dick announces the addition of Luke Terza. Mr. Terza, an Architectural Engineering graduate of Penn State University with ten years of experience in construction supervision, will be the Project Superintendent at the University of Pittsburgh, Salk Hall project.

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

What's Next? Three Keys to Sustainable Prosperity

John P. Surma, Chairman & CEO, United States Steel Corporation and Chair, Allegheny Conference on Community Development

As we near the end of this year and this decade, the Pittsburgh region has much to be proud of. Our economy has outperformed the nation as a whole for more than two years running with stable housing and commercial real estate values, and an unemployment rate below the national average. As painful as this recession and its aftermath have been, we have weathered the storm relatively well, and we have attracted global attention for doing so.

The new year will bring with it a new set of challenges. The Commonwealth is faced with a soft economy and reduced revenue, and a crisis in transportation funding. Together these fiscal issues could result in a multi-billion dollar budget gap, with none of them having a more acute impact on people throughout Pennsylvania than transportation. Without action by the legislature early next year, bridges, highways and dams will go unmaintained, and as early as March the Port Authority of Allegheny County may have to impose drastic service cuts. Of course, there is no cheap or easy solution to the transportation issue.

Beyond transportation the new governor faces a number of other challenges, including underfunded state and municipal pensions and uncertainty about the policy environment around the Marcellus Shale development. How he addresses these challenges may well determine the degree to which Pennsylvania and our region prosper in the decade to come. Fortunately, we have opportunities as well as obstacles.

Here are three keys to sustainable prosperity to consider for the Commonwealth:

- Power Pennsylvania's economy through energy
- Create a competitive climate for business growth
- Sustain core communities

Powering Pennsylvania's Economy

Much has been made of the Marcellus Shale, the focus of a 21st-century "gas rush" into our region. It is a game-changer that can support energy independence for America and abundant, lower-cost, accessible energy and feedstocks to grow industry and create jobs in Pennsylvania. The Commonwealth needs a comprehensive policy approach that encourages development in a safe, fair and environmentally responsible manner that includes solutions to regulatory and permitting issues, and considers the competitive implications of any new taxes.

At the same time, our energy opportunity is much greater than a single natural resource. Our region, the birthplace of the global energy industry, is home to a diverse portfolio of energy-related solution providers spanning coal, natural gas, nuclear, solar and wind manufacturing, transmission and distribution expertise, and intelligent building innovation. All of these will be needed to address the world's growing energy needs.

We are the only region in the nation that is rich with natural resources while being an employment leader across all seven of these energy industries. To address growing regional, national and global energy demand, the new governor should join the Energy Alliance of Greater Pittsburgh in championing a true portfolio approach to developing energy solutions.

Pennsylvania should build on the successes of this decade and create new Strategic Energy Development Areas to better compete with regions in China, India and other nations that have created special economic development zones targeting strategic industries. The Commonwealth should channel more funding through the Benjamin Franklin partnerships that will stimulate the formation of emerging energy companies.

Finally, we must build a globally competitive workforce by investing in vigorous STEM (Science, Technology, Engineering and Math) initiatives to meet growing demand. By creating new Labor and Industry partnerships of state, industry, workforce investment boards, community colleges and others, the Commonwealth can help to develop a skilled workforce.

A Competitive Business Climate

Among the most successful initiatives of the past decade, the Business in Our Sites and Infrastructure and Facilities Improvement programs have resulted in the development of more than 2,000 acres of pad-ready sites throughout our region. The effort has been so successful that many of these sites are nearing capacity. The Commonwealth needs to make additional investments in site preparation and infrastructure improvement.

We have made progress in this decade by improving Pennsylvania's tax and regulatory competitiveness. Now is the time to do even more. To encourage startups and manufacturers to start and grow here, Pennsylvania should complete the move to a 100 percent sales factor formula, eliminate the cap on net operating loss carryforwards, reduce the corporate net income tax rate and complete the elimination of the capital stock and franchise tax.

The next governor should also explore new ways of completing major infrastructure projects with public-private partnerships (P-3s). With limited state and federal funds available to address pressing transportation infrastructure needs, Pennsylvania needs more creative ways to partner with the private sector and new laws to allow flexible use of P-3s.

Sustain Core Communities

Pennsylvania must make a priority of restoring the fiscal health of core communities across the Commonwealth, the municipalities that are home to regional assets for education, health care, recreation, and arts and culture. First and foremost, we must defuse the "pension time bomb" at the municipal and state levels, while containing costs to prevent a return to insolvency. We must move forward on the progress achieved this year in implementing the State Planning Board Governance Committee recommendations to remove barriers to boundary change

The new governor will be constrained by a growing gap between expenses and revenue. To take on any new initiatives, he will have to focus on those with the highest potential return on investment for Pennsylvania taxpayers. These three keys to continued success will provide the highest return and assure continued progress toward sustainable prosperity for all of us. BG

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