BreakingGround

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

NOVEMBER/DECEMBER 2008

Can the Regional Economy Outrun a National Recession?

Third Quarter Results & Year-End Forecasts

Examining the Details of TARP

Green Cleaning gets a Foothold

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FEATURES & DEPARTMENTS

Publisher's Note

Don't panic. I have probably said those words, in one form or another, to one hundred people since September 15. To customers, to friends, in countless speeches, even to my 72 year old mother, I felt the obligation to remind them that nothing ever plays out to the extreme.

To be sure, there are good reasons for a little healthy anxiety. Anyone who could watch their investment accounts cut in half in less than two weeks time, and not panic, has access to some medicine I'd like to share. But if you step away from the emotions for a minute and analyze what happened you can probably bring your blood pressure down again.

One of the first great pieces of advice I heard was to avoid the 24-hour news channels and financial market websites. That's a bit of ostrich-style crisis management, I know, but the speed at which we get information these days absolutely inflamed the emotions during the peak of the 'crisis.' Watching the Dow Jones ticker on the day the first bailout plan failed to pass Congress was riveting. You could literally watch the panic seize the moment.

For some perspective, Google any phrase relating to oil prices and read through what some of the articles were saying in July. As oil trades around $65 per barrel in late October, a look back just three months reminds you that the experts then knew that $200 oil was right around the corner, and $300 oil was inevitable. If expert judgment could be so wrong, so fast, about oil prices or the runaway economic growth in India or China, could the dire predictions of where the global economy is heading be any more accurate?

No financial situation like this has been faced during the lifetime of anyone still working, so we don't know yet how the actions of our government, and world governments will impact the situation. We do know that the banks began to relax their short-term rates to other banks within a couple weeks, and we do know that third-quarter corporate earnings didn't come in much off the expectations, and some beat the street.

By the time you are reading this, earnings season will be about over on Wall Street, and my optimism might be laughable. But even if the financial world is still suicidal as Thanksgiving approaches, there are some realities about our region that can comfort us.

Even if we Weather the Storm well, the Market will still Produce Indigestion for a lot of Developers, Designers and Contractors. But Fear won't Produce Good Solutions. Eat a Couple more Tums. And Don't Panic.

First, almost all the economic news about Western PA is positive. Jobs are being created rather than lost, even as the national employment figures tank. And non-residential construction continues to be strong. This is the time of year I'm usually making a lot of forecast presentations. October's preliminary numbers showed that construction for the first ten months was higher than my forecast for all of 2008, a misjudgment I'm glad to confess. There is also a strong pipeline of work for 2009, even though the bid market seems a tad lean right now.

It's common for regional economies to thrive even during times of national recession. While Pittsburgh was losing 100,000 jobs between 1980 and 1985, cities throughout the South were doubling in size. I was in Charlotte, NC for part of that period and the growth was visible to the naked eye. You couldn't open a restaurant bad enough that it would fail. Only time will tell if Pittsburgh will be the Charlotte of this recession, or not. Even if we weather the storm well, the market will still produce indigestion for a lot of developers, designers and contractors. But fear won't produce good solutions. Eat a couple more Tums. And don't panic.

Jeff Burd

News From The Street

Industrial Construction Boom Continues

While news from the global economy has not been upbeat in months, the local economy continues to produce construction investment at high levels, particularly in the industrial sector. Whether it is new technologies, like Flabeg USA's solar coatings and glass, or old, like USS Clairton Coke Works, the industrial market has accounted for almost 15% of the total non-residential contracting volume in 2008, and may account for as much as 50% in 2009.

From among the high profile projects that are quietly moving forward, the $1 billion modernization of the coke facilities at the USS Clairton Works has started the first phase of demolition, and Gracor has put packages out for new construction. Work should get underway on the first phases of the new work in early 2009. Likewise, Bechtel Energy has been pre-qualifying firms for bidding on the Beech Hollow Power Plant for Robinson Power in Robinson Township, Washington County. It is expected that work on the coal-fired plant, which should also top $1 billion, will get underway in 2009.

Well under the radar is the construction of natural gas separation, processing and distribution facilities being developed by Mark West Energy for Range Resources at a variety of sites between Findlay Township, in Allegheny County and Avella and Houston in Washington County. The project, which is estimated to be in the $200 million range, involves facilities for separating liquid propane, natural gas and gasoline from the Marcellus shale drilling, as well as pumping stations and a distribution system. Also being discussed are plans for a similar facility in Majorsville, Washington County.

The final high profile industrial project is Allegheny Technologies' planned $1.2 billion Brackenridge stainless steel plant. When announced, the project's funding was to have been already secured from operations and existing capital budgeting. Final approvals from state and local officials for permitting and economic development are still pending, and construction in 2009 could well be affected by further demand changes globally.

Route 228 Standoff Threatens Cranberry Developments

The pace of development along Route 228 between the I-79 interchange and Seven Fields has demanded a widening and reworking of the state highway for several years, yet an impasse in how the project will be funded is threatening to derail the development of an $800

million retail center planned by Simon Properties and additional growth already needed by Westinghouse Nuclear at the site of their yet-to-be-completed Cranberry Woods campus.

The problems for the project began as costs for heavy construction spiked over the past couple years, and as PennDOT's coffers diminished. The original project scope, which was to widen Route 228 through to Myoma Road in Adams Township and cost $85 million, has been tailored down to meet a $65 million budget, but as is will trim additional through lanes and terminate the widening at Castle Creek Drive in Seven Fields. As proposed, funds resulting from the Simon Property Group's mall will contribute $41 million and the remaining $24 million would come from PennDOT, which had previously committed those funds to the improvements. PennDOT views the reduced scope as unacceptable, and will not release the funds.

Cranberry Township's Planning Officer, John Trant Jr., expressed frustration at the Catch-22 problem. "We sent PennDOT the final package, and we said 'This is it.' It's better to do something than to let Simon's contributions walk," Trant explained. While Simon has set no deadline or even declared an ultimatum, those familiar with the situation fear that the developer will abandon the project, especially given the national economic climate, if a solution to the Route 228 project isn't reached by year's end.

Adding to the township officials' fears about Simon is a concern that Westinghouse Nuclear, which continues to grow its global sales, will consider other locations for future expansion without the promised improvements to the overworked Route 228 corridor.

PA Ranks High in Energy Efficiency, Low in Foreclosures

In October, the American Council for Energy Efficient Economy released its second annual ranking of the states based on their performance in encouraging an energy efficient economy. The study, which looks at the energy efficiency of a state's transportation, buildings, power and heating plus the effectiveness of its government plans, ranked Pennsylvania 15th out of 50. The ranking is one below last year's, however PA's score of 17 represented an increase over the 2007 rankings.

PA ranked near the top in the areas of how its transportation, building codes and power/heating perform; however ACEEE gave it low (or no) marks in areas of governmental incentives for utility and public benefit efficiency and programs.

2008 ACEEE Rankings

Rank	State	Score
1	California	40.5
2	Oregon	37
3	Connecticut	36
4	Vermont	33
5	New York	32.5
6	Washington	32
7	Massachusetts	26.5
8	Minnesota	26.5
9	Wisconsin	26
10	New Jersey	25.5
15	Pennsylvania	17

Internet site HotPads.com searches the 1.75 million homes for sale nationwide to identify the best and worst areas for foreclosure, by Congressional district. Not surprisingly, the formerly hot areas in the west and south were at the top of the list. HotPads found the percentage of homes in foreclosure in Nevada is above 4.1 percent, in California and Arizona around 2.4 percent, and in Florida 1.5 percent. Pennsylvania is 28th on the list at 0.12 percent.

Every district in Western PA is below the statewide level. In Rep. Jason Altmire's suburban district the foreclosure rate is 0.11; in Rep. Mike Doyle's Pittsburgh-based district it's 0.09; Upper St. Clair Rep. Tim Murphy's district is at 0.07 and Rep. Phil English's northwestern Pennsylvania district is 0.02. All the metropolitan Pittsburgh districts are in the top half of the national rankings, and Rep. Bill Shuster's Blair County district is America's fifth best.

GREEN BUILDING NEWS

Bailout Bill Includes Extension of Energy-Efficient "Green" Building Tax Deduction

The $700 billion bailout bill signed by President Bush includes an extension, through December 31, 2013, of the Energy-Efficient "Green" Building Tax Deduction for commercial building owners whose buildings meet increased energy efficiency standards. The deduction is as much as $1.80 per square foot for buildings that achieve a 50 percent energy savings target. Before claiming this deduction, the building owner must have a third-party professional engineer use approved software and supply written documentation that the required energy savings will be achieved.

ICLEI Opens Pittsburgh Office

Eamon Geary, until recently a project specialist for the Green Building Alliance has been named a program officer for the recently created Pittsburgh office for the international organization, ICLEI - Local Governments for Sustainability. ICLEI is a non-profit membership association of more than 450 local governments in the United States and nearly 1,000 worldwide working to achieve climate protection and other sustainable development goals.

Geothermal Pilot Program in the Hill District

The John Wesley A.M.E. Zion Church in the Hill District received an $81,000 Pennsylvania Energy Harvest Grant for a pilot geothermal project. This project will provide low-cost heat to residents and businesses on Herron Avenue in the Uptown Pittsburgh neighborhood. The grant was developed by the church's Wesley Charities, an organization dedicated to green building and community development. The organization's goal for the Herron Avenue Corridor is to become the first commercial and residential district developed entirely by using green building practices.

Sustainable Business: Capitalizing on Opportunities

The Palumbo-Donahue School of Business and the Beard Center for Leadership in Ethics present "Sustainable Business: Capitalizing on Opportunities" on November 20th from 8:30 a.m. to 4:30 p.m at the Westin Hotel in Pittsburgh. This symposium is for business leaders who want to contribute to sustainability while making the day-to-day decisions of running a business. Keynote speakers and panelists will make a case for pursuing social and environmental goals while helping business leaders build the organizational processes necessary to develop and implement initiatives. Attendees will leave with a foundation for building the business case for sustainability within their organization. Register online by November 12, 2008. For more information, contact Rebecca Ellsworth Ligman at 412-396-4005 or beardcenter@duq.edu

November 12, 2008: Lunch and Learn Case Study: Green Building Market Information

The green building movement has been transforming the marketplace for the past 15+ years. Two expert speakers, Gina Baker from Burt Hill and Vivian Loftness from Carnegie Mellon University will talk about the most current developments in green building. Learn about the growing sectors of the market, along with green design and performance trends at the local, state and national level.

The program will be held at the Engineers' Society of Western PA, 337 4th Ave. in downtown Pittsburgh. Program with Lunch: 12:00 Noon-1:30 PM. Costs are $35.00 for GBA members, $45.00 for non-members

December 10, 2008: Breakfast Briefing Green Building Alliance & U.S. Green Building Council Member Update

Join GBA and Rebecca Flora for this annual meeting reviewing the latest initiatives locally and nationally in green building. To be held at the Regional Enterprise Tower, 425 6th Avenue in downtown Pittsburgh, the event includes Continental Breakfast with the program from 7:30-9:30 AM. The cost is $30.00 for GBA members, $40.00 for nonmembers.

To register for either program, go to the Green Building Alliance website:
https://secure.gbapgh.org/gba_oreg/index.cgi/eventspage

REGIONAL MARKET UPDATE

The tidal wave of bad financial market news that began in July seems to have spilled over into Western PA. Pittsburgh's economy is as solid as ever, but the specter of the national recession seems to have put enough fear into the market to slow it down.

With housing data for the first three quarters and non-residential contracting through October reported, the divergence of the two sectors of the market is widening. Consumer sentiment continues to suppress demand for housing. Even though job creation is positive in Western PA, it is understandable that potential homebuyers would look forward six to twelve months with some uncertainty.

During the January through September period, 1,609 permits were issued for single-family detached units, down 12.6% from the same period last year. The market for single-family attached and multi-family units was down further, with 1,056 units started compared to 1,270 during the first three-quarters of 2007. The overall housing market was down 14.3%. Activity was a mirror image to 2007 when housing permits increased over the second quarter of 2007. Permits granted in third quarter 2008 for detached housing totaled 458 units compared with 587 last year, and the overall totals were 873 compared to 1,217 in 2007. That represents a 22% and 29% decline respectively.

Municipality	#SFD	#SFA	Total
Single-Family Detached			
North Huntingdon Township	78	16	94
Adams Township	76	55	131
Pittsburgh	73	263	336
Peters Township	69	2	71
Moon Township	63	8	71
South Fayette Township	55	4	59
North Strabane Township	54	31	85
Franklin Park	52	15	67
Cranberry Township	46	45	91
Jefferson Hills	45	4	49
Total Pittsburgh MSA 2007:3	1,841	1,270	3,111
Total Pittsburgh MSA 2008:3	1,609	1,056	2,665
% Change	-12.6%	-16.9%	-14.3%
By County	SFD	SFA	Total
Allegheny	730	615	1345
Beaver	91	31	122
Butler	213	218	431
Fayette	89	12	101
Washington	228	94	322
Westmoreland	258	86	344

The municipalities with the most new home permits in the region for the first three-quarters of 2008, source Pittsburgh Metropolitan Homebuilding report .

The lone bright spot was the city of Pittsburgh, which will certainly have the most units of new residential construction for the third straight year. You have to go back to Cranberry Township's growth in the late 1980's to find as much new residential construction as the 400 units/year pace in Pittsburgh.

As has happened throughout the multi-year housing decline, the positive consequence of the reduced building of new homes is that supply is staying in equilibrium with demand. National mortgage insurer PMI recently updated its report on housing value risk and listed Pittsburgh as a market with less than one percent risk of declining home value.

Non-residential construction remained strong in the third quarter, with more than $1 billion in contracts awarded. Contracting during January-October was $3.1 billion, a 16% increase over the first ten months of 2007. The difference between this year and 2007 is that the pipeline is clearly drying up for the near term. The fourth quarter should have another half-billion in new contracts but bidding between Labor Day and late October is off significantly.

Because the activity level dropped off at the same time as the market collapse, *BreakingGround* surveyed local architects, developers and contractors to gauge what affect the crisis was having. The results seem to explain the pinching of the bid market, but don't offer a clear picture of what behavior to expect in the months to come. The executive summary of the results is that fewer than 25% of the architects noted any client pulling the plug on projects being designed, while 100% of the contractors and owners admitted to having at least one project shelved directly as a result of the turmoil in the financial markets.

There is some logic to this result. Relative to the overall cost of a project, architectural fees make up a small expense. This is particularly true in light of the question, since allowing an architect or engineer to progress with a design would only have a small impact on even that fee (or maybe no extra cost at all), and stopping the process might produce no savings. Moreover, the risk of slowing a project down that has market demand could be lost opportunity, a risk not worth the relatively small savings.

At the point of bidding, however, the owner is about to go all in on the project. If he or she is feeling anxious about the future, or facing real diminished prospects, deferring the contracting could produce a much needed expense reduction for 2009's expenses. And since, in theory at least, the construction documents are already completed, an owner could put the project back out for bid within a year's time with little or no revisiting the development or design process.

Prospects for a turnaround in the bidding are dimming for 2008, since the timing of the present delay coincides with the start of winter conditions for construction, an additional cost that could cause owners to defer any decisions until spring.

On the upside, work is getting underway or about to start on several of the industrial projects that have been planned. Bid packages have been going out for the $1 billion USS Clairton Works Modernization, and preliminary contracting should begin on the $1 billion Beech Hollow Power Plant in Robinson Township. AK Steel is planning to invest several hundred million dollars in its Butler facilities, with Stevens Painton handling the contracting. Plans are continuing for construction of the $1.2 billion stainless plant in Brackenridge for Allegheny Technologies Inc. On a smaller scale the German-based maker of coatings and glass for solar panels, Flabeg USA, has started construction on its 209,000 square foot, $30 million plant in Buncher Company's Clinton Commerce Park in Findlay Township.

For other large projects lining up in the queue, like the VA Medical Center's $70 million Ambulatory Center or the $200 million UPMC East facility in Monroeville, the falling commodity and building product prices should help keep the projects on budget and keep construction on track in the coming months.

Meanwhile, on the demand side of the market, metropolitan Pittsburgh office and industrial conditions continue to trend more positive, at the same time national market dynamics are declining. According to Grubb & Ellis's third quarter analysis of the Pittsburgh market, office vacancy rates have declined to 15.5% overall, with rental rates increasing to $21.52 per square foot. Industrial space also tightened, with vacancies falling to 7.1%, and several large deals pending that will shrink that number further. GVA Oxford's research also shows office vacancies falling, to 15.9% overall, and CoStar's data on warehouse vacancy rates shows 10.4% through the end of the quarter.

Beyond the end of 2008, prospects for broad-based non-residential activity have begun to look gloomy. Expect to see most owners take a wait and see attitude about the economy during the first quarter of 2009, and don't be surprised if uncertainty stretches deferrals out well into 2009 in the absence of a clear signal about a recession. BG

NATIONAL MARKET UPDATE

For an economy that was already running out of steam, the market events of the month between mid-September and mid-October could hardly have been more damaging. The enormous loss of life that resulted form the attacks of September 11, 2001 makes a comparison of the two periods irrelevant; however, the fear that resulted from the potential unwinding of the global banking system caused as much financial damage as the fear that followed the terrorist attacks.

The sell-off that started September 29 on Wall Street was the logical response to that fear, if such a thing is possible. Bailing out is fear taking action. Now the question has shifted from what happens if all these loans go bad, to when will we know if the bottom has been reached.

This isn't a publication for the stock market, but since stocks are much more a reflection of future sentiment, it is worth taking a moment to describe what the bottom has looked like in the past. During the end of the last bear market, in October 2002, bottom came after the Dow had lost a third of its value, down to 7,286, and was surprisingly short-lived. In fact, if you check the daily close and volume for the beginning of the generally accepted start of the last bull run, October 11, 2002, you'll see that the Dow was up nearly 1,000 points within ten days after the bottom. That bottom was tested again a couple more times throughout the winter before the run up to 14,000 began in earnest.

Our current status is that the Dow dropped more than 40% from its high last December, and that it has rebounded about 1,000 points since then, with lots of volatility present to reflect more testing of the downside limits to come. Like 2002, this level was reached in the midst of earnings season, which adds even more uncertainty to the mix. From an investor's vantage point, the earmarks of a market bottom are present right now. The reality of the market's next move will depend on whether or not another 'shoe' of bad credit news is yet to drop.

On the credit front, the end of October did bring some early signs that the global governmental response to the problem was easing the fear that had seized up bank-to-bank lending. The premiums being charged over and above LIBOR or the Fed Funds rates were declining, which is an indication that the fear of default was easing. Until those spreads fall back to less than 50 basis points, however, credit markets and construction lending will be susceptible to bad news.

For all the 'once in a lifetime' financial events, the construction cycle actually seems to be playing out as it always has when a boom unwinds. That, of course, is a 'good news, bad news' proposition.

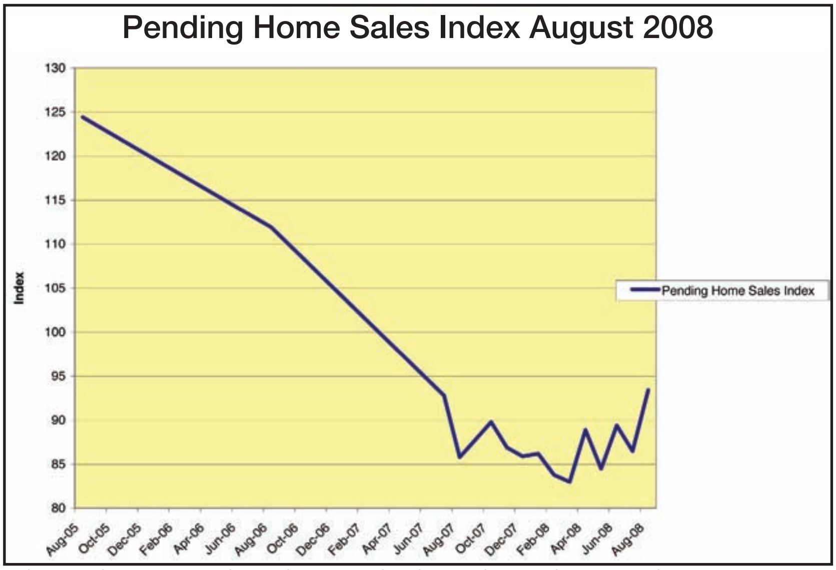
Housing starts fell 6.3% in September to a seasonally adjusted annual rate of 817,000, the lowest since January 1991, according to Commerce Department estimates. Starts of single-family homes tumbled 12% to an annual rate of 544,000, the lowest since February 1982. Building permits, which are less volatile than the starts data, fell 8.3% to 786,000, a 27-year low. Permits for single-family houses fell 3.8% to 532,000, the lowest in 26 years. And housing starts were off 31% in the past year and were down more than 60% from the peak in early 2006. In the past year, permits for single-family homes have dropped 39%, single-family starts have fallen 42%, and single-family completions have sunk 27%.

OK, that doesn't sound like good news, but coupled with sales data from the same period, the extreme conditions indicate that the end of the free fall in housing may have occurred.

Like housing starts, sales of new and existing homes reflected further declines across many metrics of measure. Resale of single family homes and condos fell to annual rates of about 4.9 million units, and inventory levels grew to 10.4 months supply. The median home price continued to fall throughout the summer, falling a cumulative 5.8% since the peak of April 2007. Yet for all this continued negativity, the rate of decline is slowing dramatically, suggesting that the supply/demand balance for housing is approaching equilibrium.

One lesser touted indicator that portends a housing recovery is the Pending Home Sales Index (PHSI). This index measures sales agreements, not closings, and doesn't account for price. During the six months between February and August, the PHSI has risen three times, with slight declines followed by an increase larger than the previous one. As the chart on page 11 shows, the PHSI trend looks like buyers may finally be emerging from hibernation. This may only be because the opportunity to buy at distressed prices is too appealing, and an extended recession may dampen recovery, but the indication nevertheless is that the inventory of homes for sale will finally decline. And that is a precursor to appreciating home prices again.

Lawrence Yun, Chief Economist for the NAR, explained the August increase as having the potential for marking the bottom of the market, "Given all the focus on the U.S. housing market, mortgage availability appears to be improving despite the turmoil in the stock market and banking stocks. The Treasury, since the takeover, is forcing Fannie and Freddie to be not as overly stringent, including the removal of fee in declining markets. It is a move not to lax standards, but to normal healthy



The Pending Home Sales Index is one leading indicator that is trending positive as the fourth quarter begins.

underwriting criteria," he said. "The Treasury clearly and rightly understands that the global economy will not recover without a recovery in the U.S. housing market."

For non-residential construction, the activity is, unfortunately, proceeding as it would at this point in the business cycle.

The three major entities which track non-residential construction, the Commerce Department, McGraw-Hill Construction and Reed Construction Data, use slightly different methodologies for reporting, yet all are indicating a slowdown as the third quarter ended.

McGraw-Hill reported contracting volume to be slightly ahead of 2007, but that pace has dropped from the beginning of the year, and the trend is for a year-over-year decline by December. Reed was showing a four percent decline year-to-date, and more ominously, a 14% decline in square footage of new construction compared to 2007. Commerce Department data showed the third straight monthly decline in seasonally-adjusted construction put in place, with the trend towards year-to-year decline by 2009.

The $700 billion TARP bill passed by Congress was aimed at banks and homeowners, but the aim of calming the global credit markets could have a positive effect on both commercial construction lending, and more pressingly, on the distress in the municipal bond market. Access to municipal bonds has been severely limited since mid-year. Aside from a large municipal authority issue in Alabama, defaults have not been the problem, but rather the skyrocketing yields of the bonds themselves. This situation was exacerbated as the market sold off in early October because many large hedge funds found that their municipal bond portfolios were the only instruments that could be sold as they were hit with redemptions. Like the panic selling of stocks, the forced selling of muni bonds drove prices sharply downward and yields up, with some bonds bearing interest rates near seven percent. These kinds of rates effectively halted bond issues for many authorities.

Private construction sectors which reflect consumer confidence, like retail stores, have been slowing since 2007, but the likely slowdown in the economy has begun to spill over into the other commercial sectors. The growth of new office and industrial construction has slowed, particularly when construction of energy-related facilities are factored out. A looming recession will reduce investment in new hotels and recreation facilities. And the bright spot of non-residential construction, the institutional market, faces a challenge in raising capital over the next year or so.

When asked about the downstream effect of the credit market problems Associated General Contractors of America (AGC) Chief Economist Ken Simonson summed up the damage to all sectors.

"Public projects and institutions such as hospitals and universities may not have the same credit difficulties (as other markets), but their funds have also taken a hit. Many states are dialing back their forecasts for income and sales tax revenues while increasing their projections for social welfare spending. That combination, along with a requirement that their budget be balanced in a fiscal year that typically ends just nine months from now, means construction projects will be delayed, scaled back or canceled," he explained. "Institutions that had counted on endowments or pledges from wealthy donors may find their portfolios have shrunk too much to proceed with planned projects. Putting the economic engine back in gear may not be easy."

It is likely that there will be no sector of the construction industry on the upswing when 2008 ends. Because of the causes of the economic woes, there will be a temptation to view this year as extraordinary, but the reality is all economic upheavals are unique and yet, mostly similar. Like in other slowdowns or recessions, the summer of 2008 may eventually be viewed as the time when the piper had to be paid. Looking at similar years, like 1982 or 1991, will yield clues as to how the consumer is likely to react in 2009, and when the new growth will begin. BG

WHAT'S IT COST

As is often the case when an economic trend changes, prices for the producer inputs that are related to construction diverged in August and September as the tumbling price of diesel and oil, and tumbling global demand pulled back the price of several items, while disruptions of supply caused increases in others.

The producer price index for construction inputs fell for non-residential and heavy/highway construction for the first time all year, but the PPI for residential construction rose slightly less than one percent. Falling diesel costs (down almost 20%) were attributable to the former categories, with the declining energy costs also taking the top off some of the expected increases in steel. The decline in diesel price had not worked its way into the asphalt price yet, however, and the lag in passing on energy prices from earlier in the year kept base prices higher on steel, gypsum and concrete.

Lagging demand was impacting copper and steel scrap, with double digit declines in each. Increases in supply have brought the price of natural gas down steeply, and the resultant easing in the price of construction plastics was being felt by September.

On the Plus Side, the Slowdown in the Overall Market Beyond Western PA Should Assure Owners and Developers that Installed Costs Won't be Going Up From 2008.

PERCENTAGE CHANGES IN COSTS

	September 2008 Compared to—			
	1 mo.	3 mo.	1 yr.	Dec-03
Consumer, Producer & Construction Prices				
Consumer price index (CPI-U)	-0.1	0.0	4.9	18.7
Producer price index (PPI) for finished goods	-0.1	-0.3	8.7	30.0
PPI for materials and components for construction	0.5	2.5	13.1	44.8
Costs by Construction Types				
Highway and street construction	0.7	3.2	22.2	75.9
Nonresidential buildings	0.5	2.0	12.5	42.6
New warehouse construction	-0.2	1.6	4.2	N/A *
New school construction	5.8	5.6	8.2	N/A *
New office construction	0.1	1.1	3.7	N/A *
Multi-unit residential	0.5	1.8	9.6	39.1
Single-unit residential	0.7	3.1	9.2	33.0
Costs for Specific Construction Inputs				
#2 diesel fuel	-1.4	-18.7	39.0	248.8
Asphalt paving mixtures and blocks	3.1	29.5	51.2	135.0
Concrete products	0.8	0.8	4.3	37.5
Brick and structural clay tile	-0.2	0.6	-0.3	19.4
Plastic construction products	0.8	3.6	6.8	37.6
Gypsum products	-1.7	4.2	1.7	22.2
Lumber and plywood	0.1	-1.8	-3.4	-7.3
Architectural coatings	1.0	8.0	12.2	42.8
Steel mill products	-3.6	0.3	38.2	122.4
Copper and brass mill shapes	-9.0	-8.4	-2.9	142.6
Aluminum mill shapes	-2.8	-1.7	4.1	34.3
Fabricated structural metal	0.0	2.9	17.6	62.5
Prefabricated metal buildings	0.9	4.1	29.7	92.8
Crude petroleum (domestic production)	-9.0	-20.1	35.9	250.1
Iron and steel scrap	-22.4	-21.3	47.9	159.8
Copper ores	-10.4	-5.6	-5.2	293.7

Source Bureau of Labor Statistics

Compiled by Ken Simonson, Chief Economist AGC

* Note: Costs for office, school & warehouse not available

The mixed signals in pricing show up in the increases in materials normally used in residential construction, which continues to slide toward lower volumes. Drywall, concrete, waterproofing and weatherization materials (like rubber), have had the demand cut in half from the residential side over the past two years; however, manufacturers of these materials have been announcing increases of 5% to 15% for deliveries this fall. It seems likely that some of these increases won't hold, particularly since demand is falling from non-residential construction at the same time. The most plausible explanation for the phenomenon is that the competitive pressures stalled energy-related surcharges earlier this year until the peak in mid-July. Increases now may be attempts by manufacturers to make up lost ground, but with evidence of downward price pressure on all building types, the time for passing fuel surcharges on may have passed, at least for the next quarter or two.

The outlook for pricing of both inputs for construction (raw materials and commodities), and finished goods (both materials and building products) rests firmly on the direction of the global economy. If a global slowdown continues or steepens through the spring, the pressure from diminished demand will certainly push prices down for the commodities. This will be especially true for the United States, where energy conservation measures helped push down oil and diesel prices in advance of any recessionary pressure, and in China, which has been an enormous net importer of construction materials for half a decade.

At the local level, recessionary pressures will increase the level of competitiveness in the market. Distribution channels will likely respond to the competition, especially since the manufacturers they represent will have fewer options for selling elsewhere at better margins (in fact, Pittsburgh will be one of those better markets).

The competitive pressure on contracting will be tougher to judge. It will be well into 2009 before there is any possibility of excess labor, and the glut of industrial work may insure a short supply exists well into 2010. The labor dynamics will make it difficult for contractors to squeeze extra production out to sharpen their estimates, so that the only viable option for competing harder may be reducing margins and overhead. And since the barriers to entry have increased over the past five years or so, the number of competitors across the board will be fewer than the last time a recession loomed.

Because a reasonable percentage of the contracting universe is entering 2009 with healthy backlogs, it should be difficult to count on getting lower prices just by competitive bidding. On the plus side, the slowdown in the overall market beyond Western PA should assure owners and developers that installed costs won't be going up from 2008. BG

THE BIG PICTURE 2008

Construction and real estate have always been local businesses. Historically, of course, most businesses were limited by transportation or resources, to doing commerce within regional boundaries. After World War II, American manufacturers became national and international players, and the fate of the national economy indicated how the regional economy would fare. A national or global slowdown, like what occurred in the 1970's, dragged down local economies.

The dislocation of the northern manufacturing economies that occurred in the wake of the energy crises of the late 1970's shifted economic health back to a regional condition. In the case of Western PA, the economic recovery of the Reagan administration was delayed until the mid-1980's, even though the economy boomed in other parts of the country, like Texas or the Sunbelt, five or six years earlier.

Even as the U. S. economy became gradually more dependent on global conditions over the past two decades, economic conditions varied somewhat from region to region. Predicting the course of a local real estate or construction market required at least as good an understanding of local influences as of the fate of the national economy.

At the end of 2008, however, all regions of the nation are being heavily influenced by the almost hourly gyrations of the world's credit and stock markets. More than at any time since the early 1980's, the health of the construction industry in America, and Western PA, is dependent upon the big picture economy becoming healthy. Even as the real estate indicators in Western PA are turning increasingly positive, and trending towards higher demand for space, the negative impact of a broader and extended recession will be unavoidable here.

There are so many ways that the economy in Western PA is interconnected to the world's economic conditions that it is obvious how a global slowdown will hurt our region, yet local employers have found ways to compete and grow even during the economic chill of the past twelve months. So what are the economic conditions that could have the biggest impact on our market?

The Big Picture Economy

The elephant in the economic room for the past year or so has been the unwinding of the global debt spider web. Beginning with the pop of the housing construction bubble that peaked in 2006, the story was focused on the unusually high number of residential mortgages that were written for homeowners who could not afford them, and could afford them even less as the value of the houses began to slide.

Yet, even as this sub-prime mortgage story began to unfold, it became more and more apparent that the real problem wasn't the residential mortgages that were under water (even today 94% of the mortgages in America are current), but that so much consumer debt was also leveraged to those same homes. Even more ominous was the realization that the debt incurred had also become part of another class of financial instruments derived from the residential and commercial debt Americans had taken on. These were securities that were backed by residential or commercial mortgages, or student loans, or combinations and portions of those loans, packaged with other asset-backed securities, and resold until nearly all institutions that trafficked in commercial debt faced some sort of negative exposure.

Within the thirty days between mid-September and mid-October, the chickens came home to roost.

For certain, some of the largest investment banks had built asset bases that were houses of cards, and it is now clear that the enormous bad debt reserves (most in the tens of billions of dollars) that were written down during the last year weren't sufficient to cover the losses that were still to come. But at the same time, many of the financial institutions that suffered dire or terminal consequences this fall may have survived without the mark-to-market requirements, which overnight marked their debt assets down to where a fire sale had set the level, and without the panic that gripped investors, who then took much of the remaining working capital away from banks.

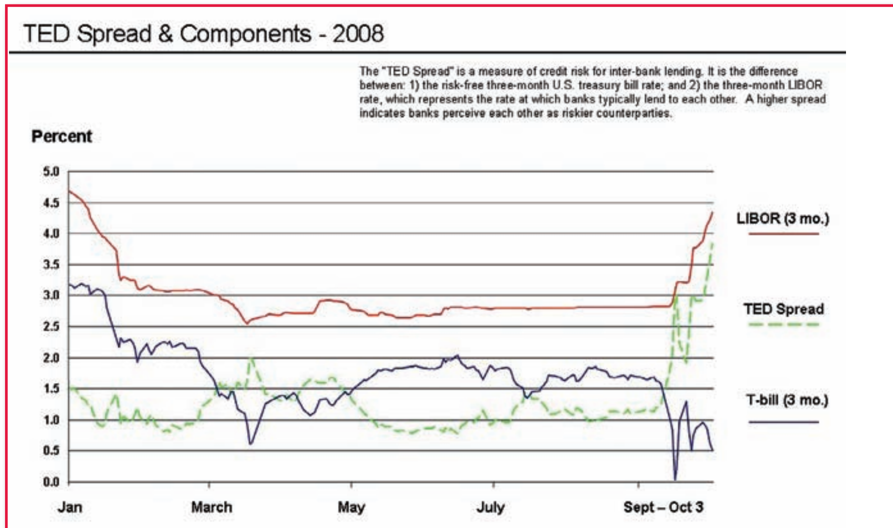
When the world's governments finally responded with infusions of liquidity and government-backed guarantees, the level of fear had risen to the point where banks simply clung to their cash. Highly elevated levels of redemptions, the realized fear that another bank might collapse overnight, freezing a lender's short-term loan, and squeezed selling by large hedge funds created premium conditions for bank-to-bank lending that rose to heights that effectively froze credit worldwide.

At the time of this writing some of this overnight fear had abated, but it will likely be some months, or quarters before normalcy returns.

One of the best indicators of this anxiety is the TED spread. TED is an acronym for what it measures, the difference between the 3-month Treasury rate and the Eurodollar (ED) futures rate, as represented by the London Interbank Offered Rate (LIBOR). LIBOR is the rate commonly used for interbank lending. Since Treasuries are considered risk-free, and LIBOR is a reflection of bank concern about borrower default, the spread between the two widens, as banks require higher rates for the perceived higher risk.

The TED spread is normally 15-30 basis points, or 0.15% to 0.3%. During the first week of October, as the markets imploded, TED spreads leaped up to 4.7%. (See chart on page 16) While that level is the banking equivalent of DEFCON 5, it's important to note that the spread was higher in 1970, almost to 6% in 1975, and around 5% in the early 1980's. More importantly, the TED spread had declined into the 2% range by the end of the month. That's a good sign for the return of comfortable interbank lending, and ultimately acquisition and construction lending.

An increase in lender comfort is critical to the return to normal lending levels and standards. As the so-called credit crisis peaked the reaction of lenders was strongly negative, and almost in real time. By late October, loan to value ratios for commercial development had fallen to 65% routinely, and project financing with 50% ratios was not unheard of. Equity requirements at that level make development untenable, and certainly don't allow for developers to compensate adequately for risk, even if the project is a build-to-suit.



The panic that spread throughout the credit markets is reflected in the spike in the interbank lending premium, or TED Spread, in early October.

The other result from the stock market decline and credit suspension is that the consumer and individual investor response will almost certainly be to reduce spending to recessionary levels. It's most likely that by mid-2009 we'll discover that the U. S. economy was in a technical recession during the fourth quarter, and maybe even the third quarter, of 2008.

In terms of the big picture, recession has been a fact of life for retailers for several quarters. As is usually the case, the retailers have been anticipating this for more than a year. Construction of new big box stores came to a halt in 2007, and the consolidation and bankruptcy of specialty retailers has continued, and accelerated, into this year. If unemployment continues to grow throughout all of 2009, the depth of the recession will probably keep retail construction frozen well into 2010. And, of course, if this economic downturn is as calamitous as the worst of the doomsayers predicts, it will be much longer before we start seeing the ubiquitous Target, WalMart, Lowe's, et al, popping up by our highways.

One of the most respected observations of commercial real estate conditions is the annual Emerging Trends in Real Estate® issued by the Urban Land Institute and PricewaterhouseCoopers LLP. The report includes interviews and survey responses from more than 600 leading real estate experts, including investors, developers, property company representatives, lenders, brokers and consultants. As might be expected, the outlook for the commercial real estate economy isn't bright for 2009.

Those interviewed believe that financial institutions will continue to face pressure about poor performing loans. The problem will continue to discourage investors, and many believe banks will be forced to auction off bad assets to hasten the perception that the correction is over. When the rebound begins cash buyers will have the most opportunities; banks will have tighter loan underwriting; commercial mortgage-backed securities will return in a more regulated environment and opportunity funds will have new investment models.

"The industry is facing multiple disconnects," said ULI Senior Resident Fellow for Real Estate Finance Stephen Blank. "Many property owners are drowning in debt, lenders are not lending, and for many (industry professionals), property income flows are declining. There is an unprecedented avoidance of risk. Only when financing gets restructured will pricing reconcile, giving the industry a point from which to start digging out of this hole."

"The cyclical real estate markets always comes back, and they will this time too, but not anytime soon," said Tim Conlon, partner and U.S. real estate sector leader for PricewaterhouseCoopers. "Commercial real estate was the last to leave the party, will feel the pain in 2009, and may be the last to recover. In the meantime, smart investors are going to hunker down and manage through these tough times. We expect to see patient, disciplined, long-term investors rewarded, and return to a back to basics approach to property management, underwriting and deal structure."

The consensus is that the housecleaning will lead to opportunities, maybe as quickly as in 2010. Before a rebound, *Emerging Trends* says the following needs to happen:

- Private real estate markets need to correct – lenders must force distressed owners to become motivated sellers.
- Debt capital needs to flow – lenders will need to learn to deal in a more stringent regulatory landscape. The commercial mortgage-backed securities (CMBS) market must reformulate.
- Regulators need to restore confidence in the securities market. The government will insert itself into overseeing mortgage securitization markets. Systemic overhaul promises more measured debt flow.

- The economy needs to improve. Falling demand for space won't affect real estate markets severely until 2009.
- The housing condition is no better and shows no signs of recovering quickly. For lenders, the "subprime mess is the tip of the iceberg." Stricter lending standards and the weak economy will continue to drain the homebuyer market.

Without question, all observations about the current condition of the economy, and forecasts of the effect are too close to the fire to be objective at this point. It is, of course, possible that this will be an epic downturn, requiring a decade to recover. The more likely scenario is that the current sentiments and media portrayal of the economy is a sort of 'my recession is bigger than your recession' look at the status, and that within the normal 18-30 month correction timetable a recovery will take hold.

Whether you subscribe to the disaster scenario or the normal course of business scenario, a realistic assessment of the economic big picture shows that our region will certainly feel some of the pain.

Going Green

On a more positive note, another big picture reality is that green building is now part of the permanent landscape of construction and real estate, across all building types. What was considered a responsible option for idealistic development has become recognized for its business case.

Across the globe businesses have made sustainability a part of their corporate culture, and in many cases, have found shareholders of their companies are requiring that sustainable decisions be made about all aspects of the operation. As recently as five years ago, owners like PNC Financial Services were considered mavericks for thinking about a sustainable design discount (everybody knew green building costs more) on top of the lower energy and operating costs. Now owners enter into projects with such goals routinely. And, like PNC did with its Firstside Center, owners of LEED-certified buildings are confirming that the productivity gains and employee retention are worth even more than the benefits of energy efficiency and reduced waste.

Moreover, the sustainable cultures of corporations are leading the decisions about what space to rent or how to build new facilities. Developers who can't articulate their process for managing a LEED-certified project will lose clients. Architects who don't list multiple LEED-accredited professionals (and probably partners) won't get the chance to practice design for a significant segment of the development market. And contractors who can't demonstrate experience successfully managing and documenting a LEED process for construction will be left off of short list after short list.

The recent leasing of 501 Grant Street (Union Trust Building) to Siemens Energy was a local example of green building being driven by an anchor tenant. Mika Realty had already committed to a sustainable renovation of the venerable building, and Siemens' corporate commitment to sustainable lifestyle made it a perfect match. Beyond the LEED-certified building, 501 Grant met Siemens demands for access to mass transit, and a live/work/play community location.

Unlike other trendy movements that have seemed to take hold in the past, sustainable design and construction is a business changer, rather than a technology improvement or productivity option, like CAD or design/build. Failing to embrace those kinds of trends could hurt your business, or make it more difficult to be as profitable as competitors. Failing to make sustainability a part of your firm's culture will cost you business next year, and more of it in the future.

BIM, Collaboration & Trust

Another game changer that gets confused as a technology improvement alone is building information modeling, or BIM. On its face, BIM is a really cool way to design and present projects in three dimensions, and to maintain the information gathered about a project cumulatively as the project passes from one stage to another. As you go deeper into the process of BIM, it becomes apparent that the technology is much more about changing how projects are delivered and the relationships between the parties to a project.

BIM's capabilities are breathtaking in and of themselves, and too numerous to detail in an article about big picture influences. The ability to present designs in three, four and five dimensions, resolve field level conflicts between systems at the design development stage, make changes that are automatically reflected across all relevant parts of the design, be assured that all notes and details relate immediately to all sections and drawings and schedules without tedious double-checking, and on and on, are all compelling benefits for architectural use. Likewise, the carry forward of all the project information, including calculations, details, manufacturer data, and operating manuals, as a project advances, cuts significantly into the 30% waste factor that the Construction Users Roundtable estimates the industry suffers, and should assure universal acceptance.

But BIM's real promise lies in how it can change the way projects develop and the nature of the relationships that develop with them. It offers such a radical shift in how owners relate to the design and construction partners that such disparate regional industry leaders as Burt Hill CEO Peter Moriarity and Mascaro Construction Chairman Jack Mascaro have separately declared BIM the most significant change to the industry in their careers, a cumulative 75 years of experience.

Simply put, BIM requires total collaboration in order to work properly. While it is possible to use BIM technology to design and deliver a project in the design-bid-build mode (and many projects currently do), using BIM in the traditional delivery system is like taping a pencil to a laptop and calling it computer-aided design.

The collaborative effort that allows BIM to thrive and gives the most benefit to the owner involves architects, consultants, general contractors, and subcontractors. For the maximum return all of these professionals would be sharing their knowledge from the earliest stages of evaluating and marketing the project, through the post construction delivery of warranties and operational manuals. Decision-making can be streamlined using BIM but decisions require information that cannot come from

WHETHER YOU SUBSCRIBE TO THE DISASTER SCENARIO OR THE NORMAL COURSE OF BUSINESS SCENARIO, A REALISTIC ASSESSMENT OF THE ECONOMIC BIG PICTURE SHOWS THAT OUR REGION WILL CERTAINLY FEEL SOME OF THE PAIN.

any one of the participants. It's obvious, though, to accomplish this idyllic collaborative environment requires that owners commit to contractors, and contractors commit to subs early in the process. And that means accepting some method other than low bid. Oh, and the introduction of a radical concept into the process.

At a recent BIM seminar in Pittsburgh, one of the panelists, an architect with lots of BIM experience, Scott Womack from WTW Architects, was asked what he needed to make the conversion from 2-D CAD to building information modeling. The question was asked to discern the technical changes involved. Scott Womack's one word response was, "Trust."

The leap to collaborative design and construction requires trust as much as any other element. The stakeholders in the project need to share information and experience that are normally held dear for competitive sake. Architects don't share their quantity estimates for fear of liability for errors. Contractors don't share detailed estimates out of fear that it will be used to slide a competitor the job. The element of trust required to break down these barriers is what allows for the optimum BIM experience.

Trust is even more important in an environment where the stakeholders don't have the privity, or legal standing, to effectively redress problems that arise. Owners have separate agreements with the contractor and designer, and even the attempts by ConsensusDOCs and AIA to create collaborative agreements do not close the gap that exists between the contractor and architect. In other parts of the world, BIM projects have frequently been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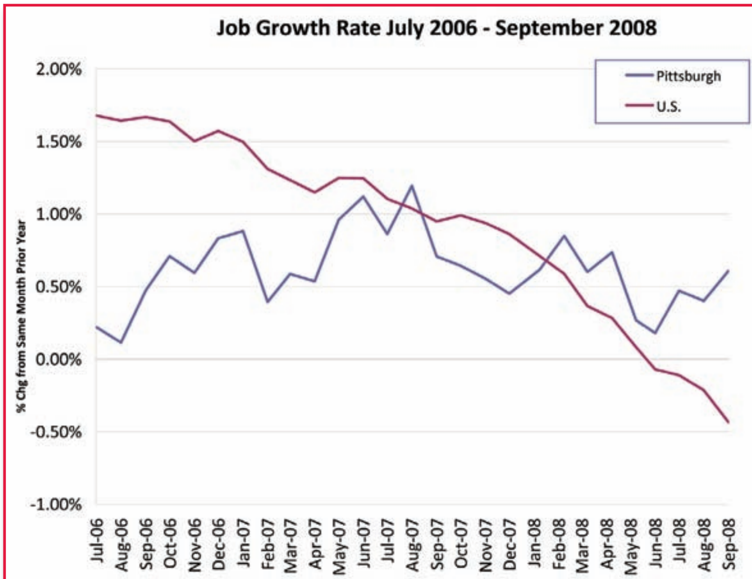


Job creation in metropolitan Pittsburgh continues to outpace the national economy by a widening spread (Data source, Bureau of Labor, chart by Pittsburgh Future).

accomplished by limited corporations, which involve all participants as partners in the project. The result is parties that are highly motivated to resolve issues so that losses are minimized and gains increased, since all parties share in either.

Unless Pennsylvania construction law is further changed to create liability for losses where no privity exists, the success of collaboration will rest on the mutual trust of the participants.

The Regional Difference

So how will Pittsburgh fit into the big picture in 2009?

As far as weathering a nasty economic downturn, the regional economy has already shown resilience in the face of the rising unemployment picture in 2008. September's national job creation was negative for the ninth straight month, but in metropolitan Pittsburgh the trend continues to be positive. In fact the graph above shows that the gap between the local and national economy is widening.

New jobs in healthcare, research and technology have boosted Western PA's employment numbers to levels that exceed the best years of our manufacturing heyday. As the rapidly falling vacancy rates for office and light industrial space indicate, jobs in the service sectors are also on the rise. Perhaps the most delightful surprise of 2008 is the resurgence of heavy manufacturing and new industrial investment and employment.

While the non-residential boom of the past few years has been driven by healthcare and lifestyle projects, the big construction projects in 2009-2010 will be industrial projects.

One part of that industrial category is the energy market. Next year should see a new power plant, continued construction to support natural gas exploration, and projects for alternative energy that have all received a certain amount of fanfare. While the dramatic reversal in price for oil and natural gas has cooled off the 'gold rush' mentality (the natural gas leases have come to a screeching halt), another nascent industry could be arising from the convergence of energy and environmental concern here in Western PA: Carbon capture and sequestration.

Carbon capture and sequestration (CCS) is one of the responses to the concerns about global warming and excessive CO^2 emissions from human endeavors. As it becomes clearer that coal represents America's best alternative for efficient electricity generation, the need to make it a cleaner process grows. CCS uses technologies for capturing the carbon dioxide emitted when coal is burned, and then stores the excess CO^2 rather than allowing it to enter the atmosphere. One of the best choices for sequestration is deep underground, like in mining voids where oil and gas have been extracted.

Pennsylvania is one of the more obvious choices for testing and implementing CCS. With an active coal industry, our state will be one of the first places for CCS pilot plants. In fact, the state government is currently pursuing the right to establish test sites on state game lands.

More than the construction and permanent operations jobs that would arise from the growth of CCS technology, the opportunity to become a leader offers even better prospects. "Southwestern PA is well positioned as an ultimate deliverer of clean coal to rest of the world," says Jan Lauer, Owner of Janet S. Lauer Consulting. "The process has the potential for new jobs and businesses in monitoring, capture technology, distribution and storage technologies. But the more permanent benefit will come from the jobs that develop as local companies are recognized as leaders and innovators as CCS spreads."

Lauer points out that the National Energy Technology Lab in South Park is the only lab in the world totally dedicated to research for producing clean fossil fuel. She believes that will be an advantage for the long haul. "Over time the manufacturing will probably move to places where it is done cheaper, but the high end of the technology, the brains behind it, will remain here in southwestern PA."

Another source of long-term growth for the region may come from an unexpected approach to one of our best sources of jobs: healthcare. Instead of the opportunity coming from the continued expansion of healthcare, the next wave may come from PA's leadership role in healthcare cost reduction.

The demographic support for healthcare demand isn't changing. Baby Boomers will continue to add larger and larger numbers of longer living patients to the healthcare system, but forward thinking groups are already looking at the healthcare system as potentially incapable of supporting the demand without a drastic change in the cost structure.

"We have been riding the healthcare gravy train for a while now, but it has to go the other way at some point if the cost keeps escalating," says Pittsburgh Future founder Harold Miller. "I think the focus on insurance is wrong. It's more important to focus on the fact that the costs of healthcare are too high."

One of the more alarming trends in hospitalization is the rate of re-admission. According to Medicare data, one patient in five returns to the hospital within 30 days of being released, and most return for treatment of the same condition. While infections are often the culprit, the majority of the return visits stem from ambulatory sensitive conditions, like heart failure, diabetes, emphysema or COPD, that are not completely dealt with at discharge.

"It's not that the hospitals and doctors aren't doing their jobs," explains Miller. "It's just that the current system is built to shorten hospital stays, and the providers have a financial incentive to keep treating readmitted patients. The biggest piece of the insurance is the Medicare system, so this problem has to be addressed." Miller is part of a state-funded study that is pursuing prevention of hospital admission for the medical problems that can be avoided by changes in lifestyle and education. The desired changes might put a short-term pinch on hospital revenues, but in the long term the focus of hospital business and facilities would shift more to medical office treatment and wellness.

For the first time in a generation, the economic fate of Western PA looks brighter than that of the nation as a whole. New technologies and aging infrastructure advantages are both working to make the region desirable to emerging businesses. If the Pennsylvania state government can reinforce these advantages by reducing or removing some of the state's business tax liabilities, and by streamlining the government to manage the lower revenue streams that will be the reality for the next few years, the region's role as the next big picture changes again will be as an example of economic health. BG

The southern elevation of West Park Court apartments overlooks West Park and downtown Pittsburgh.

West Park Court Renovation

Scattered throughout the region in many of the working class neighborhoods, are a number of high-rise apartment buildings developed for elderly low-income residents in the 1970's and 1980's. Many of these were developed by Cleveland-based Forest City Dillon, and were designed with synthetic stucco or exterior insulating and finish systems (EIFS) as a significant portion of the exterior. Like most EIFS buildings, these faced the reality of the system's failure within a decade or so, and the owners had to wrestle with the choice of replacing with more EIFS or creating another design solution.

One such structure is the West Park Court apartments, located at the busy intersection of West North and Brighton Avenues, on Pittsburgh's North Side. Opened in 1980, West Park Court's EIFS exterior was distressed by the early 1990's, and its board of trustees was wary of simply replacing one stucco system with another. They looked to the Pennsylvania Housing Finance Authority for help in finding an expert and were given 20 to 30 names of consultants, but were fortunate to find a local firm that was developing a reputation for solving EIFS problems.

Downtown-based Perfido Weiskopf Wagstaff + Goettel (PWWG) had earned their reputation starting with a tricky EIFS system failure on a similar structure in Indiana, PA back in the late 1980's. Instead of demolition and replacement, PWWG designed a $1 million EIFS envelope that was installed around the existing structure and improved the insulation and ventilation that the exterior needed to perform properly.

West Park Court's board president at the time, Roy Redman, remembers the advice from PWWG partner Sheldon Goettel as being unorthodox. "The Dryvit panels we had were deteriorating. Sheldon's advice to us wasn't very encouraging. We didn't have a lot of equity in the property yet and replacing it would have been too costly, so he advised riding it out until the wheels fell off!" As it turned out, that course of action bought West Park Court a number of years to accumulate equity, and to devise a way to invest in a new exterior.

By the time that West Park Court called PWWG for a proposal in 2004, the firm had developed some strong opinions about how to tackle these kinds of problems, and had put a new solution into practice on a similar building at St. Theresa's in Munhall.

"We began to realize that the original virtues that made EIFS appealing, that it was cheap and flexible, were increasingly untrue," remembers Sheldon Goettel. "At St. Theresa's, the board was interested in other options, and we were frankly tired of recommending EIFS." The location of St. Theresa helped lead Goettel to very different design, a pressure equalized rain screen. "Their building is on the highest elevation in Allegheny County, and it gets hit with wind on all sides, so we decided to try a rain screen. After doing the research we found that we could do a pressure equalized rain screen for a small premium."

Rain screen walls are made of a variety of materials and use technologies that have been proven for decades. The familiar brick cavity wall is a type of rain screen. But pressure equalized rain screens are a more recent development. They are divided into panels and the careful engineering and placement of vents at the tops and bottoms of each panel actively manage the air in their cavities. The vents are sized to quickly equalize the pressure in the cavities with the changing pressure of wind on outer surfaces. This provides several advantages:

- The effects of negative pressure are neutralized, and wind driven rain is not drawn into a pressure equalized rain screen as it is with other types of wall construction.

- With equalization, a pressure equalized rain screen can be constructed without sealants, saving both an initial expense and a maintenance expense.

- The cavity is made by mounting the 'screen' on vertical channels that stand off from the main body of the wall. This sharply limits the thermal bridge between inner and outer wall surfaces.

- In summer conditions, air that is heated in the cavity continually vents away through a stack effect, and is replaced by cooler air, reducing the need for air conditioning.

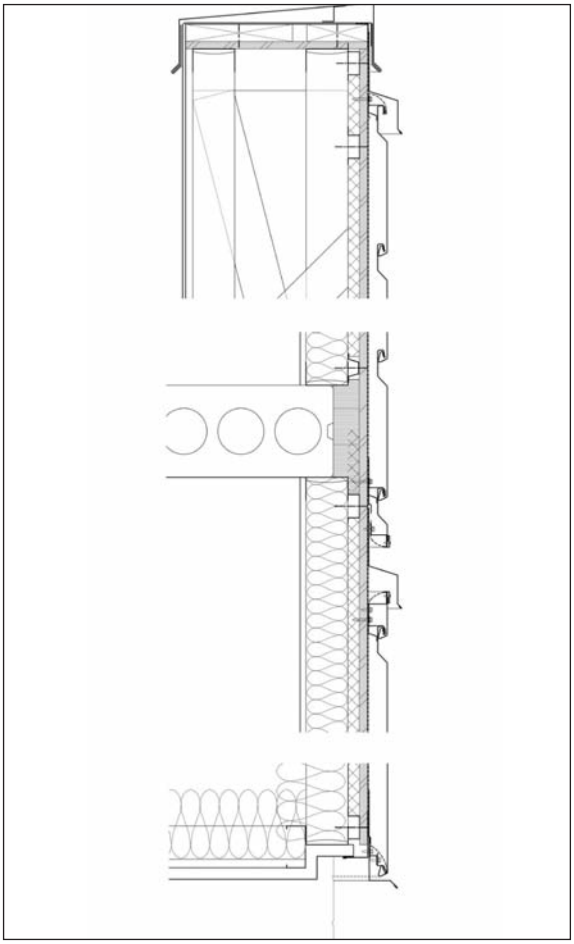
- In winter conditions, the inner wall is screened from the chilling effects of cold winds.

What PWWG designed for West Park Court was an energy efficient Kynar™ coated aluminum pressure equalized rain screen.

Goettel had worked with contractor Dick Deklewa at St. Theresa, and contacted his company, Allegheny Construction Group, when the West Park Court project was ready for pricing. The project involved the new exterior, a new roof, and a redesign of the building's balcony railing system. Allegheny was able to work with PWWG through the design and arrived at an estimate in spring 2005 that was within the owner's budget. Then things got interesting.

Park West Court had discovered a program, using Federal low income tax credits, which would allow them to leverage the equity in the property to raise enough capital to do all the work they felt needed to be done. "PHFA allocates credits to a particular project, and then banks market those credits to entities that need to offset income," explained Roy Redman. "We decided to raise equity through that transaction." To accomplish this, a new for-profit entity had to be formed, to which the property would be sold, and the new entity could use the tax credits to pay for the property and improvements.

What made things interesting was that while the PHFA was involved in the tax credit program, the arm of Housing and Urban Development that approved financing and construction had no experience with such transactions, and walking the project and the details of a new refinancing arrangement through HUD took almost two years.



Typical wall section shows how the rain screen goes together.

It was good luck that the price of building materials remained relatively stable between 2005 and 2007, but that didn't mean there wasn't some pressure on the original budget. "We had to work at it a little bit to keep it where our original estimate was," laughed Dick Deklewa. "There were some adjustments to scope, and some re-thinking how we would do the job, but we were still OK with the budget when we got going."

Demolition of the EIFS began in March 2007. Complicating the demolition was the fact that the building's 130 residents were going to occupy their apartments without disruption throughout the project. Beyond sound and vibration concerns, the contractors had to be sensitive to the fact that once the EIFS was removed the back of the apartments interior wall surface would be exposed to the elements. That made for careful demolition that had the potential to impact schedules. One early surprise was that for all the EIFS deterioration there was almost no permanent damage.

Removing EIFS and railing systems from the 1980's allowed for an exterior with more architectural interest.

"We were worried about the condition of the studs underneath," recalls Allegheny project manager Jim Grossman. "But we didn't find more than a half-dozen that needed to be replaced."

Another concern was the access and staging for the site. West Park Court consumes most of a city block, with only a parking lot (which the residents still needed to use) available for lay down and storage. It is also located in an area with a higher than average crime rate. Jim Grossman noticed another theft-related concern. "It made me a little nervous that we had all this heavy gauge aluminum, and we were just around the corner from the Warhola crap yard," he laughed. "But actually, even without a storage area we didn't lose anything from the site."

West Park Court's exterior has six sections of windows and balconies separated by six sections of EIFS that were to be replaced with the rain screen. Working with two vertical sections at a time Allegheny Construction Group was able to scaffold and stage their work with minimal impact on the remaining resident views or apartments. Although that didn't mean the other residents were unconcerned.

"Right from the start we realized we had 130 sidewalk superintendents," chuckled Roy Redman. "Aside from keeping the area clear, we had to make sure no one jimmied open doors to get onto a balcony that was under construction, or get too curious. The construction crews did a good job of keeping a watch on that."

Jim Grossman recalls that part of his job became spin-doctor. "There was a rumor we had to squelch that the renovations were to fix the place up so the owner could make it high-end for the Casino!"

While the main focus of the project was the exterior envelope, the roof replacement may have been the more difficult portion of the project. The original building had no ventilation between the top floor ceiling and the roof deck, and the slope of the roof didn't drain well. Allegheny needed to build new parapets, raise the roof deck and install eight inches of insulation while keeping the apartments below watertight. Even more difficult were the three cell towers located on the roof (a fourth was added during the project) that had to be relocated. "Trying to work around three tower structures on a roof is a challenge, but these were active, and they had to stay in service," said Grossman. "When any one was moved it could only be down for four hours at a time."

West Park Court's residents ended up with new clear balcony railings, a new roof and a re-paved parking lot, but the real payoff for the project was the improvements to the façade. Aside from the improved appearance and moisture protection, the new system also literally pays for itself. Sheldon Goettel explained, "A pressure equalized rain screen costs more than a barrier wall. At West Park Court the premium was approximately $230,000. But the life cycle costs of this pressure equalized rain screen will provide economies that are conservatively valued at more than $3,000,000. Energy bills are reduced, maintenance bills are reduced, and the life span of the system is 2 to 3 times that of an EIFS barrier wall."

The project wrapped up in December 2007, and the results were gratifying. "We have a lot of outreach to the neighborhood and try to be a good neighbor," said Roy Redman. "Community groups use the meeting rooms, so a lot of people have seen the building and like it. It's also our best marketing tool, because neighborhood people use the building, see how well it's kept up, and then move their relatives in when it's time. We don't advertise, and we always have full occupancy."

Renovating a building to be more durable and attractive is what architects do, but Sheldon Goettel seems to get more gratification from these kinds of projects than usual, and thinks most of the elderly high-rises in the region would benefit from a similar treatment. Plus, he's been amused to hear that the West Park Court renovation had some unintended positive consequences. "I hear they have had a few inquiries from people wanting to know how much they wanted for the luxury condos on the North Side!"

M/De*sign

By Jon O'Brien

When you consider hanging a shingle to start your own business, you must realize it's a high risk and high reward gamble, but if you're confident in yourself, one success story advises others to: "don't hesitate when you make the decision to start your business. Go for it."

Mary Ann Mozelewski went for it when she started M/De*sign in 2005. Mozelewski is an interior designer with over twenty years experience who saw the opportunity of starting her own business as a chance to concentrate more on her craft and to spend more time with her family. Mozelewski came into her own as an interior designer with The Design Alliance (TDA). When she began at TDA in the mid-1980s, she was the sole interior designer at this architectural firm. During her eighteen years there, Mozelewski rose to be a principal of the firm overseeing fifteen interior designers.

"As a principal, I was spending over sixty hours a week away from home. And I had two children at home so it was trying on me and difficult as a mother. Plus, as the principal of TDA's interior design practice, I had to manage others, which I didn't mind but it took time away from doing design work," said Mozelewski. "Being a principal had a good side too. I was the first interior design professional [at TDA] so I was involved in developing and mentoring the interior designers that we brought on board."

While working in the corporate world had its pluses and minuses, Mozelelski saw positives were greater to start her own firm so she went into business with her husband Ralph Mozeleski, Jr. to establish M/De*sign. Ralph provides the technical experience specializing in CAD Architectural Drafting and Detailing. He is focused on the technical execution of client's environments, documenting the designs of spaces and managing implementation. His interest lies in cost effective design and construction, derived from working in all areas of the field, including facilities management. M/De*sign's focus is on corporate and professional service interiors ranging from 1,000 square feet to 600,000 square feet. The firm's interests include creating process driven environments and those that support client business, along with LEED certified interiors.

Mary Ann Mozelewski.

The conference room at the former Master Builders' Association offices (photo courtesy Massaro Corp.).

Mary Ann Mozelewski's parting with TDA in 2005 was a friendly break, with both sides remaining close today. She has been called in a few times by TDA as a consultant. Plus she has directed potential clients toward TDA. "When you're on your own you need steady work, but you don't want to risk taking on too much. You have to know your limits and be able to direct others to competent designers. Word gets around in this area so you need to help a client the best way possible, and if it means sending them to others since you can only do so much, then that's what you do," said Mozelewski. "Word of mouth is great for marketing in interior design."

Repeat business is what led Mozelewski to the Master Builders' Association of Western PA. While at TDA she designed the MBA's Board of Director's conference room in the association's former Builder Industry Center. Now she is working with the MBA's assembled construction project team for designing the new MBA Headquarters.

"You want proof of Mary Ann's quality of work? Just ask anyone who stepped foot in the MBA's conference room if she is a quality interior designer," said Jack Ramage, Executive Director of the MBA. "Mary Ann came highly recommended to me from Jack Mascaro and I'm glad he suggested her. Her award-winning work resulted in a space that was practical yet elegant, open yet private. She captured everything we wanted. Every MBA member was proud of the conference room and I'm glad to be working with Mary Ann on the new MBA headquarters."

M/De*sign is currently in the process of becoming a certified woman-owned firm through Allegheny County and the Commonwealth of Pennsylvania. Handling the paperwork intensive process of certification highlighted one of the challenges Mozelewski encountered when founding M/De*sign. "Our challenges in starting a new business centered on the little things that many of us in the corporate world take for granted," said Mozelewski. "If you have technical issues, like not being able to retrieve emails or going online, there's no IT person on staff to come in and fix the problem. It's just you. Plus there is no day-to-day administrative support; that aspect is gone."

While 'being alone' can present a challenge, the truth is Mozelewski is not alone in the field of interior design. As was the case when she was at TDA, she continues to be active in giving back to the future of her profession by maintaining affiliations with groups such as the American Society of Interior Designers, the International Facility Management Association and the Interior Design Legislative Coalition of PA, as well as serving on the Interior Design Advisory Board for both West Virginia University and La Roche College.

"It's always important to be active within your profession. The networking aspect can lead to 'the word of mouth jobs' as discussed earlier and involvement in legislation groups can benefit your profession through good laws. But as was the case when I was the sole interior designer at TDA, mentoring younger designers is important to the future of the profession," said Mozelewski. And speaking of the future, one of the reasons for Mozelewski to start her business was to stay close to home with her children. How did the kids benefit from this decision? The elder child is nearing the college years and he's leaning towards a design education. BG

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What's the Next Big Thing?

The past two years have been somewhat uneventful in terms of significant changes to the legal landscape of construction and development. In 2006 the Pennsylvania legislature passed revisions to the Mechanics Lien Law, and the year before the courts allowed a significant change to the economic loss doctrine and interpretation of privity when the Built-Rite case was decided. While there hasn't been any slowdown in disputes or litigation in *2007 or 2008, BreakingGround* asked a number of local construction attorneys to offer an opinion on what might shift the legal environment in 2009.

"I will say in tight times we do see more litigation," allowed Eckert Seamans Cherin & Mellott principal Chris Opalinski. "People feel they just have to fight for every dollar, and there's less gravy all around to make problems go away on projects."

Opalinski echoed the prevailing sentiment of most attorneys when looking at the next year or so: it will be the economy, stupid (emphasis added by the author). While the consensus is that the slowdown in the national economy hasn't really taken hold in Western PA, most lawyers are getting feedback from their clients that makes them believe the outlook is for a tighter market, and preparing for what usually accompanies those conditions.

In many ways the tougher market conditions demand that contractors, architects and developers focus on practices that should already be the norm. "When the environment is going to be more litigious you need to watch your paperwork closely, your change orders, notices to proceed, RFI's, etc.," said Opalinski. "You want to keep a closer watch on the things that cost you money."

"We definitely recommend to our clients that they take precautions when there's a downturn, because the litigation goes up," said Eric Kimbel of Cohen Seglias Palls Greenhall & Furman's Pittsburgh office. "Roy Cohen and I just held a seminar for a NECA group from Ohio and West Virginia, and we spent about 20 minutes talking about the economy, telling them to tighten up procedures and get their paperwork in line."

Asked what actions seemed to be endemic to economic downturns, Kimbel didn't miss a beat in his reply. "Increased bid protests," he noted. "The work gets tight and the firms that just missed the job will look closer for technicalities or irregularities from the low bidder. We haven't seen that here but Roy said they are seeing more protests in Philadelphia."

One issue that was on the radar of several attorneys is the impact of the big price inflation that occurred this spring and summer on longer lasting construction projects, especially now that most commodity prices have plummeted. Big highway projects that span a couple of seasons will have had cost escalation clauses or language that will be the root of disputes.

Duane Morris LLC partner Albie Bates sees a 'back to the future' effect from the cost escalation. "I think we'll go back to some of the principals of the early 1980's, when there was double-digit inflation, at cases like ALCOA v. Essex," he explained. "You'll look more closely at contract language to see that expectations for completion of the contract were reasonable." Bates feels the principal of commercial impracticability that arose in the ALCOA case will be relevant to the parties in disputes that involve unreasonable delays and unreasonable expectations for controlling costs when prices were skyrocketing.

The economy aside, there are some purely legal issues percolating that could make an impact in 2009. One of those is the fallout from the amended Mechanics Lien Law.

"We're only now getting through the last of the projects that could have been started with blanket lien waivers at the end of 2006," says Matt Jameson from Babst Calland Clements Zomnir. "This coming year we should start to see the impact of the amendments, although we probably won't see changes in the law until someone gets burned." Jameson feels the law still puts too much burden on the owner and contractor to police second and third tier participants. "I hate to say this but the state that does it right is Ohio, where you have to file a notice of furnishing to preserve the lien rights. That tells the owner who is working on the job or supplying the job from downstream."

It seems likely that it is the issue of liens by suppliers to subcontractors or third tier subs, or liens that result from disputed performance that will expose the law to tests of reasonableness, and the practicality of exposing owners to the risk of lien from claims that are three or four parties removed.

Through 2008 there have still been no instructive decided cases, although there has been a marked increase in litigation involving the Mechanics Lien Law. In practice, many contracts continue to be written on forms that predate the implementation. "I'm surprised to still review contracts that have the blanket lien included, even though it's unenforceable," noted Jameson. "I advise clients not to sign those, but I don't know that there's much risk in doing so."

One case of interest that is before the state Supreme Court is Kiski Area School District v. Mid-State Surety & Lanmark Inc. The case involves a dispute over construction of a 1997 project at Allegheny-Hyde Park Elementary, for which the now-defunct Lanmark was the general construction contractor. The school district had issues with defective workmanship, but settled with Lanmark in 2001 for $430,000, and then went after the surety for payment to remedy the defective workmanship. The settlement discharged Lanmark from further obligations. Common Pleas Court of Westmoreland County dismissed Kiski Area's claim in 2006, but the Superior Court reversed the decision in April 2007.

At the center of the case is the question of whether or not an owner can discharge a contractor without discharging its rights against the surety. The Superior Court decision exposes surety companies to additional risk beyond the contract provisions, for which they will not be paid. The case has enough potential downside for the insurers that the Surety & Fidelity Association of America has filed an amicus brief of behalf of Mid-State.

Joe Bucci of Houston Harbaugh, which represents Mid-State, believes the case offers an opportunity for the court to apply a 12-year old guideline, the Restatement of Suretyship Third, and argued that the Supreme Court should adopt it. "Restatements are intended as guidelines for particular disciplines of the law that provide practitioners a sense of predictability and expectation about how the law is applied," Bucci explained. "This case can be resolved without adopting the Restatement of Suretyship, but the restatement has a whole section on handling this kind of dispute, and it would establish expectations for future disputes."

Allowing the Superior Court decision to stand could signal to public owners that settling disputes with contractors won't have negative consequences, since the performance or payment bonds will still be enforceable. The importance of the outcome goes beyond the surety business, since anything that increases the exposure to risk for insurers will either decrease the capacity of surety bonds or increase the cost to the marketplace.

The other legal issue that could be the next big thing is the revised AIA 201 contract document that was issued in 2007. The 2007 version no longer defaults to AAA Arbitration for dispute resolution, and several changes to risk allocation and collaborative methods of delivery seem open to dispute. It's likely, though, that any real challenges to the AIA 201 or to the new ConsensusDOC's will not be tested until 2010.

What is TARP, and Who Will it Cover?

As the financial system was shaken to its foundations in September from what started as a sub-prime mortgage problem, the federal government moved beyond interim fiscal measures to a sweeping response. After failing to take action the week before, the House of Representatives, on October 3, approved a rescue package for the U.S. financial system, the Emergency Economic Stabilization Act of 2008.

Designed mainly as a means to get financing moving again, the main objectives of the act are to remove troubled assets from the financial system and recapitalize the financial system by injecting a major infusion of capital. This effort is the Troubled Asset Relief Program (TARP).

To accomplish those goals with the least impact to the taxpayer, the legislation contains provisions which allow for future profit by requiring institutions who sell troubled assets to the program to issue warrants that allow taxpayers to have an equity stake in the company. As political capital to appease opponents of the legislation, Congress also added provisions limiting executive compensation for participating institutions, increasing the FDIC insurance to $250,000 through Dec. 31, 2009, providing tax incentives for renewable energy programs, extending Alternative Minimum Tax relief for individuals, offering relief packages for Midwestern states and extending several personal and business tax cuts scheduled to expire this year.

The plan has been associated with a $700 billion price tag since its inception, but as passed the legislation not only authorized the use of that amount for asset purchases, but also added another $150 billion in measures that were expedient for getting sufficient political support. So how will the $850 billion be used, and will it work?

The $700 Billion Plan

The centerpiece of the legislation is TARP. It was in part the lack of specificity about this program that caused already wary lawmakers to fear supporting the bailout legislation on the first pass. It's also likely that the various and disconnected ideas for implementing TARP may have fueled the uncertainty that enveloped the markets immediately afterwards, said Jeffrey Lacker, president of the Federal Reserve Bank of Richmond. "Shifts in expectations regarding official intervention may have added volatility to financial-asset markets that were already roiled by an increasingly uncertain growth outlook." Lacker's remarks to the Hebrew University of Jerusalem reflected criticism by Wall Street that the government sent mixed signals about the bailout.

Removing Bad Assets while Infusing Capital into the System, are Goals that have Worked to Spark Recovery in Past Crises.

But the government agencies charged with crafting the plan, principally the Treasury Department and Federal Reserve wanted to have the flexibility to retire the bad assets in a way that would be most desirable at any future time for the market, especially since the kinds of troubled assets are more complex than in any previous financial crisis. No financial institution seems to have a clear idea as to the category of all its bad assets, let alone to the level of risk associated with each. Because most assets have been subject to fire sales since summer, any mechanism for true valuation of the asset classes is gone. It is impossible to overstate the complexity of establishing a fair way to value the assets that enables the flow of capital again, while protecting the taxpayer investment.

Federal Reserve Chairman Ben Bernanke and Treasury Secretary Hank Paulson, during their joint testimony to Congress, talked of buying bad assets in a reverse auction, but that idea gave way quickly to a more direct recapitalization of the largest banks.

The first steps taken have been to purchase equity in ten major banks, most of who were not necessarily exposed to the troubled asset risk significantly. For cynics, even this step seems to betray the intentions of Bernanke and Paulson to shore up healthy banks by encouraging bargain basement purchasing of those who are suffering. The PNC acquisition of National City has been seen as evidence of this.

The Rest of the Plan

The other provisions of the legislation are primarily focused on guaranteeing bank deposits, preventing foreclosures, providing oversight of the program, and minimizing the cost to taxpayers. The government's ability to modify mortgages it purchases may provide the potential to slow the wave of foreclosures that lies at the heart of the meltdown in mortgage securities. Most of the rest of the bill is dedicated to ensuring the program will minimize the cost to taxpayers by providing bipartisan oversight, allowing the government to offer insurance instead of outright purchases for troubled assets, and providing the ability of the government to gain equity exposure and limit executive compensation at financial firms in some cases. If these things are not sufficient to get the taxpayer to a break-even level, the government is required to submit legislation to recoup the cost of the bailout from financial firms.

Bailouts Are Unpopular But They Work

Opponents of the plan, or at least opponents who weren't just posing politically, were most rankled by the feeling that the free market should be allowed to resolve the issue, no matter the pain. It's a persuasive argument, and very much in concert with the American sense of fair play. The problem was that the pain was going to be inflicted on many innocent parties as well, and history tells us that government intervention, however distasteful, has been the key to recovery in the past.

Recovery from a crisis like this requires the purging of bad loans or assets that caused the crisis in the first place. Banks will not begin unencumbered lending until the threat that these assets pose is removed.

Two recent historical examples that seem to validate this theory are the Swedish response to their banking crisis in the 1990's and the actions of the Resolute Trust Corporation formed by the U. S. government to untangle the S & L crisis of the late 1980's. By the same token, the Japanese financial system has still not recovered through more than a decade of disaster because bad assets remain on the balance sheets there, with no government assistance offered.

The goals of TARP, removing bad assets while infusing capital into the system, are goals that have worked to spark recovery in past crises.

The Keys to Success: The Right Price and Bank Confidence

The delicate balance in the implementation is in paying a price that restarts normal financial activity, while protecting the taxpayer. The success of the asset purchase will rely upon paying enough to recapitalize the system, which will open access to credit again for consumers and businesses, thus allowing TARP to stave off the recession that appears to be setting in. At the same time, higher prices for assets means higher costs to the taxpayer. Even though there are provisions in the bill to recover those costs through the market, the ultimate backer is the taxpayer. Higher costs could mean higher taxes, which could result in a deeper recession.

The overriding assumption of the plan is that the intrinsic value of these assets, the value if the loans were held to maturity, is significantly above where the market has priced them. As foolishly hopeful as that may sound, there is a logical basis for the assumption. The overselling of assets from dying financial institutions in September drove prices of asset-backed securities to the floor because there were no buyers.

The intent of TARP is to pay above the current market for these asset classes, but at prices that are still below hold-to-maturity prices. This would provide market prices that will attract buyers to assets that are now illiquid, but at prices that will allow the new taxpayer owners to profit as a higher value comes from holding the assets to maturity. This assumption, if it is not a fantasy, would literally recapitalize the banking system, restart the selling of debt securities, and all at no eventual cost to taxpayers.

What's the Downside?

This is the aspect of TARP that is uncomplicated. While it's possible no measures will stave off global recession, the only real long-term risk lies in the validity of the assumption about the value of the assets. If TARP results in the government buying assets that are actually overvalued in the end, the ultimate cost to the taxpayer can't even be estimated at this point.

There won't be a lot of early indicators that tell us recovery is underway. In the first 30 days after the passage, however, the response from the financial markets has been positive, if not spectacular. Indicators of risk assessment, like the TED Spread, have moved steadily towards a lower sense of risk. Like recovery from a major disease, each day should bring a bit more recovery, even if only because lenders and consumers have become more accustomed to the problems.

There will be no test of TARP except time. The best source of comfort as this very tumultuous year winds down is that the road chosen for recovery has been traveled successfully before. BG

Could Identity Theft Compliance Be the New OSHA?

By Emil Heintzinger

Throughout history, construction has been dangerous for those that apply their trade. In April, 1971 a new agency, the Occupational Safety and Health Administration (OSHA) was formed providing workplace safety to millions of workers across the country. In the history of construction, thousands of workers were injured or maimed on-the-job with no protection and guidelines; this was changed by OSHA.

Over the course of time we have learned that the protection of employees' health and safety is a cost savings to the business owner and as a result, job site safety has become a standard in the industry over the last 35 years.

Today we have a new type of compliance issue that is on the rise and in the news every day. It is the protection of personal data and information of employees, customers and clients from a growing crime: Identity Theft. This is when someone uses your personal information to commit crimes, gain employment, steal money or gain access to the medical system. Just like the safety issues of 50 years ago, the government is now mandating that the business owners do everything that they can to protect personal information.

The crime of identity theft is growing at a rate that is uncontrollable. It cannot be stopped and it is not going away. Technology is advancing at warp speed and dissemination of information travels right along with it. The fact is that we have easy and instant access and everything is at our fingertips... and the criminals know it!

When information is compromised and makes the news, you don't want your business being named. According to Michael Freidenherg in his May 2006 article in *CIO Magazine* "If you experience a security breach 20% of your affected customer base will no longer do business with you." This is a white collar crime that is easy to commit and a challenge to prosecute. Identity theft is not considered a violent crime so there is little room in jail cells for this type of criminal.

Why should a business owner be concerned about identity theft?

Business owners and key employees may be the victim of identity theft. Small businesses are especially vulnerable because the business owner may be the guarantor of loans and lines of credit.

Employees of the business may be the victims of identity theft. A business depends on employees to deliver its services and products and to provide customer service. When employees are the victim, their focus is not on their job, they take time from work and they may be distracted due to financial or legal situations, all affecting the bottom line.

Employees of the business may be using false information to gain employment. It is very important that proper documentation for employment is enforced. An employee working under an assumed identity could be extremely dangerous for the business.

Business customers and clients could be the victims of identity theft. A business will generally suffer the impact of a combined loss of inventory and revenue if fraudulent orders and payments are made by scam artists or identity thieves. When notified that one of its clients or customers has been victimized, the manner in which the business addresses the situation can be a watershed event in the relationship. When these situations occur, the client or customer is very likely to move their business or account to another company.

Businesses are the holders of personal information. In the normal course of operations for almost every business, customer or client information is used, stored or transmitted. This is designated by law as protected consumer information. A myriad of legal requirements and responsibilities, as well as potential liabilities are awaiting businesses that collect or maintain protected consumer information.

Everyone is at risk from the thieves and now businesses have a risk due to the laws that are being passed. Just like OSHA, the rules governing identity theft compliance will take a while to complete its cycle in the industry. Today, most business owners are not aware of the implications of these laws. Over the course of time, as rules are tightened and more breaches occur, the day will come when you will be either in compliance or you will be out of business. Here are three current pieces of legislation already intended to protect identity.

The Fair and Accurate Credit Transaction Act (FACTA) applies to businesses and individuals who possess or maintain consumer information for a business purpose. The HIPPA Security Rule has been expanded to include any organization or individual who retain or collect health information. The Gramm Leach Bliley Safeguard Rule (GLB) applies to any organization that maintains personal financial information regarding its clients or customers.

Combined, these laws put most businesses at risk and noncompliance could mean heavy fines or jail time. There are recommended procedures that go along with these compliance rules:

Businesses are required to appoint an information security officer.

A written policy to protect nonpublic information should be developed.

Companies should be holding mandatory trainings for employees who have access to nonpublic information such as: Social security numbers, identification information, EIN numbers, tax payer information, Social Security numbers, date of birth, driver's license or government-issued ID numbers, credit card numbers, account numbers, "Signature on file" accounts, addresses, phone numbers, health insurance information, paychecks, pay stubs, pay rates...... and the list goes on and on!

In an article in the American Bar Association Journal, March 2006, Betsy Broder of the Federal Trade Commission, says: "The FTC will act against companies that don't protect customer's data. We are not looking for a perfect system," Broder says, "but we need to see that you have taken reasonable steps to protect your customers' information."

Business owners in the construction industry are no different than any other industry. The real risk is not the fines and penalties of not being compliant it is the loss of information that could wreak havoc on someone's life. Knowing about the new laws concerning personal information is as vital to business as knowing about OSHA. Be In Compliance…It is the right thing to do! BG

Emil Heintzinger is the owner of ESU and Associates, a Certified Identity Theft Management Specialist

Introducing LinkedIn: Is the Rolodex On Your Desk Still Relevant Today?

The story goes that back in the 1970's a monthly congregation of individuals representing MBA construction companies would meet at the Building Industry Center to stay connected. These late afternoon Friday get-togethers would sometimes spill over into the evening on some occasions, but the most important aspect of these social gatherings was that it allowed for long-lasting relationships to form for individuals that shared career experiences. These Friday gatherings were just one example of how the previous generation bonded.

"I hear about the good old days from Pete Dozzi and my dad [Dwight Kuhn]. I hear how there was a tight bond amongst individuals from competing construction companies," said Michael Kuhn, Vice President, Jendoco Construction Corp, as he reflects on stories told by Jendoco's founder Pete Dozzi and the company's Executive Vice President Dwight Kuhn. "If you talk to the previous generation of construction leaders, I think you would find that their best friends are people they used to compete with for work on bid day."

The camaraderie of past generations may not be as noticeable with the shift in culture and attitude changing with construction professionals. Today, construction professionals may not be meeting face-to-face as much, but the bonds are still there. And many have turned to technological advancements to maintain their relationships.

One online resource being utilized by more and more area construction professionals as times goes on is the LinkedIn Network. LinkedIn is an online network of more than 25 million experienced professionals from around the world, representing 150 industries. When one joins LinkedIn, first a profile is created that summarizes professional accomplishments. Profiles help individuals find people and be found by former colleagues, clients, and partners. Networks are created when users invite trusted contacts to join their LinkedIn Network. A LinkedIn Network consists of an individual's connections and the contacts of each connection. So a Pittsburgh estimator could easily be connected to construction end users across the country through their contacts.

"LinkedIn is kind of an online '6-Degrees of Kevin Bacon' for the professional world," said Walter Krasneski, Marketing Director, SAI Consulting Engineers, Inc. "I believe the potential for improving your business' bottom-line exists with LinkedIn, by utilizing your connection's contacts to reach the right people, but I'm still learning about this resource."

LinkedIn is being utilized by all aspects of the construction industry – architects, engineers, government officials, building and highway contractors, service providers, and building trades union representatives. "The Carpenters believe strongly in technology, embracing change while constantly focusing on improving our services," said Tim Chesleigh, Council Representative, Greater PA Regional Council of Carpenters. "Yesterday is gone and we need to prepare for the future. One preparation step we're taking is to make sure we're connected to movers and shakers in our region and LinkedIn is one method to obtain those connections."

Architects have also made the leap to LinkedIn: "I've noticed an increase in construction professionals in our area that have signed up for LinkedIn, especially design professionals," said Mark Witouski, IKM Inc. "I think it's still early to tell if companies have benefited from having employees on the LinkedIn Network. We'll just wait and see."

A misconception exists that LinkedIn is only for finding a job or for the employer to find a candidate for an open position. While headhunters and job-seekers have a presence on this resource, LinkedIn can be a tool to benefit your business. LinkedIn is also a great resource for businesses to promote their company and find new business ventures and business opportunities utilizing their contacts, or to maintain a strong relationship with the clientele.

"LinkedIn is a great way to stay connected to your clients," said Jay Sukernek, Schneider Downs & Company, Inc. "Anytime a connection of yours makes an alteration to their profile, you're alerted of this change. So if a business associate or client posts a message on the latest project he or she is working on I'll be alerted. This ultimately can improve the working relationship as I continue to learn what others are going through in their careers."

Another key benefit of LinkedIn is the Groups features. Through set up groups, individuals have the option of being connected to a monitored collection of professionals that all have something in common, depending on the group. Locally, one construction association has set up a group for its membership. The American Society of Highway Engineers Pittsburgh Section recently launched its group.

"Our group is still in its infancy, but I foresee it becoming a useful tool for our professional constituency," said Rich Bogovich, ASHE Pittsburgh Section President. "The group is useful in that only persons approved by the group monitor are allowed in the group. These set controls allow for an organized assembly of those that share a common experience and passion with their affiliation with ASHE."

As for the myth of LinkedIn being a headhunter site, there is merit to this belief. Individuals can search for jobs and companies can post job listings. "Our company has considered using the LinkedIn Network for human resources reasons," said Gino Torriero, Vice President, Nello Construction Co. "The nature of our industry is that employment opportunities ebb and flow depending on the status of current construction projects and the backlog. As manpower requirements fluctuate it's nice to know a resource such as LinkedIn exists for construction firms to tap to fill employment openings."

Yes, LinkedIn can be beneficial for numerous reasons – maintaining contacts, making new ones, filling employment needs and discovering employment opportunities. LinkedIn is emerging as a substitute to the rolodex. In today's global economy, now more than ever, borders need to be crossed for professionals. And crossing borders, whether they are county, state, or professional, can be assisted when seeking knowledge through people you trust in our network. BG

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Cleaning Green is the Next Step in Green Building

One of the elements of sustainable development that has only recently begun to get more attention is cleaning and maintenance using green products and methods. It should have logically been an integral part of green building from the start of the movement, and in fact many buildings developed as LEED-certified buildings (the Regional Learning Alliance in Cranberry Woods is one) have used green cleaning as the natural outflow of the green building process.

Of late, with sustainability becoming part of more and more corporate cultures, green cleaning has moved beyond something trendy or responsible to do and has become a competitive issue. Corporate clients, and small businesses, have begun to make a sustainable environment part of their requirements when planning their space needs.

In the past year renting in a LEED building has gone from a wish list item to a 'must have' requirement.

For occupants of buildings, the biggest benefits of green building or sustainable practices are often overlooked. The focus of green building is often on the design elements or the building products, and the benefit focus is on the building performance attributes, like daylighting or energy conservation. Because the wide acceptance of sustainable design is a relatively new phenomenon, the time needed to quantify some of the softer or indirect benefits has delayed recognition of the advantages green buildings offer in employee retention, improved occupant health and enhanced productivity.

Within the past few years building owners, like PNC Financial Services, who have embraced sustainable design and construction, have taken the time to evaluate absenteeism, employee retention and productivity. Operating an open, healthy facility like PNC's Firstside Center has given the company an edge in recruiting employees, reduced absenteeism and relieved some of the chronic employee health conditions that were present in other buildings. PNC's Vice President of Real Estate, Gary Saulson, believes that green buildings will ultimately contribute to reducing healthcare costs.

Green cleaning picks up where sustainable construction leaves off, ensuring that the benefits of using low VOC carpets and paints, or optimizing the ventilation of the building, aren't lost because the cleaning products or methods introduce volatile organic compounds or toxic chemicals into that healthy new building.

The trend towards green cleaning has not missed Pittsburgh, even for firms that don't have an extensive green building profile. PWC Property Solutions manages 420,000 square feet of the Parkway Center complex on Green Tree hill. While they clean those buildings conventionally, PWC uses green cleaning to maintain its newest property, the Ericsson buildings (formerly Marconi) in Marshall Township. "The cleaning company we inherited was using green products for cleaning and pest control," says Chris Andreo, PWC's property manager for Ericsson. "We'll put those services out to bid for the new ownership, and we absolutely made that part of the proposal. PWC has only managed the property since October 1 so I'm not sure how much it helps; but we're trying to do a lot of things to make our buildings friendlier to the environment. Green cleaning just seems like the right thing to do."

To go back to basics for a moment, it's important to recognize that green cleaning isn't simply about using organic or biodegradable products or supplies when cleaning. The Green Cleaning Network defines green cleaning as 'cleaning to protect health without harming the environment.' Note that the first half of the phrase emphasizes the role of cleaning in general, to prevent disease and infection from spreading. What proponents point out is that green cleaning is a program that includes not only chemical and equipment selections, but also the methods, policies and training of the maintenance staff and building occupants to maximize the health of the building with the least impact on the environment.

The evaluation of the cleaning operation should focus on using products that do not harm the environment as waste after cleaning, do not harm the inhabitants or cleaning staff during or after the operation, and don't compromise the effectiveness of cleaning so that infection arises. The methods used should be evaluated so that cleaning staff can work safely and so that cleaning doesn't unravel the benefits of the green building. For example, a well-designed building that minimizes electrical use through daylighting and limits heating and cooling costs during peak usage loses a lot of its benefits if the cleaning operation takes an eight hour shift after dark, with the building fully lit and heated. This can be as much as ten percent of the electrical bill.

Green Cleaning Network is an organization dedicated to 'accelerating the adoption of green cleaning.' Its six stakeholder organizations include Building Owners and Managers Association (BOMA) and the U. S. Green Building Council. One of the stakeholders, the Hospitals for Healthy Environment (H2E) has created a ten step guide to green cleaning implementation in hospitals. Because hospitals have an enormous liability for infection (approximately 88,000 people die each year from hospital-acquired infections), the guide is stringent enough for hospital use, but can also serve the needs of commercial building cleaning.

H2E's guide focuses on top-to-bottom support from administration, clinical and maintenance management. The legwork devoted to producing the guide focused on necessary results (disinfected rather than shiny, for example) and practical methods. Given the infection liability concerns, it isn't surprising that H2E's guide emphasizes monitoring and measurement for effectiveness, and encourages feedback from those responsible for infection control and clinical operations. The ten steps for implementation that H2E recommends are:

1. Form a team and gain commitment
2. Review current products and practices
3. Evaluate and categorize facility areas
4. Determine evaluation criteria for products and operations
5. Select products
6. Develop a pilot plan
7. Execute your pilot plan-training and evaluation
8. Pilot evaluation
9. Celebrate success
10. Expand your program

There's a lot of corporate-speak in there. Cutting through all of that, the recommendations H2E makes take into account that disinfection is the primary goal, and the teamwork that is stressed makes achieving green cleaning possible, especially since there will likely be a lot of change involved to long standing processes.

Aside from the improvements made to environment and health, green cleaning is increasingly playing a role in marketing a commercial facility to tenants. Assuming that a national recession is underway and that there will be some deleterious effect on the regional economy, every advantage gained in attracting tenants is important (actually when is a leasing advantage unimportant?). In the past year renting in a LEED building has gone from a wish list item to a 'must have' requirement. Even when the company looking for space doesn't absolutely require a LEED-certified building, they are more likely to rent in one that is.

"It fits into our overall sustainability practice for all the properties we manage," said CB Richard Ellis's Bill Dignan. "We now have a CBRE-branded green cleaning process that allows us to hand over a step-by-step program to our service providers." Dignan sees the commitment CBRE is making to sustainability as a case of doing well by doing good. "In the case of the Union Trust Building we knew that making it a LEED building would be important to leasing, and it made all the difference in re-anchoring the building with Siemens. Right now, Union Trust is the only building in downtown available for tenants that will be LEED-certified." Downtown's other LEED building, 3 PNC Plaza, is under construction.

One of the green cleaning practices that Union Trust Building, also known as 501 Grant Street, will employ is daylight cleaning. "It's the fourth building we implemented daylight cleaning, and the first in the CBD," explained Bill Dignan. "Daylight cleaning obviously saves energy that would be used during night hours, but we also think we get a better product, a cleaner building, better security, and the other ancillary benefit is that complaints about the cleaning have dropped dramatically." Dignan believes that because occupants see the cleaning people there is a psychological acceptance that the work is being done, and that the opportunity to interact and relate to the people doing the cleaning (ask a favor for example) cements a perception that the building is being cleaned properly, even if there is no difference in performance.

A sustainable built environment is no longer an altruistic vision of the future. Green cleaning is part of a holistic sustainable approach to property management, and tenants or occupants want to use the healthier environment as a competitive advantage of their own. Building green is no longer enough of an advantage in commercial real estate; managing green is the next step, and cleaning green will soon be part of every property's competitive agenda. BG

Awards & Contracts

Butler Area School District awarded a $1.8 million contract for general construction to Uhl Construction for the renovations to the Northwest Elementary School in Butler Township. Burt Hill is the architect for the $2.7 million project.

Norfolk Southern Corp awarded Uhl Construction a contract for the new $3.4 million Railway Expedited Maintenance Facility in Conway. Urban Engineers, from Philadelphia, designed the 9,600 square foot facility, which includes new storage and distribution areas, raised rail track, electrical and utility systems.

Mascaro Construction was selected as the general contractor for the new 143,500-square-foot Kovalchick Convention and Athletic Center at Indiana University of PA. Mascaro was selected by the Department of General Services as part of its best value contracting process. L. Robert Kimball & Associates designed the $57 million project.

Mascaro Contracting, LP is the successful bidder on the Allegheny County Airport Authority's De-Icing/Stormwater Treatment Plant (Phase 2B) project. This $10 million project will get underway in November 2008.

University of Pittsburgh Medical Center awarded a contract to A. Martini & Company for renovations to the Pharmacology Lab in Biomedical Science Tower I. Renaissance 3 Architects is the architect for the $650,000 project.

A. Martini was also the successful contractor on the buildout for TetraTech at Foster Plaza for building owner Burns & Scalo Real Estate. Next Architecture is the architect. And Verizon Wireless selected A. Martini to renovate a $200,000 fitness center at its RIDC Thornhill offices in Warrendale. Fukui Architects designed the project.

The PA Department of General Services recently awarded Nello Construction Company a contract to construct a new 38,000 sq. ft. Pennsylvania National Guard readiness center at EverGreene Technology Park in Franklin Township. The new readiness center will replace the Capt. Robert C. Wiley Armory in Waynesburg, which was built in 1914 and is home to Company C, 1-110th Infantry. DGS plans to have the new facility certified as an energy-efficient building under the LEED program, an initiative of the U.S. Green Building Council.

Landau Building Company was recently awarded a contract from the City of Morgantown to build the Northside Fire Station of Morgantown. The architect for the project is Bignell Watkins Hasser Architects. The new construction is replacing the Wiles Hill fire station, which was built in 1949 and has become too small for the city's fire trucks. The new fire station construction will cost approx. $3.2 million. The new Northside Fire station will be an energy efficient LEED-certified building. It is designed to conserve water and utilize sunlight for heat and light.

Poerio Inc. was awarded a contract to build PNC Blue Mountain branch, outside Harrisburg. The project is one of the LEED-certified prototypes designed by Gensler. Poerio was also awarded design build contracts by JC Penney for stores in Martinsburg, WV, Columbia MO, King of Prussia, PA, Wilkes-Barre, PA and Morgantown, WV.

dck north america, an affiliate company of dck worldwide, was awarded a project as general contractor for the interior demolition and tenant fit-out of the 22nd floor of One Mellon Center for the Bank of New York Mellon in downtown Pittsburgh. The project, which consists of 18,000 square feet of demolition and interior construction, will be constructed in two phases, with a scheduled start the week of September 8 and a completion on December 19, 2008.

dck worldwide, as part of BRDC, a joint venture with Burns & Roe, was recently awarded an indefinite-delivery/indefinite-quantity (IDIQ) multiple award design-build construction contract for general building type projects at Naval Station, Guantanamo Bay, Cuba. This is the third, and largest, contract recently awarded to BRDC by The Naval Facilities Engineering Command Southeast. The work to be performed is for general building projects including new construction, renovation, alteration, and repair of facilities and infrastructure, roofing, demolition, and routine renovation. The aggregate of $100 million will potentially be shared among BRDC and the other contractors

In addition, BRDC is being awarded the initial task order in the amount of $632,646 (including the minimum guarantee) for the design and construction of a new Temporary J6 Admin Facility with a gross building area of approximately 4,900 square feet at Naval Station Guantanamo Bay.

Rycon Construction was the successful contractor on the University of Pittsburgh Mervis Hall renovations in Oakland, and the Falk Clinic renovations for the University of Pittsburgh Medical Center.

Blackstone Group selected Rycon Construction as contractor for Dominion Tower Plaza renovations in downtown Pittsburgh. The Design Alliance is the architect for the project. Highmark awarded Rycon their Headquarters Phase 3 Renovations, in Camp Hill, PA.

Massaro Corporation was chosen by Kratsa Properties to be the General Contractor for the new North Shore Residence Inn on the North Shore of Pittsburgh. This 10-story, $22 million, 148,000 square foot high-end hotel will feature 180 suites, an indoor pool, exercise facilities, outdoor patio barbeque fire pit, billiard room, and convenience store. Architectural Alliance is the architect on this project.

UPMC has chosen Massaro Corporation as the Construction Manager at Risk for their Cumberland Woods Independent Living development project. The $35 million project will consist of 69 Villas, a Commons Building including 30 apartments, a lodge with a meeting room and auditorium each seating 250, underground parking for 100 cars, and all site work. Perkins Eastman is the architect on the project.

Massaro Corporation was chosen by The Watson Institute to serve as the general contractor for their Education Center Addition to their Sewickley campus in Leet Township. The Design Alliance is the architect on the $2.5 million project.

Villa St. Joseph has chosen Massaro Corporation to serve as the contractor for their $375,000 balcony addition. This 8 week fast-track project will include a third floor sun porch and is slated to be completed by the end of October. Perkins Eastman is the architect on the project.

Massaro Corporation has been selected to provide preconstruction services at Point Park University. These projects, totaling over $8 million, include a fit out of the fourth floor dance studio building, which is a design/build project with The Design Alliance. Phase II of 312 Boulevard of the Allies is a conversion of an office building into student housing. This project is design/build with TKA. The final contract is Phase III of 10 Wood Street converting three floors into classrooms and administrative space. The project is design/build with TKA.

The Hilltop Community Health Center Planning Team has chosen Massaro CM Services, LLC to serve as their Project Manager for the predevelopment phase of their new Community Health Center. CM Services will begin soon and the scope of work will include preliminary design, construction cost estimates, and feasibility of the potential site will be evaluated for final site selection.

Massaro Restoration recently completed work at Carlow College's campus church. The church was struck by lightning and a large piece of slate roof was damaged by falling stone. The Holiday Inn in the RIDC Industrial Park hired Massaro Restoration after a fire broke out and caused substantial damage to ballrooms, boardrooms, common areas, and the lobby.

Jendoco Construction Corporation was selected by Geneva College for Pedestrian Mall and Alumni Parking Lot Site improvements including a new pedestrian walkway and alumni parking lot to the Geneva College Campus. Pennoni Engineering designed the project. Senator John Heinz History Center Historical Society of Western Pennsylvania awarded Jendoco Construction a contract for the Discovery Room Stair Renovations at the Senator John Heinz Regional History Center. Pfaffman + Associates is the architect.

Clarion Foundation, Inc. selected Jendoco Construction Corporation as contractor for its Center for Biotechnology. The project involves new construction of a 30,000 square foot, three story office building in at Trinity Point in Monroe Township, Clarion County. Next Architecture is the architect.

Jendoco Construction was the successful contractor on the renovations to Kresge Theater, a 1,500 square foot renovation at Carnegie Mellon University. Desmone & Associates is the architect.

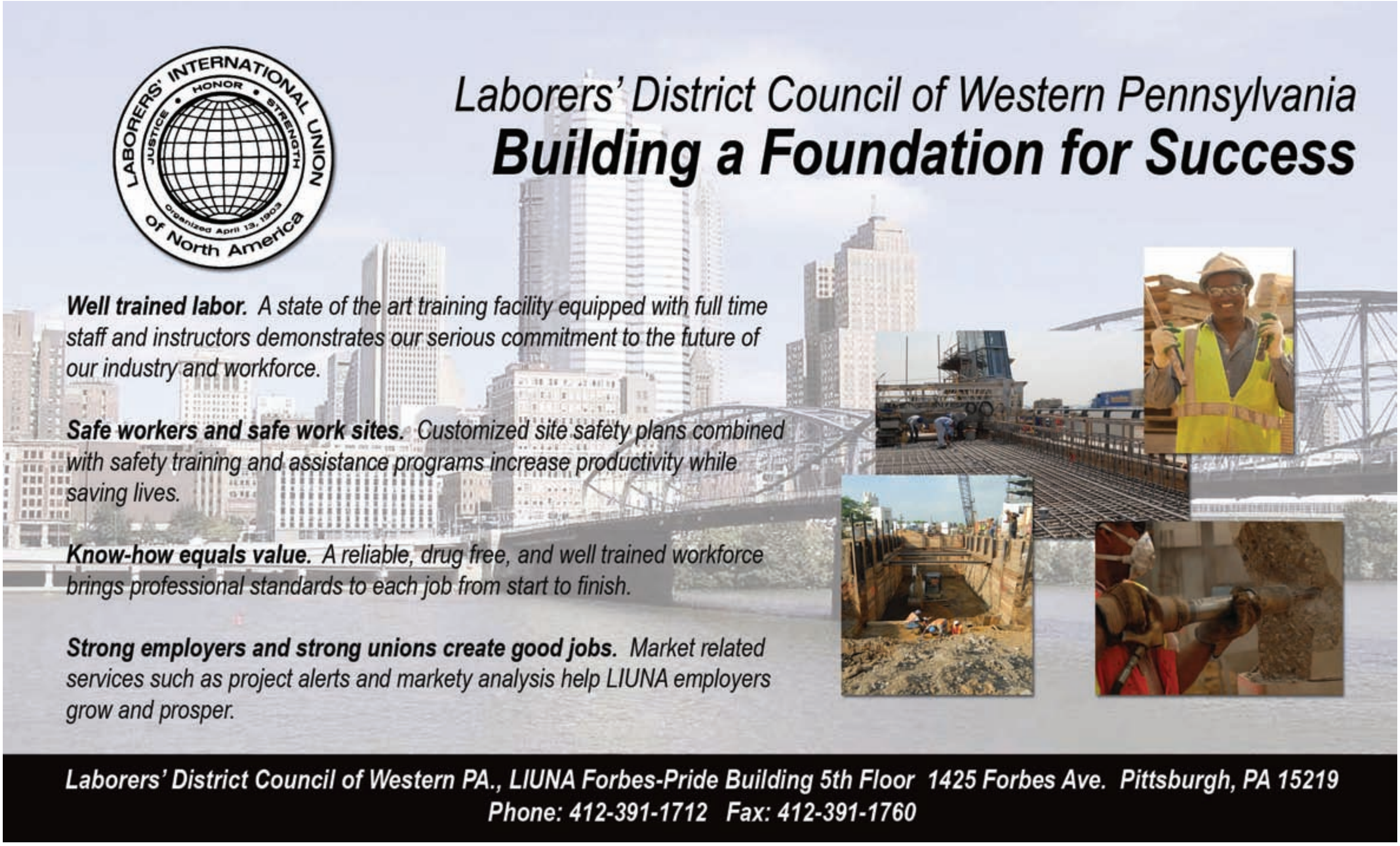
P. J. Dick / Barton Malow has been selected by the University of Pittsburgh Medical Center to act as the construction manager at risk for the new $200 million UPMC East Hospital in Monroeville. This marks the second UPMC project for the joint venture.

P. J. Dick has broken ground on the construction of the New Epiphany Church Rectory project, a 5-story brick building adjacent to the Epiphany Church located in Downtown Pittsburgh. The New Rectory will house offices and conference rooms for Parish administration, residential suites, and a tenant parking garage. The construction cost is $3 million and the project is scheduled for completion in May of 2009. The project architect is N. John Cunzolo Associates.

P. J. Dick has been awarded a construction manager at-risk contract for the new construction of a 112-room Springhill Suites hotel located at the Bakery Square development in East Liberty.

In October 2008, the Mt. Lebanon Board of Directors named P. J. Dick Incorporated as the construction manager for the Mt. Lebanon High School renovation project. Mt. Lebanon has retained the architectural design services of Celli-Flynn Brennan Architects and Planners from Pittsburgh and OWP/P Architects from Chicago as associate architects. Currently, conceptual design is underway and construction is anticipated to begin in mid-2010.

The Pennsylvania State Education Association awarded John Deklewa & Sons a contract for additions and renovations to their Southwestern Regional Office. Willigerod & MacAvoy Architects designed the 7,000 square foot addition, which also includes renovations to 3,700 square feet of existing space. BG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Faces & New Places

James Hunt, CPA has been selected as the Managing Partner of Carbis Walker LLP, Certified Public Accountants & Consultants. He is also the Firm's Coordinator of Health Care Services and will remain in this capacity in addition to his new role. Since joining the firm sixteen years ago, Hunt has focused on the health care industry niche. Hunt is a graduate of Grove City College with a Bachelor of Science degree in Accounting.

Gerry Majkut, the former senior vice president and general manager of Dick Pacific was named executive vice president of operations for dck worldwide. In this role he will oversee all operations of the new company around the world. Roger Peters, executive vice president with Dick Corporation for 32 years, has accepted the position of executive vice president and general manager for dck pacific construction and dck pacific guam, LLC.

Jendoco Construction Corporation is pleased to announce the addition of Christopher G. Kondas to their staff as part of the estimating department. Chris is a University of Pittsburgh Graduate with a Bachelor's of Science Degree in Civil and Environmental Engineering.

Rycon Construction announced that Johnathan Garlow has joined as Project Engineer. He is a graduate of Penn State University and will be assigned to the new W & J Science Building.

Massaro Corporation has hired Jeremy Tartt as a Project Engineer after completing his three month internship. He is a 2005 graduate of the University of Pittsburgh with a bachelor's degree in Structural Engineering. He also earned his Master's of Science in Structural Engineering from the University of Pittsburgh in 2008. He served in the United States Army Reserves for eight years where he served a tour in Iraq.

The Duggan Rhodes Group is proud to welcome two project consultants to its team: Jeffrey Hogan and William Motley. Jeffrey holds a Bachelor of Science degree in Paper Science and Engineering from Miami University and his Juris Doctorate from the University of Pittsburgh. William holds a Bachelor of Science Degree in Civil Engineering from Carnegie Mellon University. Laura Arrigo, a Senior Consultant with The Duggan Rhodes Group, recently became certified by The Association for the Advancement of Cost Engineering (AACE) as a Planning & Scheduling Professional (PSP). The PSP is intended to recognize specialists who demonstrate mastery of planning and scheduling techniques and practices.

P. J. Dick Incorporated is pleased to announce two new hires to work on the New Pittsburgh Arena project. Darryl Fink will work as MEP Coordinator and Shaun Mason, as Project Engineer on the New Pittsburgh Arena construction project. Bradford Ridgeway was hired by P. J. Dick for the position of Project Manager on the 3 PNC Plaza construction project. In addition, P. J. Dick has hired Anthony Pinto and Matthew Turko as Estimating/ Engineering student interns.

Mascaro Construction is pleased to announce that the following employees passed the U.S. Green Building Council exam and are LEED® Accredited Professionals: Pete Mastro, Ed Elinski, and Tim Wilson. Mascaro welcomes Brad McKibben, project manager for the Pittsburgh International Airport De-Icing project. BG

The Industry in the Community

MBA/AIA Young Professionals Hold BIM Seminar

On October 2, the future leaders of the region's construction industry met at the Engineer's is Society of Western PA's building to share information and experiences with

Dan Thens (left) and Chris Kondas of Jendoco Construction, and Scott Koontz of Rycon at the BIM seminar.

building information modeling (BIM). Hosted as a joint event by the MBA's Young Constructors and AIA's Young Architects Forum, the seminar presented presentations on the use of BIM and focused on the impact BIM will have on design, construction and contracts in future.

Scott Womack, Ralph Horgan, Josh Lorenz and Matt Baker make up the panel of experts at the Oct. 2 BIM seminar.

Presenting were Scott Womack from WTW Architects, Ralph Horgan from Carnegie Mellon University, Matt Baker from P. J. Dick Inc. and Josh Lorenz of Meyer Unkovic and Scott LLC. Approximately 85 young professionals atended.

AIA Design Gala

On October 16, over 300 guests attended the 2008 AIA Design Gala at the gallery at 121 7th Street. The evening featured design presentation boards from all the entries in the 2008 Design Pittsburgh competition. The winners of the competition were announced at a ceremony on October 30.

AIA Board President Paula Maynes (left) with AIA Executive Director Anne Swager and President-elect Chip Desmone.

WTW Architects CEO Rich DeYoung with Michelle and Todd Dominick of Rycon Construction (right).

Massaro Corporation Takes Gold in the 22nd Annual HOTO Regatta!

The Massaro Corporation Rowing Team took 1st Place in the Mixed Corporate Novice 8 Head of the Ohio Regatta on September 27, 2008. The team members include Robert Chambers III, Dan Kiefer, John Buechli, Zack

Walters, Chris Lasky, Mike Katz and Lisa Clark. This was the first year Massaro had a team participating. The HOTO Regatta is hosted by The Three Rivers Rowing Association, which offers rowing, kayaking, and dragon boating to individuals, schools and organizations.

(Top L to R) Chris Lasky, Zack Walters, Robert Chambers, Mike Katz, Dan Kiefer (Bottom L to R) Rosemary Lasky, John Buechli, Lisa Clark.

Greater Allegheny Passage Open for Pittsburgh 250 Celebration

As part of the Pittsburgh 250 celebration, the Great Allegheny Passage project was completed, compressing six months of construction work into two. Work was finished on Thursday, October 2, and the first crossing was Saturday the 4th. Construction industry executives Cliff Rowe of P. J. Dick, Steve Snavely of Snavely Forest Products and Bob Luffy of American Bridge served on The Closing the GAP Committee, co-chaired by Dan Onorato and John Surma, CEO of U.S. Steel, which was dedicated to completing the Great Allegheny Passage. BG

Riders in the PNC Legacy Trail Ride hit the home stretch of the Great Allegheny Passage downtown. GAP committee member Steve Snavely (in white) holds traffic for George Washington.

MBA Membership

MBA MEMBERSHIP

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

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

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Closing Out

By James E. Rohr

This is a very exciting time to live in the Pittsburgh region. Throughout this year, our region's 250th anniversary has been celebrated with a great deal of fanfare, but less heralded is a legacy toward which we've been building – literally and figuratively – for the better part of the last decade. It hasn't been widely talked about, but Pittsburgh is in the midst of what we'll one day realize is our region's third renaissance.

Over the last three years, total active, planned and completed projects in the region's urban core add up to investments nearing $4.5 billion.

We're talking about huge projects – new construction, expansion and major renovations that make our region richer and more vibrant. Among them are the August Wilson Center for African American Culture, Point Park University's Playhouse complex and dorms, and Piatt Place.

Three PNC Plaza will be the first new skyscraper built in the city in 20 years and will include office space as well as a new hotel and apartments. And promising to improve the quality of life in the region is the major renovation underway at Point State Park. That effort, a signature project of the Pittsburgh 250 initiative, represents the largest investment of its kind ever by the Commonwealth.

On the North Shore, the casino project is advancing, albeit slowly. On the South Side, the Sheraton at Station Square is undergoing renovations, and new condominiums are springing up in an area revitalized in recent years by the addition of the South Side Works and American Eagle Outfitters' new headquarters.

That's all extraordinary, but what's really incredible is the bigger picture – looking at development not only in downtown but across the region. Then, think about it beyond the last three years and throughout the last decade. That's how you define a renaissance.

Across the region, we're seeing major new business parks come online in virtually every county. In just the last five years, we've brought more than 1,500 acres of shovel-ready land online for development around the airport. In many cases, these are abandoned brownfields or coalmines reclaimed and ready for or already serving new tenants.

Washington, Pa. is growing rapidly and has become even more accessible with the construction of the Findlay Connector. Cranberry Twp. is booming with new residential and commercial development, as well as construction underway on the new headquarters facility for Westinghouse. And a drive out Route 22/30 takes you past expansion and new construction projects from Monroeville to the campus of Indiana University of Pennsylvania.

Then, of course, there is all the major development we've seen in the downtown area over the last 10 years – two new world-class stadiums; the David L. Lawrence Convention Center; PNC First Side; the Bank of New York Mellon's client service center; and new facilities along the North Shore for Alcoa, Equitable Gas and Del Monte.

Pittsburgh 250 may be winding down as we tear away the last few pages from our 2008 calendars, but our third renaissance is still going strong, which should give us plenty of reason to imagine a bright future as we begin our next 250 years.

Jim Rohr is CEO of PNC Financial Services and the Chairman of the 2008 Board of Directors of the Allegheny Conference on Economic Development.

THE VALUE OF INDEPENDENCE IN CUSTOMER-FOCUSED BANKING.

In today's world, there is one fundamental and meaningful difference among banks.

It's not size, or number of branches, or product mix. This difference runs much deeper.

It centers on where a customer ranks in the hierarchy of importance to the bank.

You have only to follow the recent financial headlines to see what can happen when financial institutions lose focus on their customers, and turn their attention to shareholders.

The simple fact is that a stock-based bank is beholden to the shareholder first, and the customer second. It is subject to the ebb and flow of stock price. It is not completely free to act solely on behalf of the customer. It is, rather, motivated by gain on behalf of shareholders.

This is the very reason why Dollar Bank has remained steadfastly independent of Wall Street since 1855. And since our beginning, we have celebrated our independence with an ongoing mission: To focus solely on the customer and the region we serve.

Because we are independent, we are free to make choices that protect the interests of our customers. We have chosen to be strongly capitalized to give our depositors security well beyond FDIC insurance.

We will not be pushed, prodded, or pulled into actions that are detrimental to our customers. For example, we have never issued a sub-prime loan.

This philosophy permeates throughout our entire organization. And since we are the region's largest mutual bank that is independent of Wall Street, our sense of responsibility, civic pride and customer commitment will only strengthen in the future. If all of this sounds unusual, it is.

To us, banking has never been, and never will be, about shareholder needs.

To us banking will continue to be about customer needs. Period.

That's the value of our independence.

That's the value of a Dollar.

Dollar Bank℠
Since 1855

Inquiries: 1-800-242-BANK