BreakingGround

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

SEPTEMBER/OCTOBER 2009

PITTSBURGH'S COOLEST NEIGHBORHOOD

National Market Update: Recovery or More Recession?

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CONTENTS 2009

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FEATURES & DEPARTMENTS

Publisher's Note

It was Downtown Pittsburgh that first planted the idea that I might want to move here after college. It seemed like half of my friends at Grove City College were from the Pittsburgh area, and my first visit to one of their homes took me through Downtown. Making the last bend on old East Street from the north, viewing the skyline from the North Side (still the best profile for my money), I was pretty impressed. You can imagine my reaction when we returned later that day from the South Hills, breaking through the Fort Pitt tunnel and seeing that vista.

My hometown of Lancaster had a skyline of sorts. I have a vague childhood memory of going to the top of the towering eleven-story Greist Building on the square in Lancaster. And I visited my share of big cities, but until I visited Pittsburgh I never really engaged those places the way I did here.

I was lucky enough to work in town right after graduation and two other stints both before and after moving away. All three times my office was in the Chamber of Commerce Building at 411 Seventh Avenue, each time on a different floor somehow. When I moved back in 1991, though, I noticed a big difference in Downtown.

The center city in 1979 was in the beginning of its death throes. The steel industry was in free fall and big corporations were about to start moving out of town. But the place had real energy, and there were great little businesses all over town that made life very convenient. One block down on Strawberry Way was a place where you could get shoes repaired while you waited. You could call Dutch Girl cleaners at 9:00 AM and get your shirts laundered and delivered back to you before lunch, for a buck a shirt.

When the industrial dinosaurs died out, service businesses cropped up in their place. As I called on architects and contractors, and worked Downtown every day, it became apparent by the time I moved in late 1983 that Pittsburgh was on the way to becoming a white collar town.

Returning here in 1991, I was therefore pretty shocked to see what a ghost town the central business district had become.

In the intervening years there had been three more high rises added to the skyline, in addition to One Oxford, PPG Place and the Dravo Building, or BNY/Mellon Center; but even with the additional office space, Downtown seemed to struggle to find an identity. For the next decade or so I watched as government leaders tried to shoehorn one major development after another into the center city. At the height of this frustration, however, the region caught a break: the city and county went broke. This meant that any further redevelopment efforts would be left to private developers. What a concept, huh?

We now know that the flowering of the vision of the Cultural Trust and Allegheny Conference created a neighborhood that would collide perfectly with new urbanism. Like in other major cities, Pittsburgh's Downtown became a cool place to live. The number of residential units in town doubled almost overnight, and now the corridor that the city tried so hard to program, Fifth Avenue, is being turned into a residential neighborhood that will dump out onto Market Square. The area is becoming a college town to the south of Fifth, and the inertia is driving demand to the extended corridors in the Strip District, lower Hill, and the north and south shores.

In a couple of weeks Downtown Pittsburgh will be the site of an international event. The G-20 summit will bring the world's leaders, and its media, Downtown. It will also bring some very passionate protestors. I worry a bit about how the inevitable clashes will beat up our city, especially since Downtown's jewels, the Cultural Trust theaters, will be right in harm's way. What I don't worry about is how the city will emerge from the experience. I can't name the last five cities to host the G-20, so I'm guessing that no stain will remain afterwards, even if things get rough.

For as inconvenient as it will be, the G-20 will show off Pittsburgh to a lot of people who need to see it. Over the past few years I've been flummoxed to hear anecdotes from my daughters, whose college friends from elsewhere ask them questions like, 'How did you run cross country with all that pollution.' By September 25, thousands of people who have never spent time here will be experiencing our friendly people, incredible architecture, clean rivers and skies, and our cool Downtown. Most of them will probably be surprised, and that's OK. Perhaps they will tell two people about their surprise, and, well you know how the rest of that goes.

Jeff Burd

News From The Street

Turzai Co-Sponsoring Mechanics Lien Law Improvements

Rep. Mike Turzai (R-Allegheny) introduced HB1960 in early September to update the Mechanics Lien Law. Amendments to the laws in 2007 established a process for contractors/subcontractors to file a lien for monies due them against the real property where they performed work. The legislation introduced by Turzai maintains the basic concepts of the current law but incorporates a new provision for "notice of commencement" by owners, and "notice of furnishing" by the sub or supplier. This option allows the owner to file a notice of commencement with a local prothonotary; this notice would require that all subcontractors file a notice of furnishing with an owner within 30 days of either the filing of the notice of commencement, or within 30 days of first performing work on the owner's property. The notice of furnishing protects the subcontractor's rights to lien. Failure to file a notice of furnishing would void the right to lien by the subcontractor, sub-subcontractor or supplier.

Owners will not be required to file a notice of commencement under the proposed legislation, and subcontractors will not need to file a notice of furnishing on projects for which the owner did not file.

The purpose of the "notice of commencement" process is to allow the owner to know exactly who provided services or products for a project, and thus protect themselves from liens which might be filed by subcontractors whom the owner was not aware of. This process would allow an owner to insure that the contractor paid all subs on a project before they receive final payment. The modifications would not diminish the lien rights of subcontractors or suppliers, but is designed to ensure that owners are not forced to pay twice for a subcontractor whose work in progress has already been paid to the general contractor.

Tighter Bidding Stretches Stimulus Dollar

Governor Edward G. Rendell announced in August the addition of 52 projects to Pennsylvania's list of highway and bridge improvements that are being funded by the American Recovery and Reinvestment Act (ARRA).

"The combination of competition in the marketplace and the easing of costs for materials has produced bids that have been, on average, 11 percent below estimates," Governor Rendell said. "This means we can stretch these critically needed recovery dollars even further and reach even more areas of Pennsylvania."

The Governor certified the additional projects in a letter to U.S. Transportation Secretary Ray LaHood. The ARRA requires governors to certify recovery projects before funding is released.

Pennsylvania's allocation of $1.026 billion for highway and bridge projects remains unchanged. As of July 24, PennDOT had told contractors to begin work on 178 of the ARRA projects, worth $420 million. In June, contractors reported their ARRA work had created or sustained 1,930 jobs.

The changes mean that one new project will be funded in the region, and several others will have additional scope added to adjust the projects.

The new additional project is an $895,000 restoration to Route 910 between Route 28 and Saxonburg Boulevard in northeastern Allegheny County. Also in Allegheny are two of the larger adjusted projects, a $15.5 million rehabilitation of the Liberty Tunnels and another $32.8 million for Route 28 widening. And in Washington County, the expenditure was revised upward for concrete patching on I-79 between Canonsburg and Allegheny County, and for improvements to the I-70/I-79 interchange.

State Prison Expansion Program in High Gear

Increases in government spending on construction in the state got a boost in August as the state's planned expansion of approximately 9,000 beds went into contracting mode. Department of General Services awarded contracts for the small expansions (roughly 250 beds each) at Cambridge Springs, Pine Grove near Indiana, Forest in Marienville, and Coal Township in Northumberland County. All these projects bid for less than $12 million, well below budget, and the SCI-Cambridge Springs project went to **PJ Dick Inc**.

Proposals were rejected at the eleventh hour on the 2,000-bed expansion at Rockview, just east of State College, as the courts in mid-August nullified the Project Labor Agreement. That project will re-bid, along with the Graterford prison 4,000-bed expansion outside Philadelphia. A planned expansion of the prison in German Township in Fayette County is slated for proposals in early 2010.

Master Builders' Preps for the G-20

With the heightened security surrounding all the G-20 Summit locations, the access to and from highly traveled areas will be limited in the days surrounding the Sept. 24-25 conference. To help those involved in construction projects in the affected areas, the Master Builders' Association of Western PA has published a guide that answers the logistical questions of dealing with impacted jobsites.

The guide is available at the MBA website at http://www.mbawpa.org/MBA%20G-20%20Guide.pdf. Or you can call Bob McCall, Director of Safety, or Jon O'Brien at 412-922-3912.

DHS Moves To Rescind Controversial No-Match Rule

On Aug. 19, 2009, the U.S. Department of Homeland Security issued a proposed rule in the Federal Register to rescind its controversial no-match rule. The proposal to withdraw the no-match rule is part of DHS's plan, announced on July 8, 2009, to "focus its enforcement efforts relating to the employment of aliens not authorized to work in the United States on increased compliance through improved verification, including participation in E-Verify, ICE Mutual Agreement Between Government and Employers (IMAGE), and other programs." The no-match rule would have changed the current system of I-9 documentation and imposed new responsibilities on employers when their efforts to verify employees' eligibility to work in the United States resulted in a no-match letter or notice from DHS or the Social Security Administration.

GREEN BUILDING NEWS

Duquesne University Building Acquires LEED Silver

Duquesne University's 130,000-square-foot Power Center has earned a LEED Silver certification from the U.S. Green Building Council. The building, which includes a book store, restaurants, campus recreational facilities and a ballroom, is located at the corner of Chatham Square and Forbes Avenue in Pittsburgh's Uptown section. It is the equivalent of eight stories tall and is connected to the heart of the campus by the Sklar Skywalk, the city's highest pedestrian walkway. The top-level ballroom provides seldom-seen panoramas of the city, dramatic balconies and 7,500 square feet capable of holding up to 700 people.

The project was built in 2006 by Jendoco Construction and designed by DRS Architects.

"We are very pleased to have achieved a LEED Silver rating for the Power Center," said President Charles J. Dougherty. "Respect for the environment is aligned with our mission, and shapes both academic and business decisions. This accomplishment required a strong effort from our facilities management employees, who we commend for their work and for setting environmental targets for operational processes."

McKinsey & Co. Report Identifies Green Building Economic Opportunity

Investing in the energy efficiency of buildings represents a powerful and strategic energy and climate solution that combined with other non-transportation initiatives could reduce the nation's energy consumption by 23 percent by 2020, save the U.S. economy $1.2 trillion, and reduce greenhouse gas emissions by 1.1 gigatons annually, according to a study released today by McKinsey & Company.

The report provides a detailed assessment of how much the nation can increase energy efficiency in buildings and other non-transportation sectors using existing methods and technologies. A targeted investment of $50 billion a year over 10 years, the report finds, would enable the entirety of those potential savings to be realized. Furthermore, those investments would generate 900,000 jobs.

McKinsey's research finds that a comprehensive strategy, executed at scale, could reduce the annual non-transportation end-use energy consumption analyzed in this report from 36.9 quadrillion BTUs in 2008 to 30.8 quadrillion BTUs in 2020 – saving 9.1 quadrillion BTUs relative to a business-as-usual baseline.

Duquesne's Power Center is the university's first LEED certified building (photo courtesy Jendoco Construction).

The energy efficiency potential cited in the report is divided across three sectors of the U.S. economy: industrial (40 percent of the end-use energy efficiency potential), residential (35 percent) and commercial (25 percent).

The report calls for an integrated national plan guided by five principles:

- Recognize energy efficiency as an important energy resource that can help meet future energy needs.
- Formulate and launch – at both the national and regional levels – an integrated portfolio of proven, piloted and emerging approaches.
- Identify methods to provide the significant upfront funding.
- Forge greater alignment among utilities, regulators, government agencies, manufacturers and energy consumers.
- Foster innovation in the development and deployment of next-generation energy efficiency technologies to ensure continuing productivity gains.

In addition to USGBC, the report was also sponsored by Austin Energy, Department of Energy (Office of Electricity Delivery and Energy Reliability, Office of Energy Efficiency and Renewable Energy), DTE Energy, Energy Foundation, Environmental Protection Agency, Exelon Corporation, Natural Resources Defense Council, PG&E Corporation, Sempra Energy, Sea Change Foundation, and Southern Company.

LEED Technical Workshop:

Understanding LEED Project Costs & Returns

Workshop for LEED project team members addressing how to handle cost issues surrounding environmentally and economically sound projects; introducing information on construction and life-cycle costs; and providing tools to calculate and evaluate costs and benefits of LEED certification.

Registration in advance only.

David L. Lawrence Convention Center, October 8, 2009 from 9:00 to 12:00 Noon

Lunch & Learn:

Innovations in Green Building: Case Studies

Presentation about the most ground-breaking green projects in Western PA, featuring project overviews and project team members.

$45.00 for GBA members, $55.00 for nonmembers

Registration in advance only

Wednesday, November 18 from 12:00 Noon to 1:30 PM, location to be announced.

REGIONAL MARKET UPDATE

The dog days of summer 2009 have brought the certainty that the national recession is not going to bypass Pittsburgh after all. While a number of contractors have managed to build some backlog that was missing this spring, confidence in the contracting and architectural communities has begun to slip with regards to the prospects for 2010. And that lack of confidence is showing up on bids.

Owners and developers have been feeling the effects of last fall's market crash pretty much all of 2009. Credit has been very restricted. Institutional owners have been impacted by shrunken endowments and declining investment income. New gifts have been slow to come. Public owners have been dealing with reduced tax revenues for more than a year, and the credit crunch made things more difficult, as the municipal bond market dried up as well.

For designers and contractors there remained hope that there would be enough signs of recovery that the work would pick up if there were signs of recovery in mid-year. Unfortunately, the gloomiest period for investors and corporations was early spring, and that put a chill on capital plans that manifested itself in significantly reduced inquiries and billings in the architect's and engineer's offices in late spring and early summer. While the pace of predevelopment activity has picked up of late, the echo of the reduced activity will mean a slower than average fall/winter bid season.

The bright spots of the market have been the number of medium-to-large sized projects that have gone ahead. The number of jobs between $10 million and $50 million that have gone to bid and construction have been about equal to the past few years. In the past 60 days the state issued its round of prison expansion projects (including two of the major expansions at Rockview and Graterford), awarding the four smaller $11-12 million projects. PennDOT and the Turnpike Commission have awarded a couple of projects in excess of $25 million. Locally, the University of Pittsburgh's $32 million Chevron Science Center expansion is bidding. The $73 million Bethel Park High School project was awarded, along with two middle schools in Upper St. Clair totaling around $40 million.

In northern West Virginia the federal government has been active. The first phase of the FBI's $150 million research center in Clarksburg is out to bid, as is the $65 million interagency training center at Camp Dawson in Kingwood. Solicitations should go out Oct. 1 on a $45 million IRS facility in Kearneysville WV, and a design/build contract should be awarded by then for the $230 million, 580,000 square foot expansion of the FCI-Hazelton.

The problem for the regional market is that these should be the highlights, big projects that help feed the larger firms to keep competitive balances aligned. But the best reflection of the diminished economic expectations in 2009 is in the reduced number of projects being constructed.

Contracting volume for the year through August is down significantly, but pretty much in line with expectations. Year to date there has been a total of $1.74 billion contracted, according to the Tall Timber Group's database of starts. That's well off the $2.7 billion pace of 2008 through August, but last year also included the start of six projects over $100 million. Only one project that large will get underway this year, the UPMC East project in Monroeville. The forecast of between $2.5 and $2.8 billion for 2009 still looks accurate.

The big difference is in the number of projects started. Last year through August there were 712 non-residential starts; for the same period this year the number was 430. That means 300 less opportunities for architects and contractors, but also 300 less bonds written, 300 less job site trailers…you get the picture. The reduced volume also means that owners, architects and contractors have had 300 less projects for their project managers to run. Over an extended period, that puts pressure on the overhead burden.

That pressure has been expressed in a competitive bidding environment that is coming in about 15% below budget expectations. A fair amount of that is due to higher budgets being based on the assumptions of the past few years' ever escalating costs, but some of it is just that work

The demolition of Monzo's Palace Inn on Route 22 in Monroeville marks the start of construction for the new $160 million UPMC East Hospital.

going cheaper.

On the housing side of the industry, there are no indications of an uptick in demand, and only a hint that new construction levels may have bottomed out. Permits for new single-family detached homes are running 40% behind last year through August. Through eight months only 926 units were started, compared to 1,553 in 2008. And last year's volume was significantly lower than the ten-year averages. Local builders have reacted swiftly since the bubble burst in 2007 and have kept overhanging inventories low.

Inventories of unsold existing homes have extended in 2009, and the result is that values have declined for the first time here. While much firmer than in other markets, home prices have declined about 10% at mid-year compared to last July in the metropolitan Pittsburgh market. Expectations for new construction will not turn until any further decline dissipates.

What the construction industry can look for IN THE COMING MONTHS is more activity from public construction.

Architects have seen a marked increase in proposal requests for publicly-funded projects. Government agencies at all levels have more projects out to bid now than in any recent time period, many of which are $5 million and above. While complaints have begun surfacing about the slow pace of stimulus funding into the market, Pennsylvania has seen better than average funding flows, and the next six to nine months will be the time frame when most of the ARRA money is expected to hit the market.

One sector that is seeing a flurry of activity again is waste and water treatment. Current expansion/modernization projects in excess of $10 million have been out in Sewickley, New Castle, Erie and Altoona, and the outlook is for more.

Pittsburgh's robust job market has helped hold off the effects of the recession, but its depth, particularly among consumers, has caught up with regional businesses. Regardless of the direction of the global economy, the short-term outlook for construction in Western PA is probably not subject to change. Planning for lower than normal volume will be prudent.

NATIONAL MARKET UPDATE

It has been a while since so much positive data has been met with so little confidence as with the current state of the economy. After the July results produced some initial gloom in early to mid-August, the release of macroeconomic data by public and private sources in the latter half of the month provided an excellent case for an economy poised to recover. Whether it's a case of too soon to forget the meltdown of 2008 or just not enough evidence yet, the news did not do much to lift sentiment.

First for the Economic Data.

Perhaps the most significant good news was the surprising jump in home sales in July, up 7% compared to the previous month. The report by the National Association of Realtors was more significant in that it marked the fourth consecutive month of increased sales, coming in at a rate of 5.24 million units. The dark cloud in the silver lining is that a large portion, almost a third, of the sales were distressed units; however, the increased sales mean that inventory is being reduced at a more rapid pace, and more importantly, that house prices are beginning to creep higher.

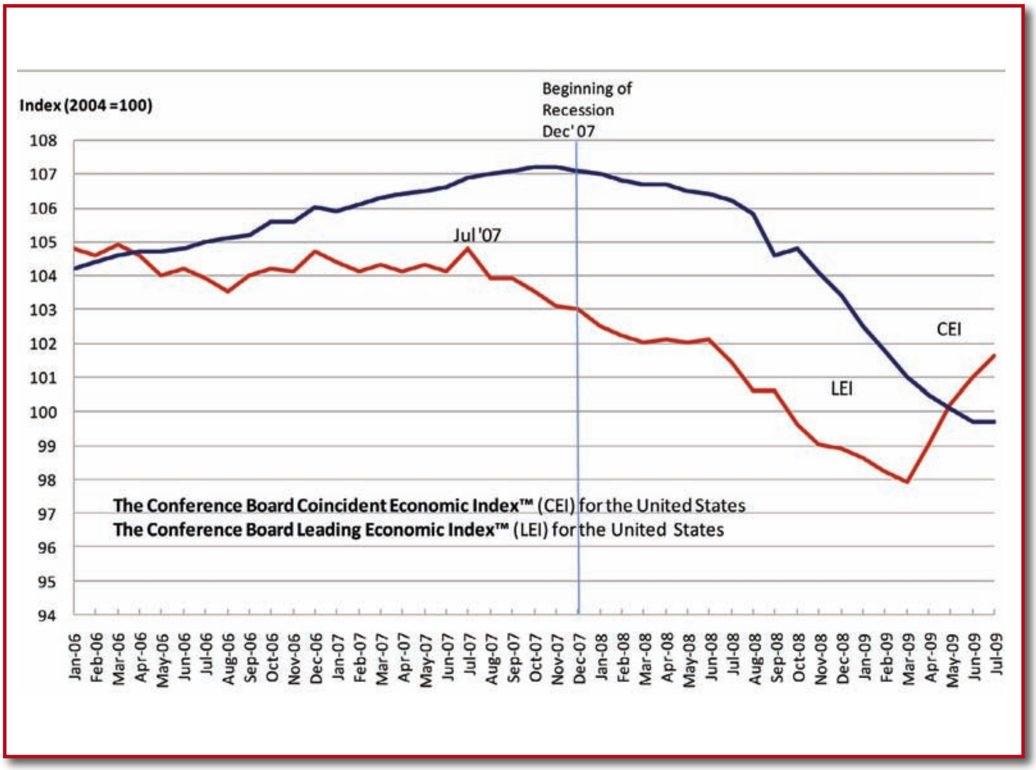
July's data showed two landmarks: the number of units sold was five percent higher than in July 2008, the first year-over-year increase since November 2005; and the inventory of existing homes for sale declined over ten percent from July 2008.

Considering that the root cause of the financial industry's malaise was declining home values (upon which all the derivative products were based), continued improvement in housing will mark the start of the upturn. A few more positive months will be needed to determine if this is a temporary, stimulus driven anomaly or the start of a new trend.

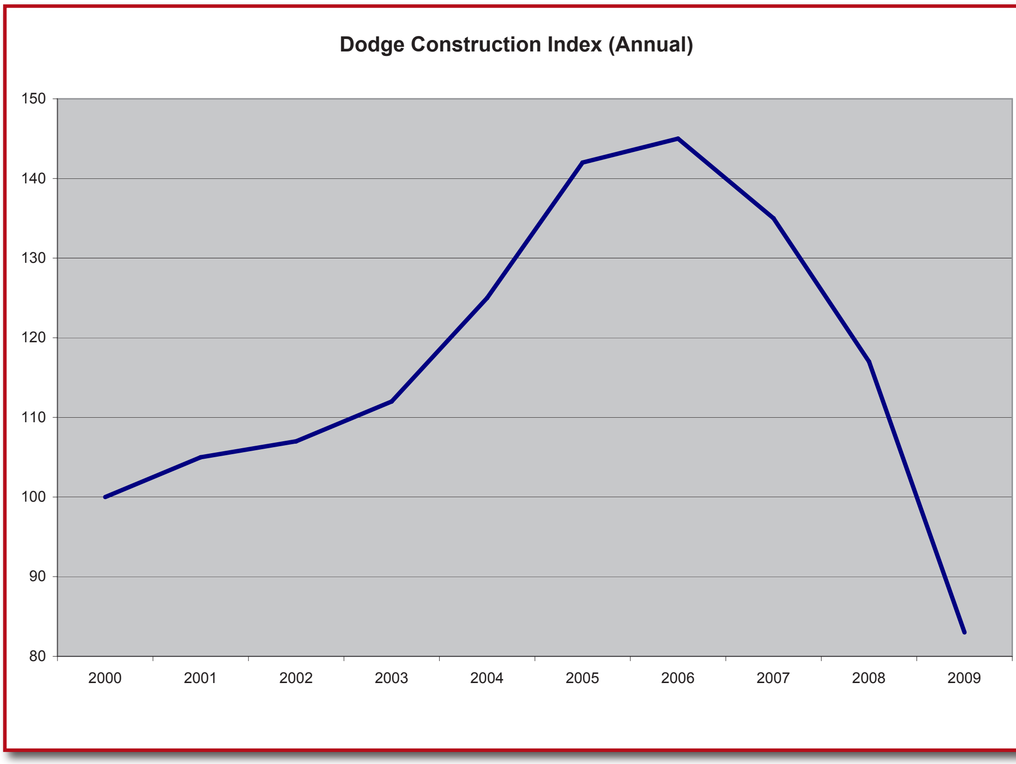
For its fourth consecutive monthly gain, the index of leading economic indicators rose 0.6% in July, following an upwardly revised increase of 0.8% in June. This lead the Conference Board to speculate that economic recovery may begin soon, and the recession is bottoming out. The interest rate spread was the largest positive contributor, while a reading on consumer expectations was the largest negative contributor. Overall, six of the 10 indicators were positive contributors, three were negative, and one was steady. The six-month growth rate for the overall index hit its highest level since mid-2004, according to the Conference Board.

The biggest surprise in July was the news that unemployment actually declined from 9.5% to 9.4%. This particular news was greeted with the most skepticism, since the Department of Labor doesn't really account for those whose unemployment benefits have expired and still need work, and especially since monthly data tends to be fairly suspect, often adjusted by a half percent the following month. While declining unemployment seems unrealistic, the decline appears to signal that employers may have slashed most of the jobs that will be shed this recession.

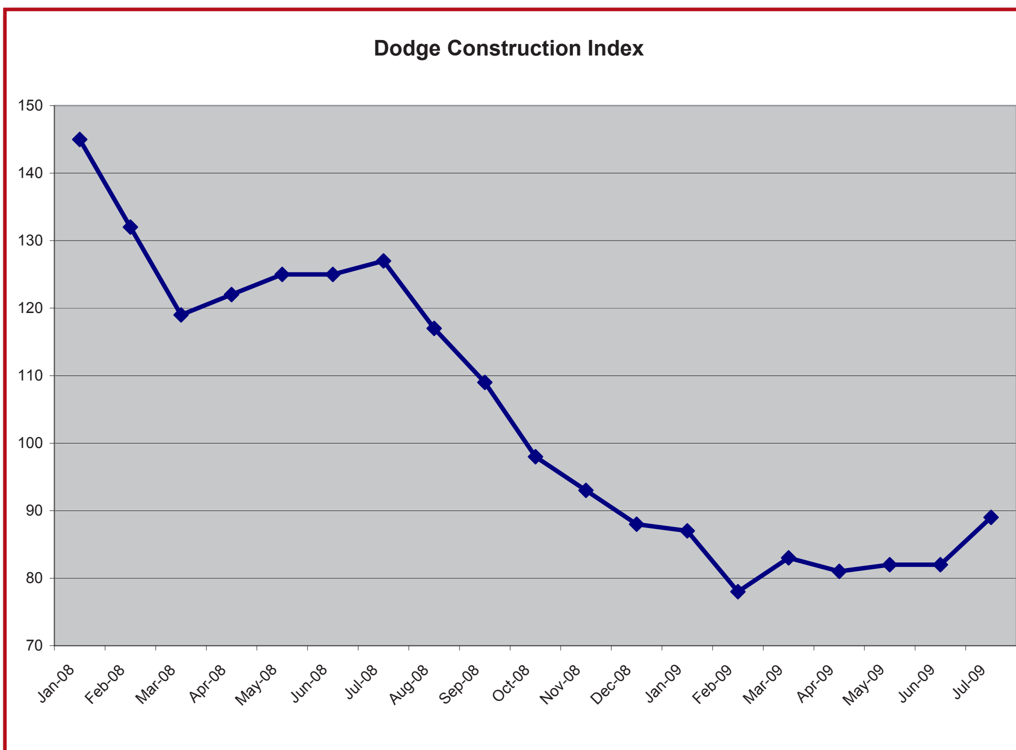
As it relates to construction, the national market also seems to have come off the bottom of its cyclical decline. McGraw-Hill Construction reported that its Dodge Construction Index had risen again in July, up more than 15% from the March lows.



The Economy Board index of leading indicators shows four months of growth.



The trend line for the recent past tempers optimism for an imminent recovery (source Dodge Construction Potentials).



Recent trend in the Dodge Construction Index (source Dodge Construction Potentials).

The company had reported a sharp drop in starts in June, as did Reed Construction Data. A more historical look at the index shows the depth of the cyclical decline, however, with 2009 year-to-date remaining 17 points below the levels of the base year of 2000.

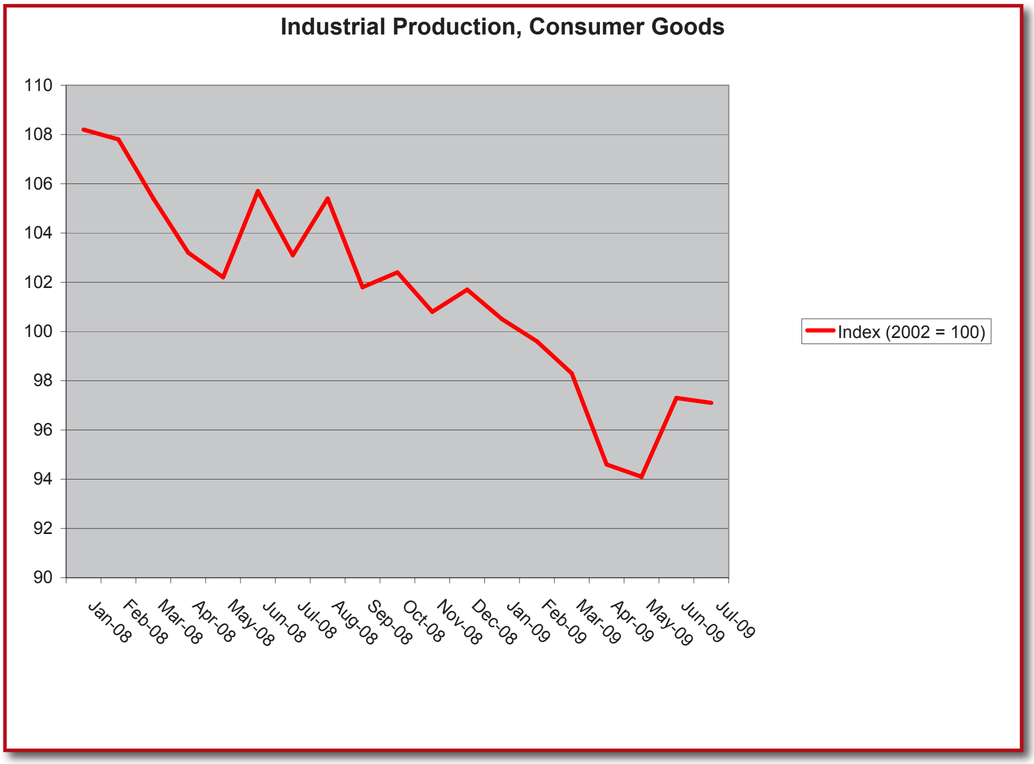
Even with the improvement (or less decline) in commercial construction as summer ends, the intermediate outlook is still pretty bleak. One of the leading nonresidential indicators, the AIA Architectural Billings Index remains volatile, bouncing back to 43 in July after dropping five points in June to 37. The index for inquiries remained positive for the fifth straight month, but at 50.3 was barely above the break even of 50 (the level at which as many architects see increased opportunities as see declining).

For the naysayers, three significant issues loom that chill any optimism about the immediate future. One is the lingering prospect of unemployment that remains roughly double the 2007 level. Even economists who believe the layoffs have largely ended see little prospect for adding jobs until mid-2011.

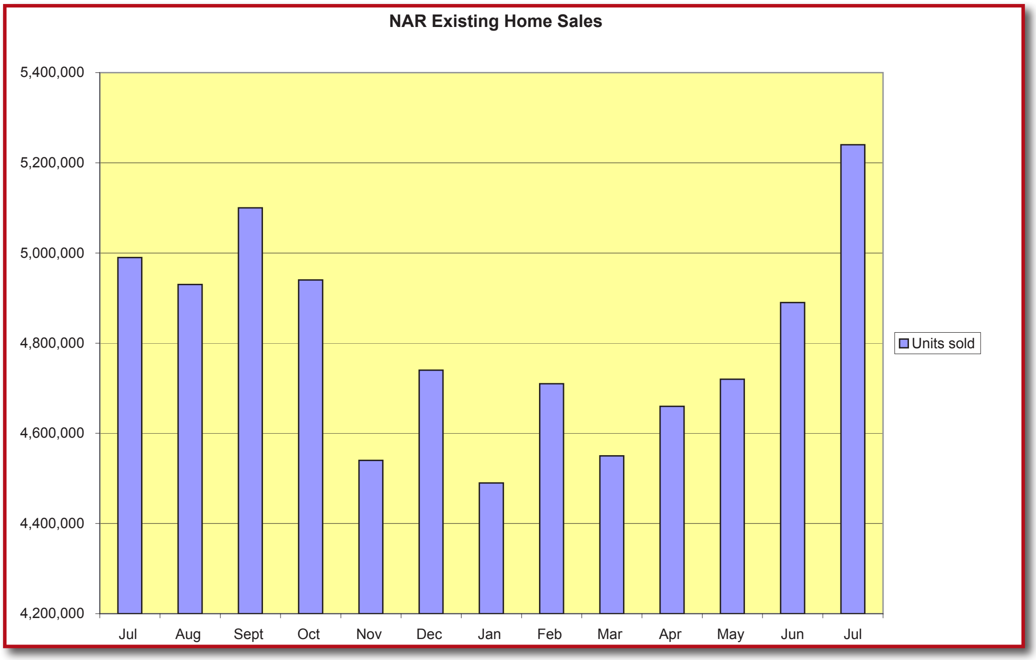
Another concern is the 'toxic assets' that dominated the financial crisis last fall. While TARP was intended to remove these assets from the balance sheets of financial institutions, thereby increasing their leverage for lending and eliminating further provision for writing down bad loans, the initial disbursements were used for liquidity purposes, and much of that has been repaid without receiving the intended benefit. Undervalued securities, based on bad loan portfolios, remain on balance sheets. Although there has been almost no discussion of these assets of late, the suspicion is that they remain a serious drag on the credit markets.

A third source of anxiety is the potential 'other shoe' of commercial mortgage failures freezing up the credit markets later this year. With the occupants of these buildings, retailers, office and warehouse workers, in a rough patch, concerns about the health of commercial buildings are growing.

Commercial real estate was a focus of Fed Chairman Ben Bernanke's semi-annual testimony to Congress in mid-August. Many members of the House panel said they were concerned about the outlook for commercial real estate. Bernanke agreed, saying as the recession has gotten worse, there has been more pressure on the sector. He testified that more foreclosures are likely over the rest of the year.



The Federal Reserve data on production of consumer goods has risen slowly above winter lows.



NAR homes sales.

As with all sectors of the economy, however, it's difficult to separate the media coverage from the reality of commercial real estate. The declining consumer spending is suppressing retail demand for space, and the rising unemployment created by the recession has pared the need for office and industrial space as well. Recent national and regional news coverage has begun headlining the rising vacancies in hyperbolic phrases, which makes it harder to evaluate just how serious the problems are.

For example, mid-August reports on the July occupancy rates raised fears of 'soaring vacancies' and warned of the potential for a 'tsunami of commercial mortgage failures' causing a second financial freeze-up. The data in those reports showed a rise in mortgage defaults from 1.7% to 2.2% in July, and predicted that the rate could rise as high as 4% in early 2010. Unpleasant data to be sure, but hardly tsunami numbers.

Further support for the argument against commercial mortgage meltdown has been the market performance of commercial real estate investment trusts (REIT). With access to commercial banks, insurance companies and traditional financing conduits becoming limited, REIT's turned to the public markets to raise capital this spring, with surprising results. Since March, publicly traded REIT's have raised equity by issuing stock and found more than $20 billion in buyers. This response has sent the share prices of diversified REIT's like Boston Properties, Franklin Resources and Brandywine Realty Trust soaring, with a number doubling or tripling the March 2009 lows.

Forward thinking private REIT's like Miami-based Blumberg Capital Trust had reduced their commercial property portfolios in 2006 and 2007. Blumberg's outlook is for 'unprecedented opportunities beginning in 2010.'

What appears to be looming for commercial real estate are conditions like most economists would have preferred for the correction of the housing and finance bubble last year. Free markets will correct by inflicting pain on the overzealous investor when the market turns. For the residential mortgage market, that pain was judged to be potentially fatal last fall; however, the correction in commercial markets seems like it will be more orderly and typical of the business cycle. This is no consolation to the investor who moved in at the wrong time, of course, but a normal correction would mean no repeat of last year's financial market panic, and would instead create opportunities for investors who kept dry powder to get better-than-average returns in commercial real estate. The equity interest in REIT's seems to suggest that investors are recognizing that possibility.

Perhaps that is the best way to sum up the non-residential construction market as the summer of 2009 winds down, by describing its potential. Assuming that the rosiest of recovery scenarios is true, the impact of a recovery will be at best a 2010 reality. For 2009, the ship has sailed and it is a matter of counting up the losses for now.

WHAT'S IT COST?

One source of comfort and stability during this very uncomfortable and unstable time in the business cycle has been the trend in construction costs. Unlike the previous twelve to eighteen months, pricing for basic materials and finished goods have remained steady throughout most of 2009.

The reason for this is, of course, that the demand for materials and products related to construction has been soft. While 2008 was still a very strong construction year in Western PA, the global decline in demand became significant in the latter half of that year. Throughout winter and spring the levels of global demand fell further, and even though signs of stability in construction are returning, the level of pricing is closer to that of 2007 than 2008. In fact, pricing would probably have fallen further except that the dropoff was so sudden that many manufacturers shuttered plants, and thereby created a bottom for the supply.

The result of the price softening has been that the accuracy of budgets is a mirror image of the accuracy in 2008: not close, but in the under budget direction.

A look at some of the bellwether basic materials shows that most are tracking 10% or more behind last year. Some of the more remarkable declines are related to energy, which spiked to record highs in mid-July 2008 due to speculation. The price of #2 diesel is off 59.7%; steel mill products are off 38.9%; and asphalt paving mixtures and blocks are down 10.1%. Cement is the only one of the four to increase, and that by 1.4%.

Diesel is a by-product of oil, which has experienced demand declines for nearly all uses in the U. S. Along with natural gas, oil is a key component of the energy needed to manufacture. Thus the prices of some major manufactured items, like steel and aluminum, are down slightly more than the magnitude of the drop in demand. The decline in diesel prices hasn't been reflected in asphalt (a diesel derivative) because of the improved demand for paving that has come from the influx of stimulus funding (or the perception thereof). The same is true for cement.

Flat housing demand, along with declining commercial construction activity, will keep prices for lumber, drywall, coatings, flooring, etc., on an even keel throughout the next six months. On a regional level, pricing for these products could be more vulnerable, depending on how agile local distribution has been in matching inventory to the declining construction in Western PA, a condition that hasn't been experienced for four years.

Two interesting variances bear watching. First, the cost of steel has actually increased at the mills in July and August. The increases have been slight, about $50 per ton FOB, but they come at a time when almost no demand increase is occurring. The current price at the mill is about $750 per ton, not much more than the scrap and energy surpluses alone in 2008, but plant utilization has risen in recent months, to between 40% and 50%. Obama administration policies to stimulate the purchase of cars and consumer appliances may be creating short-term replacement demand. Unless a real recovery has taken hold, this increase should be temporary.

PERCENTAGE CHANGES IN COSTS

	July 2009 compared to 1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	-0.2	1.0	-2.1
Producer price index (PPI) for finished goods	-0.9	1.6	-6.8
PPI for construction	-0.6	1.0	-8.6
Costs by Construction Types			
Highway and street construction	2.1	0.9	-10.8
Nonresidential buildings	0.6	-0.3	-5.9
New industrial building construction	-3.8	-4.1	0.3
New warehouse construction	-2.0	-2.8	1.4
New school construction	-0.1	-2.2	7.7
New office construction	-2.0	-2.0	2.7
Multi-unit residential	-0.4	0.3	-6.2
Single-unit residential	-0.2	0.1	-3.7
Costs for Specific Construction Inputs			
#2 diesel fuel	-9.0	8.8	-59.7
Asphalt paving mixtures and blocks	-1.7	1.1	-10.1
Concrete products	-0.4	-0.3	1.4
Brick and structural clay tile	-0.3	-0.6	-0.3
Plastic construction products	-0.2	-0.3	-1.0
Gypsum products	-0.9	-4.0	1.3
Lumber and plywood	3.8	3.3	-9.0
Architectural coatings	0.0	0.0	12.1
Steel mill products	1.7	-1.7	-38.9
Copper and brass mill shapes	-9.2	-3.0	-27.3
Aluminum mill shapes	2.3	4.0	-22.7
Fabricated structural metal	-1.6	-4.7	-13.3
Prefabricated metal buildings	0.6	-0.8	-14.5
Crude petroleum (domestic production)	-15.9	20.0	-58.7
Cement	-0.2	-1.4	-0.8
Iron and steel scrap	20.0	44.8	-56.7
Copper ore	4.8	30.3	-38.6

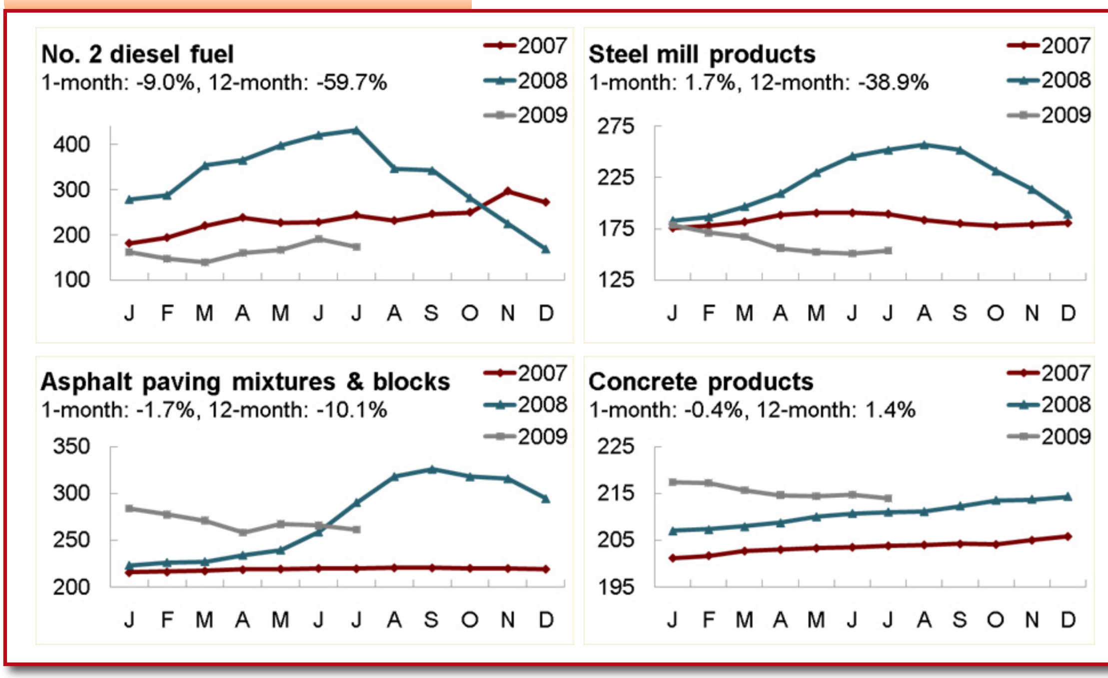
Source Bureau of Labor Statistics, Updated Aug. 19, 2009
Compiled by Ken Simonson, AGC Chief Economist

The other area of interest is energy. Crude oil prices have doubled since the December lows, and have come up about $20/barrel over the pricing that seems justified by supply and demand. At the same time natural gas prices have slipped below $3/mBtU. These conflicting signals have raised the theory that crude oil is being speculated again by investors hoping to profit and run.

If investors see market signals that indicate no percolating rise in demand, like data that shows another slow U. S. driving season this summer or consensus of no economic recovery underway, buyers will head to the exits, precipitating another plunge in oil prices.

That would be a good thing for construction prices, but it would probably also tell markets that a recession still existed. That's a signal real estate and construction doesn't need right now. BG

8-09 COST INDEX



Source Ken Simonson, AGC Chief Economist.

CATCHING UP ON DOWNTOWN

PITTSBURGH'S COOLEST NEIGHBORHOOD

The place where the Monongahela and Allegheny rivers form the Ohio has been the central focus of the economy in this region since trading pelts was the principal business.

Today, with most of the first decade of the 21st Century behind us, that same central area is enjoying a revival across the board. Downtown today has evolved from a manufacturing area to an office center to a mixed-use neighborhood that runs on three growth engines: residential development, the expansion of Point Park University and the demand for more office space.

The success of the revitalization of Downtown is obviously a result of many factors, and is not an overnight success story.

In fact, the process of revitalizing Downtown began with Mayor David Lawrence's efforts to clean up the city by banning coal furnaces. The efforts really took hold with the founding of the Allegheny Conference on Economic Development and the formation of the Pittsburgh Cultural Trust. The former helped spearhead the preparation of the Golden Triangle to become a modern office center in the 1950's through the early 1970's, in what we call Renaissance One. The latter was the key in transforming the Penn/Liberty corridors from an unsafe, undesirable area into a Cultural District that draws visitors and residents into town. The vision of a cultural anchor transforming the central business district into a live/work/play community, which was articulated by Jack Heinz, became the reality that we see today.

That Cultural Trust phase of renovating Downtown, often called Renaissance Two, culminated during the administration of Richard Caligiuri with the Rand McNally selection of Pittsburgh as the Most Livable City in 1985. Six high-rise offices were built, and the commercial makeup of Downtown shifted from industrial corporate headquarters to the home of financial and business services. Heinz Hall was created as the anchor of the Cultural District.

The next phase, the so-called Renaissance Three, became a stumbling block for city and county administrations. Almost every leader who has occupied an office on Ross Street in the past two decades has placed the continued revitalization of Downtown as a high priority. Ironically, all of their best efforts were aimed at creating amenities in the central business district that would attract residents. It wasn't until the city and county became financially strapped, and could no longer engage in development activities themselves, that private developers stepped in and the market took off.

The Theater Square and O'Reilly Theaters anchor the western end of the Cultural District on Penn Ave.

Even without a unifying vision or a clear development plan, government and economic development officials put some key pieces of the puzzle in place during this period. Key riverfront properties were remediated and converted, allowing projects like the Pittsburgh Technology Center, South Side Works and the commercial development of the North Shore to occur. PNC Park, Heinz Field and the Convention Center were opened. And the two final pieces of the Cultural District fell into place with the construction of the O'Reilly Theater and Theater Square.

What the local officials had overlooked were two essential truths: First is that amenities follow residential development, not the other way around. WalMart didn't drop a store in the middle of a field north of Freedom Road in the hope that Cranberry Township would grow; they waited until demand was there first. And the second truth about Downtown was that the amenities were there already.

If you were to go to another city and find that the area with the highest concentration of jobs sat along two riverfronts, directly across from two stadiums for major league sports, you'd think, "hey, that would be a cool place to live." Add

in a third professional team, an arena that still draws top entertainment names, one of the best symphony and opera companies performing in one of the best concert halls in the land, plus one of the only producing theaters west of Broadway in a brand new facility, and all the restaurants that attend such cultural attractions, and you'd have a significant set of drawing cards.

It turned out that Americans were turning back towards inner cities all over the country, and that most preferred living near water. With local government out of the development game, developers were able to independently assess empty lots, riverfront property and abandoned old buildings for their next best use. The result was a series of gambles on the residential market.

Downtown Living Update

By 2006 the hottest neighborhood in the region for new residential construction had become Downtown Pittsburgh. After years of denying the likelihood of success, developers suddenly grasped the opportunity for attracting new residents to the city center. At that time, the Encore on 7th had just opened for tenants, the Heinz Lofts and Cork Factory were well under construction and 151 First Side was topping off of its steel structure. More than five hundred new units were in the process of coming on line, and occupants were lining up.

Three years later, the buzz in town has shifted to other sectors of real estate, and discussions about the housing market center on bubbles bursting, rather than hot markets. Yet, just because the Downtown area is no longer the talk of the town, don't assume there is letup in the interest. In fact, the housing market in Downtown seems to be expanding in geography and offerings.

Since the last census was taken the number of people living in greater Downtown, between the Point and the Strip, has doubled, with over 5,100 people living there as of the first of the year. Even in an uncertain economy, interest in living Downtown remains high among professionals, and even higher among students. There are currently 341 total new dwelling units under construction, with another 421 units in the pipeline.

In recent years another round of high profile projects have been started, bringing several hundred more units into the market. The projects have ranged from higher-end new construction, like the 63-unit Piatt Place or 3 PNC Plaza, to the adaptive re-use of the Union National Bank building for the 61-unit Carlyle, to the mix of old & new that is the 941 Penn Avenue condos. The growing interest in urban living has driven the development of more affordable units, and has pushed the boundaries of Downtown outward towards the Strip and uptown. What has happened is that the market for residential units in the heart of the

The three buildings of PNC Plaza stand together. 3 PNC (right) has begun to open its doors, and sales have begun on the 28 units of The Residence at 3 PNC.

city has matured, attracting developers and dwellers that differ from the stereotype of just a few years back.

"We describe the buyers Downtown in terms of a psychographic, not a demographic," joked Kathy Wallace, Development Specialist for Solara Ventures, the owners of the 941 Penn and Otto Milk Company condominium projects. "Our prospective buyers are in their 20's up to their 60's; they are single and married and empty-nesters. What they have in common is a mind set about living in the city, being in proximity to the urban environment and all that goes with that."

What Wallace is describing is the spirit that unites Downtown dwellers, a commonality of purpose instead of age or income. Those that live Downtown are driven to be where the action is, and willingly swap the amenities of the suburbs for the energy and density of opportunity of the center city. It's a hard thing to measure or graph, but it's a spirit that exists.

"I can't prove it with any stats but I believe there's a continuing demand for urban living that hasn't been tapped yet in Pittsburgh," says Patty Burk, the VP of Housing and Economic Development for Pittsburgh Downtown Partnership.

That hasn't always been the prevailing sentiment, however. Compared to most major northeastern or midwestern cities, Pittsburgh has always had a very small number of center city residents. Until the past decade, development Downtown was a chicken-or-egg kind of problem: was there really no demand to live Downtown, or was there no one living Downtown because there weren't available properties?

The transformation of the Penn-Liberty corridor meant that potential Downtown residents would have a major lifestyle amenity attraction already built in if development occurred. The rise of the Cultural District also made available for re-use some of the "sliver" buildings that housed commercial ventures as far back as the turn of the previous century. These narrow, eight-to-ten story buildings turned out to be just what an unlikely pioneer named Eve Picker was looking for. Her industrial loft projects were small, and didn't offer a wide variety of housing styles, but they turned out to be the proof of concept that Pittsburgher's would move into town.

"I know there are not enough units for the demand in town, but I also think there is not enough variety, particularly in the range of price point," says Patty Burk. "There are beginning to be more differing styles of residence available but there are still a lot of people that developers haven't or can't focus on yet, like those at the $800 per month price point."

Burk points to the Market Square Place, an adaptive reuse of several buildings on Fifth Avenue at Market Square being renovated by Millcraft Industries and TEDCO Construction, as an example of pent-up demand. The project features 44 units at the $700 per month level, and deposits have been taken for all of those units.

The Otto Milk Company project will offer 56 units for sale, ranging from $183,000 to $1,300,000, with most offered below $400,000. "The sweet spot for these units is between the mid-200's and high-200's," noted Kathy Wallace. "We haven't sold the least expensive units yet, but we have agreements on more than 50% of the condos, and all we've done so far is interior demolition and level the heavy concrete floors."

"I believe the higher end market is well served," says Kevin Keane, vice president for Lincoln Properties, whose Encore on 7th and Lincoln North Shore apartments are 98% occupied. "However, some moderately priced units targeted at the $25,000 to $50,000/year annual income residents would fill a measurable demand for units in the $600 to $1,200/month rental range. This, in my opinion, is the next hot market for Downtown housing, as well as moderately priced condos in the $125,000 to $250,000 range."

Developer Bill Gatti is actively testing the lower rental theory. His company, Trek Development, is renovating the 78,000 Century Building on Seventh Avenue into 60 loft units for workforce and lower-income residents. The apartments will range in size from 525 square foot studios to 1,180 square foot two-bedroom units. The rents will range from $500 to $1,475 per month.

At the high end of the market are The Residences at 3 PNC Plaza. Occupying ten floors between the 14th and 23rd levels of PNC Financial Services's newest building, The Residences are 28 condominiums sandwiched between the new Reed Smith corporate offices and the Fairmont Hotel, which occupy a separate half of the tower with an exclusive elevator and lobby.

Two units will be single bedroom, 1,275 square foot condos, with the majority of the units stretching out to between 1,700 and 3,000 square feet, plus an impressive 23rd floor, 5,000 square foot penthouse. With floor-to-ceiling glass curtain walls on the exterior, The Residences give Downtown a residential architectural style that is unique to Pittsburgh.

"We're calling them skyhomes," says Helen Hanna Casey, whose firm Howard Hanna Realty is marketing the units. "Everyone wants to be in the 23rd floor but the lifestyle is the same on all the floors."

Selling for just above $400 per square foot, The Residences are at the high end of the market Downtown, although the prices are in the same range as the higher end of many of the newer projects. "The Residences are like nothing else in Pittsburgh," Casey says. "The units are truly for people who are making the choice for reasons beyond experiencing a Downtown or urban lifestyle. And they are not the people everyone seems to think!"

Downtown – A College Town?

The Downtown neighbor who should be making the most noise is Point Park University. Its president, Paul Hennigan, and board have set a new vision for the college, with a physical plan to match, called the Academic Village. Already several years and tens of millions of dollars into an aggressive capital program, Point Park's plans will essentially create a full service college campus along the southwestern corridors of the business district.

The ambitious Academic Village plan obscures the fact that Point Park is already a formidable presence in Downtown. Enrollment has grown from 2,300 in 1997 to 3,800 in 2009, with expectations of 4,500 students Downtown in 2014. University buildings total more than one million square feet, more space in the business district under any one entity other than the Cultural Trust. To ensure that there was adherence to a unified vision the university decided to create the position of university architect, a position that the Heinz Endowments agreed to fund as part of a $2 million design grant. In February of this year, Point Park hired Elmer Burger for that role.

Burger inherited the master plan and had to quickly assimilate the tasks of implementing the next few projects of that plan with the job of marrying together the patchwork of buildings the Point Park had acquired and renovated over the past decade. Uniform graphics, signage, and simple inventory of maintenance issues aren't easy to keep up with when it seems the institute adds new buildings to the mix every quarter.

"One of the big differences between a suburban or small town campus, and a completely urban campus is that vertical circulation is critical," says Burger. "Students here are moving up and down as much as in and out of buildings, and the pathways are elevators and lobbies instead of walkways and quads."

The Academic Village has two primary pieces remaining, although each contains a number of individual projects.

The Student Center and Wood Street corridor component is advancing throughout 2009. Among the projects included in this $71 million initiative are $3.9 million in streetscape improvements to Wood Street, which will bid through PennDOT this fall, and a $7 million creation of an urban park along the Boulevard of the Allies at Wood Street. Designed by landscape architect Klavon Associates and TKA Architects, the project involves public park spaces, construction of a glass tower and colonnade on Frontier Hall, and will result in a gathering spot (including restaurant and retail space) that is not often seen in

Proposed Wood Street public space at Boulevard of the Allies looking towards the Monongahela River (rendering by WTW Architects).

WTW Architects' rendering of the $30 million Student Union/University Commons building along Boulevard of the Allies.

center city campuses. One of the regular features of the space will be the projection of movies onto Frontier Hall's exterior from across the Boulevard.

The centerpiece of this phase is the $30 million Student Union and Convocation Center. WTW Architects was commissioned in June to design the project, which will include a 1,000-seat arena, student activity and exercise centers, a food court, and street level retail space. The building will link the new residence halls with the urban park, anchoring the non-academic life of the Point Park students.

Academic Village's second, more ambitious phase revolves around the relocation of Point Park's Conservatory of Performing Arts, and the establishment of a new Pittsburgh Playhouse in town. This phase involves a $139 million investment for the construction of three theaters and all the related production and support spaces, plus the classrooms for theater arts instruction. A 420-car underground parking garage is planned as well.

Part of the fabric of both phases of the Academic Village is the continued growth of residential buildings surrounding Point Park's Wood Street and Boulevard of the Allies hub. Each phase calls for adding more than 400 beds. "Ten years ago there were essentially no resident students," explains Elmer Burger. "Since then we've added about 1,000 beds, in dormitories, apartments and privately-owned buildings."

Aside from creating a bigger campus, the addition of more than 2,000 student residents in Downtown means an increase in a desirable demographic of consumers for Downtown businesses.

That dynamic was also part of Duquesne University's recently completed development along Forbes Avenue at Chatham Square. Called the Power Center, the building is a 130,000 square foot student-centered commercial building. The Power Center is home to Barnes & Noble, coffee shops and restaurants, as well as the university's student recreation center and a ballroom for campus use.

The project has special significance because it creates a 24-hour destination that is off the Bluff. While the Sklar Skywalk links the Power Center to the campus over Forbes Avenue, the students are brought off the enclave of the Bluff campus site into the center city uptown. This connection becomes more significant in 2011, when the Consol Arena opens up a half block away from the Power Center. In the future, Consol Arena should generate new development in the lower Hill District and more development by Duquesne is likely along Forbes Avenue. While student residence halls at Duquesne University are likely to remain secure on the Bluff, the Power Center acts as a portal opening the campus up to the burgeoning uptown.

The Focus is Still Office

Stories about the central business district of late have focused on the growing residential population and the lifestyle projects, including a few pro sports venues, without much focus on the main real estate component Downtown: office space.

The central business district is as healthy an office market as it has been in decades. Even as the region begins to feel some of the first effects of the national recession, office space Downtown is seeing higher positive absorption than other submarkets, with 360,000 square feet of net absorption in the second quarter, and roughly 225,000 in the first half of 2009. That is a bit of a spike, but it follows in the same positive trend that the central business district has been experiencing for several years.

Depending on whose data you use, vacancy rates Downtown now range between 12.5% and 15%. That level is about five or six percentage points lower than the levels at which vacancy had been languishing through booms and recessions. Nearly half of that vacancy reduction, almost one million square feet, is the result of conversion of mainly lower class office space into residential units or space for Point Park. The remaining absorption, however, has been through organic growth in demand by local business, and a little bit of karma, according to one real estate broker.

"The sun, the moon and the stars kind of lined up perfectly for Downtown over the past few years," jokes CB Richard Ellis Vice President Jeremy Kronman. "On the supply side there has been very little new construction, a lot of space has been taken off the market for other use, and there have been a lot of good size deals done lately."

The impact of the opening of the Rivers Casino in August represents a question mark at this point.

Kronman points out that the suburbs have been a relief valve for the central business district, leaking off businesses as suburban office parks were developed and grew. New development in all directions, including Oakland, has been slowed in recent years and firms have been doing their expanding or relocation in Downtown.

NAI Pittsburgh principal Patrick Sentner agrees and sees some of the demand as a natural outgrowth of the new urbanism movement. "Companies like Siemens or PJ Dick (which recently agreed to take approximately 60,000 square feet in Equitable's North Shore building) are coming from the suburbs back into the city and they will drive other businesses Downtown as well."

Another driver of demand in Downtown is the adoption of sustainable practices by more and more corporations. While green building tends to suggest LEED certified buildings, there are more philosophical green issues that are naturally served best by being in an urban setting. Minimizing your company's footprint, optimizing the use of public transportation, and even choosing to renovate existing structures rather than building new, all tend to lead businesses looking for new space into a Downtown area. And while there has been a dearth of LEED certified building Downtown historically, that is changing. The renovation of 501 Grant Street, (formerly the Union Trust Building), the new 3 PNC Plaza and the Market Square Place are all designed to be LEED rated.

"I think being Downtown helps with recruiting and retention as well," says Kronman. "Because our Downtown is at the geographic center it has equally good access to the north, south, east and west, plus the only complete access to public transportation."

Siemens' deal for 180,000 square feet is one of a handful of high-profile deals that have grabbed attention in the center city. The most attention has probably been drawn to UPMC's move to the USS Tower, taking 225,000 square feet now, on the way to as much a half a million. Other leases above 100,000 square feet include Equitable Gas, K & L Gates and Reed Smith.

Below the radar, however, have been the real meat and potatoes of the positive absorption. Several other legal firms have seen their businesses flourish, and have added significantly as leases have renewed. While Reed Smith is the major tenant at 3 PNC, much of the remaining office may be absorbed by PNC's growth, without creating vacancy elsewhere. Similarly, BNY/Mellon has found that the work ethic and salary demands of Pittsburgh are more favorable than in New York, and have added 1,400 jobs, thus removing almost 300,000 square feet from the market in One Mellon and Three Mellon. Even the loss of National City has been cushioned by the PNC absorption and the 50,000 square feet First Niagara is taking in the National City Center.

"The Class A vacancy is almost non-existent, except for smaller chunks," says Sentner. "Rates are a couple of

bucks a foot higher than in past, and big blocks of space are minimal. If you needed 80,000 to 100,000 square feet your options are very limited."

The prospects for the office market look brighter than some other sectors right now. In the fringe areas surrounding Downtown, from Second Avenue to the South Side and North Shore, very little space is available. Equitable Gas' relocation to 625 Liberty Avenue will create vacancy in the North Shore but that is being absorbed quickly. Only the Seagate building in the Strip, and the Gulf building Downtown remain with significant vacancies, and most brokers are optimistic about the prospects for those as well.

Even in the suburban markets, which might offer the relief valve Jeremy Kronman spoke of, has seen little or no speculative building. The vacant space left in Monroeville as Westinghouse moves out to Cranberry Woods has been partly absorbed by BNY/Mellon, and expansions by Bechtel and CVS Caremark have added more square footage to the submarket than was lost. Some new office construction is being discussed in Cranberry, but much of that is built to suit, and little doubt exists about the amount of pent up demand in that market.

For now the dynamics in Downtown have gone into a self-fulfilling growth cycle.

The residential feeds demand for more commercial space, and more people living in town creates more incentive for businesses to locate there. As employment increases, commercial service and lifestyle businesses will find their ways into the neighborhood. And the opening of the Consol Arena in 2011 offers an interesting potential for redevelopment in the lower Hill, plus an added incentive for someone to begin planning a high-speed transit connection to Oakland.

No real estate market is always up, but after years of stop and go, it appears the ride for Downtown Pittsburgh has a ways to go. BG

After renovation, apartments and retail will occupy the northeast corner of the new Market Square. The building shown in the Strada rendering is the home of the Diamond Market.

MARKET SQUARE PLACE

MILLCRAFT INDUSTRIES HAD PARLAYED VACANT LAND IT OWNED IN WASHINGTON PA INTO A SUCCESSFUL OFFICE BUILDING, THE MILLCRAFT CENTER, THAT HELPED REVITALIZE DOWNTOWN WASHINGTON IN THE 1970'S. SO IT DIDN'T SEEM A STRETCH TO THE COMPANY'S REAL ESTATE DEVELOPMENT PEOPLE TO LOOK AT PLAYING A ROLE IN REDEVELOPING DOWNTOWN PITTSBURGH, EVEN THOUGH OTHERS HADN'T HAD MUCH SUCCESS BEFORE.

The Fifth Avenue storefronts are being historically restored.

Jack Piatt and son Lucas believed that it made sense that Downtown would be the center of activity in the region, and they had an idea about why earlier attempts had failed.

"We judged that the failures to develop during the Murphy administration were because they looked outside instead of using local talent," says Lucas Piatt. "We saw their ideas about developing Downtown as backwards. Downtown needed bustling streets to attract businesses, not the other way around."

Piatt also saw Downtown as an area that needed out of the ordinary amenities. "I think the Lazarus store failed to perform because you could go there and find the same things as any other Lazarus store in the area, or the country for that matter. It wasn't unique, and Downtown needed stores that offered unique shopping. That's why Saks Fifth Avenue has succeeded even when Downtown was slow."

Millcraft's entry into the center city market was the adaptive re-use of the aforementioned Lazarus building at Fifth and Wood Street. Their plan involved an investment nearly equal the $70 million plus spent to build the store originally, and featured renovations of the upper floor retail space into offices, and an ambitious three-story vertical addition of 65 condominium units. The project was developed during a revival of interest in living Downtown, but it also reached the pricing phase just as commodity costs began running amok in 2007.

Lucas Piatt admits there were times when the company wondered what they had gotten into, so it seems surprising that Millcraft took a real interest in pursuing the Urban Redevelopment Authority's request for proposals to renovate the former G. C. Murphy block of properties along Fifth Avenue in the block west of Piatt Place.

"Yeah, well we've always taken our share of risks at Millcraft," chuckles Lucas Piatt. "We always felt confident that Piatt Place would ultimately work, so we looked to help ensure that success by redeveloping the properties in the area surrounding it." Turning more serious, Piatt said the project was part of a vision for Downtown. "I think urban living is the wave of the future, and is part of a sustainable way of life. That lifestyle model is the way the U. S. became successful, and I think it will return to it again."

Millcraft's proposal ultimately proved successful, and they announced plans for the project, as well as a long-term vision in 2006. The G. C. Murphy redevelopment was called Market Square Place, and would be a mixed-use building including 46 rental lofts, 25,000 square feet of ground floor retail, and roughly 45,000 square feet of commercial space. Even though they had few misgivings about the project, the early stages of planning had some heartburn.

First and foremost, although it was referred to as G. C. Murphy's, the project actually involved seven different buildings fronting three different streets. Just as daunting was the financial gap between the cost of redevelopment and the market value.

"Although the project called for renovation, we began to wonder if it was better to demolish the whole thing and build something new," remembers Lucas Piatt. "But the architect got very creative, and we started running numbers on historic tax credits, and new market credits and other redevelopment assistance."

Strada Architecture worked with Millcraft on Piatt Place. The relationship developed during that project allowed the two firms to sit down early on in the process to figure out how to make Market Square Place work, even before any contracts were signed. "It was going to be a challenge to create essentially one building from seven, but this kind of revitalization and sustainability is what Strada was formed to do," says Strada principal Dina Snyder, the project architect on Market Square Place.

The design challenges stemmed from two main issues: the linkage of the buildings and the historic restoration.

"Having seven buildings with different floor levels and different construction types is challenging from a design perspective, but the bigger challenge was in making the finished structure code compliant and usable," explains Snyder. Sometimes the historic restoration could get in the way. "For example, we had to go to the Zoning Board to get a variance because the D & K Building had only one stair tower and we couldn't put another tower in a historic building. We had to get their OK not to put in stairs."

The seven buildings were part of three main historic structures: the G. C. Murphy Building, the Bedell Building, and the D & K Building. Residents would have difficulty with wayfinding between the three without serious design consideration.

"It was a challenge to pick finishes and wayfinding for the tenants to help them identify their building, and to give directions to a friend coming to visit, for example" says Snyder. The solution was apartment unit signage that included an image of the building exterior, and to maintain a color palette that was consistent throughout the building. Each building has it own corridor and lobby color scheme of flooring and walls that is separate from the other buildings.

Snyder found the historic restoration process less challenging. "To get the tax credits we needed to do research on the historic storefronts, going back before the last use for these buildings." While the research can be tedious, "it's not unusual for an architect to do that," she says.

That sort of research isn't part of a contractor's routine, according to Dan Bell, project manager for contractor TEDCO Construction. "Trying to bring all seven structures together in a historic renovation means that you can't solve field problems in a conventional way. Every issue we encounter on the job has to be analyzed from a historic perspective, especially on the façade," he says. "The mentality in the field is to solve problems expeditiously when you encounter them and then keep moving."

As the project was being designed, the developer was simultaneously forced to crunch numbers to figure out how to close the gap between the value of the building, which Millcraft estimated to be around $23 million, and the $40 million cost. Besides the tax credits, Millcraft knew that they could justify help from the city, since they were bringing a URA-owned property back to the tax roles after decades. "The tax benefit to the city is $2.2 million," notes Piatt.

It was about this time that the project caught a break.

The Downtown YMCA had talked with Millcraft about leasing space in Piatt Place but both parties agreed the condo project wasn't a good fit. Lucas Piatt envisioned them fitting perfectly in Market Square Place. The YMCA agreed and signed a 25-year lease for 45,000 square feet, essentially the entire commercial component of the project. Landing the Y gave the project's financials a boost, and Millcraft CFO Brian Walker was able to patch together the financing package to give the project a green light in spring 2008.

Millcraft invited bids from a handful of contractors, and TEDCO was successful and began the project in July 2008. Even with all the preparation during bidding for the historic aspects of the job, it didn't take long before issues arose that couldn't have been discovered prior to demolition.

One big headache was the extent of the water damage that occurred while the buildings were unoccupied. "Some of the buildings were weather tight, but we had to re-frame the roof and parts of the second through fourth floors because of water damage," remembers Dina Snyder. "That was one time when it was good that there was more than one building. If you were renovating that building alone

Strada Architecture's rendering of the completed Fifth Avenue elevation.

you couldn't manage the repair financially. They (Millcraft) needed to spread it out over the whole project."

The pace of the project exacerbated the difficulty of problems like the water damage. "There were so many things going on simultaneously that it was hard to stop and address them," explains Bell. "When you encountered a big issue you had to deal with it while moving ahead with the work on the rest of the buildings, and the structural issues were a big issue."

Bell found Millcraft to be reasonable about the unexpected issues. "Once you got into it there were things that we didn't have access to or information about when the job was bid. They were a good developer to work with. They took those kind of problems in stride."

Construction is wrapping up this fall on the apartments and the vanilla box for the retail space, while the YMCA is doing its fit-out. Millcraft took its first deposits on the 34 one-bedroom units in mid-August, and all of them have been locked up. Those units will rent for $750-800 per month, a range that observers said was missing from the Downtown mix. That's a price point Lucas Piatt feels good about serving.

"The diversity of residents is what the bustling streets is all about," he explained. "We don't want Downtown to be a gated community."

Piatt is also happy with the sustainability of the building, which is aiming for LEED certification for the core and shell. "The historic nature of the building contributed a lot to the LEED goals," says Dina Snyder. "We used sustainable materials, and sustainable practices during the construction. The construction waste management was well done. All the demolition material was sorted and recycled. Ninety percent of it was re-used."

Millcraft expects to parlay the success they see coming on Market Square Place right into the third phase of their Fifth Avenue revitalization with the construction of The Gardens, another LEED-certified residential mixed-use project on Market Square. The project involves 150 residential units and 50,000 square feet of retail. Piatt says that he expects to move forward with that in 2010, if the renovation of the old state office building doesn't move sooner. That project, called River Vue, is still in programming but could move quickly as a design-build depending on the tenant use. And residential is one of the options.

For now, the project team is plowing through the final stages, anxiously awaiting the finished property.

"I'm proud of the overall look of the building. It's going to be magnificent to look at," says Dan Bell. "It was an extremely difficult project but it's well worth it."

Dina Snyder agrees. "I'm very happy with the project all the way around," she says. "If someone came knocking on my door again tomorrow with the same kind of job, knowing what I know, I'd do it again in a heartbeat." BG

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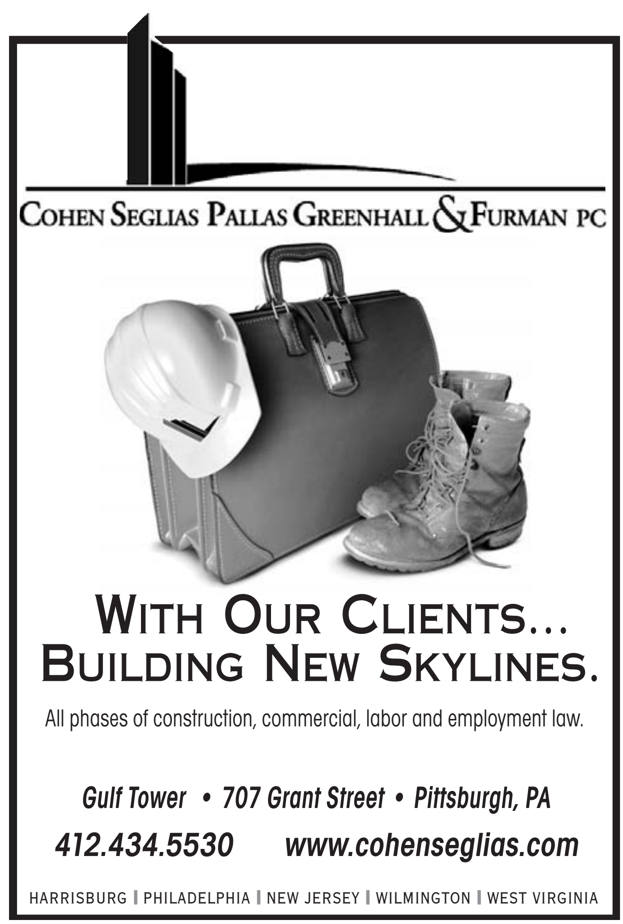

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Robson expert examines water infiltration damage behind failed EIFS exterior.

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> "Our strength is our people and their experience..."

Robson bills itself as a forensic engineering firm. In layman's terms the company is staffed with engineers, architects and scientists who similarly deconstruct the evidence of an accident or failure situation on behalf of one side or the other in a dispute.

"We are not a defense or plaintiff representative," explains Brent Leisenring PE, who heads up Robson's civil/structural practice group. "We take on the first comers. Our job is to investigate and tell the truth."

As experts they are often then called to testify as to their findings. While the testimony is part of the job it is the expert part that Robson Forensic seems to focus on.

"Our strength is our people and their experience," says Leisenring. "We have staff who have real life experience in the fields they serve. All have fifteen years or more in the field, and almost all are PE's or RA's." Leisenring is typical of the kind of expert on the staff. A civil engineer, he started his construction career at age 13 working at his father's masonry business. His experience includes years designing and working as a construction manager.

The staff profile starts at the top. Founder Lance Robson is an engineer who applied his experience in highway and bridge design to investigate traffic accidents and determine the extent to which the road condition contributed to the crash. In 1989, Robson formed his forensic engineering firm in Lancaster, PA and set about growing a business and finding kindred experts.

Robson still does auto accident reconstruction but the business has branched out to include forensic investigation of industrial machinery accidents, boating mishaps, commercial shipping accidents, sports injuries to check field or equipment problems, and of course construction and engineering. Based in Lancaster, the company has cases nationwide, and has offices in 15 cities up and down the east coast, including one in the Hartley Rose Building on First Avenue in Pittsburgh.

The Pittsburgh office opened in the early 1990's as a partnership with Ron Lapina. Local architect Tony Poli now runs the office. Poli feels that their profession is differentiated by the fact that Robson is called on to find the facts, rather than to support a position in a dispute.

"In general we go quietly about our work and help keep people out of court," he explains. "Our clients want us to get to the truth of the situation, and get to it quickly. If the facts don't support their side of the case they want to know right away."

Robson Forensic's architectural and construction practice clients are attorneys and insurance companies who are engaged in construction disputes. Most of their cases fall into one of three types:

- Construction defect cases. The largest area of practice is their investigation of building failures or problems during construction. The issues include exterior envelope issues, EIFS problems, below grade waterproofing failures, structural deficiencies, settling, mold, mechanical and electrical issues.

- Construction injuries and property damage forensics. Robson examines construction accidents to determine the cause of injuries or damage. The focuses include falls, protective equipment, proper equipment usage, crane and rigging failures.

- Construction claims, disputes, and A/E professional performance. The firm is brought in to examine the work and determine the validity of claims of extra work, schedule issues, or design errors and omissions.

In addition to the design and construction expertise, Robson also brings to bear expertise in human factors, employing six professionals (three of whom are doctors) who study such arcane, yet critical human factors as ergonomics, visibility, warning detection, comparative perception and decision making relative to risk. Because many of their cases involve accidents, Robson believes it's important to understand the factors impacting decisions: were warnings adequate or reasonable to understand? Could the warnings be seen? What impairs the ability to perceive risk and act appropriately?

"These things are part of figuring out what actually went wrong and who is responsible," says Leisenring.

Robson employs about 50 full-time experts to investigate across all their disciplines, plus around another 100 part-time, mostly academicians or researchers who apply their experience in a more specific area. Most of the staff are engineers, architects or scientists.

"It's really helpful to have a cadre of experts available that I can reach out to in areas beyond my experience," says Poli. "I rely heavily on the human factor experts to help with the things that contribute to a problem beyond design or construction. Robson has people to bring to bear on specific areas of expertise that I might not find on my own."

That network of experts helps Robson Forensic compete against most of the firms in the field. While there are a few large firms in the business, many of Robson's competitors are one-man shows or small local firms with talented, but limited staff.

Forensic engineering has proven to be fairly recession-proof work. The company was founded during the start of a business decline, and has thrived into its third recession. Because the prospects for its work are rooted in disputes, Robson has found the business tends to be stable, regardless of the status of the business cycle. "The work is fairly steady," notes Brent Leisenring. "I guess that makes it seem better than most in a slow economy. The number of lawsuits doesn't seem to change with the economy." BG

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Legal Perspective

Whistling Past the Graveyard: Will Pittsburgh Development Flourish Through the Recession?

By Robert J. Blumling, Esquire

Just days before the writing of this article, Federal Reserve Chairman Bernanke forecasted a light at the end of the tunnel for the end of the recession. However, when gauging the accuracy of economic portents, one is reminded of economics Nobel Laureate Paul Samuelson's wry observation that "Wall Street indices predicted nine out of the last five recessions." From a localized viewpoint, looking at recent events, and using the rest of the nation as a barometer, is it possible to place a better perspective on the impact of the recession on Pittsburgh real estate development and construction industries, as well as divine some foresight into their approaching economic conditions?

Eighteen months ago, the Pittsburgh development community would have been envious of locales such as Las Vegas, where sky tower cranes overspread the city landscape like desert cacti. Today, however, "viva Las Vegas" has given way to development rigor mortis. Yes, the sky tower cranes still populate the horizon; but, the project sites are devoid of any workers. That scenario of graveyard project sites has been repeated in many other cities around the country where heretofore viable development projects had been erupting on a daily basis.

Further, it is not just new development that has been stopped in its tracks. Existing commercial projects experiencing declining rental rates and ascending vacancies face loan covenant defaults. The Wall Street Journal recently reported significant loan defaults by such prominent developers as Tishman Speyer Properties and Maguire Properties, Inc. Maguire Properties, the largest office building owner in Southern California, was about to hand over to its creditors many buildings overburdened with more than $1 billion in debt.

For the most part, this blight of abandoned projects has been fortunately absent from the Pittsburgh landscape. We have seen new office, hospital and sporting arena projects proceed by and large without incident. That does not necessarily indicate that Pittsburgh has been fully immune from the economic tensions between the development and financial communities. The casino project survived becoming a near-victim of economic mishap as construction and financing were suspended for a brief period.

Pittsburgh has had its share of developer and contractor payment defaults. In turn, that has resulted in a proliferation of mechanics' lien filings and litigation on some local projects. That is because the 2007 amendments to Pennsylvania's mechanics' lien laws eased the procedures and availability for mechanics' liens remedies for unpaid contractors and subcontractors on development projects. For example, two Pittsburgh landmark structures, the Union Trust Building and the Hilton Hotel have been the publicized subjects of halted construction and courtroom confrontations.

In the battle of the Union Trust building, the lender filed a lawsuit seeking the appointment of a receiver. The project owner asserted the position that the lender was in default for not having fully funded the construction loan for the project. In a similar lawsuit in New York, the New York State Supreme Court entered a very rarely seen mandatory injunction against CitiGroup commanding the lender to fund the final $65 million dollars in construction loan advances to a retail project that the lender contended was in default. That case is on appeal.

In addition to the aforementioned two projects, The Foundry project in Washington County recently exhausted its nine lives of mechanics' liens and litigation. In the case of The Foundry, the project lender elected to have a receiver appointed for the project. Litigation ensued over the competing priorities of various mechanics' lien claims and the lender's mortgage. In an unusual result that made title insurance companies cringe, the court ruled that some of the mechanics' lien claimants possessed priority positions in advance of the lender's mortgage.

Overall, the relative infrequency of troubled development projects in the Pittsburgh region seems like providence when compared to the misfortunes of other major cities. Looking forward, the federal stimulus package promises hope for infrastructure projects, if not vertical development. If the economy were to begin to expand by the end of this year, then the conclusion could well be that the Pittsburgh development and construction communities have escaped, if not unscathed, then merely "under-scathed." However, two prevailing conditions render that conclusion undefinable until the passage of the next two to three years.

One of the reasons for the remaining uncertainty in the development and construction industries -- notwithstanding the potential reemergence of the financial capital markets -- is the dramatically waning backlog of work available to contractors in this region for the foreseeable future. Until the resurrection of commercial financing availability occurs, developers and contractors can expect to continue to stroll along a tightrope. The lack of financing equates to the lack of private development. Thus, contractors return to their favorite refuge of recession, the public works markets. That can be seen occurring throughout this region. Also, there has been a resulting decline in construction costs by as much as 15%-20%. While that may sound appealing to project owners, a contract price that is oppressively low can lead to project construction defaults.

> "...developers and contractors can expect to continue to stroll along a tightrope."

Having the lowest bid on a project does not serve a developer when the contractor is not around to finish the job. Contractors who cannot make a profit eventually cease to be in business. On the public works jobs, obviously there are surety bonds in place to help ameliorate such events. Private owner developers would be wise in this market to take advantage of the lower construction costs to incorporate the price of surety bonds into their projects. Such actions would not only help prevent ruinous project defaults, but under Pennsylvania's new mechanics' lien scheme, would prohibit the filing of mechanics' liens by unpaid subcontractors because they would be able to look to the payment bond surety for redress.

From the contractors' perspective, the availability of project financing in the private sector is riskier than ever. Developers who are unable to finance projects may attempt to cash-flow the job by drawing profits from other developments. But, again, with rising vacancies and plummeting rents, many of their other projects are not going to be able to serve as the cash cows for financing new development

Secondly, as if it weren't difficult enough for contractors and developers in the current lending crunch, their industries could be facing a more troublesome advent over the next several years: development "balloon" payments. In the Camelot days of easy credit, many projects were financed with long-term amortization payment schedules; but, the loans contained "balloon" maturities often between seven and ten years hence. These "balloons" will soon transform into fowl coming home to roost. Given this situation, Chairman Bernanke's vision of light at the end of the tunnel may actually be the onrushing locomotive.

In market conditions where lenders are still simply not induced to make commercial loans, the upcoming development "balloon" payments will be facing a maelstrom of plummeting rental rates, declining values, increasing cap rates, soaring vacancies and stringent loan-to-value requirements. These stresses are about to collide with a vanishing commercial financing market, whose few survivors' appetite for risk is anorexic.

In these times of economic tensions between developers and their lenders, the lenders are often as likely to be having their own financial burdens the same as their borrowers. The lack of commercial financing availability means that developers and lenders are often now wed until death do them part: the prospect of refinancing projects with new lenders is virtually extinct. The availability of project refinancing is about to become more precious than new project loans. The only practical solution appears to be that conventional lenders need to re-extend credit into the development marketplace.

It is hoped that a resurgence in the lending faction would inoculate this impending refinancing plague. Absent that, the ensuing years for development projects, in the most paradoxical fashion, could improve the odds of Mr. Samuelson's prognosticating economists while simultaneously being to the detriment of the overall development economy.

Robert J. Blumling is the Managing Partner of Blumling & Gusky, LLP and has been practicing real estate and construction law regionally, nationally and internationally for over 27 years. BG

Chasing ARRA Means Living With FAR

By Richard Spence, Christopher Marrie & Christopher Mayfield

Pursuing government contracts may not be the right decision for every business, but now is the time for businesses to explore contracting with federal, state and local governments. The American Recovery and Reinvestment Act of 2009 (ARRA) provides opportunities that businesses should not ignore. But federal funding can mean federal oversight. What is becoming clearer is that working on projects funded by ARRA may mean getting up close and personal with the Federal Acquisition Regulations (FAR), even if the project is a local or state project.

As a business owner seeking to sell to the government, you first have to understand how the contracting process works, determine whether your business qualifies, and decide whether government contracting is right for you. Before going forward business owners should ask themselves some basic questions:

- Are you prepared to learn and follow the rules relating to government acquisitions?
- Are you willing to do ongoing, detailed research to find procurement opportunities and take the time to prepare and present offers (including bids and quotes)?
- Are you positive that your business can financially support the performance of a government contract that may involve significant start-up costs?
- Are you willing to be a subconsultant to companies that are prime consultants?

Most government procurement processes are not easy to navigate. The first thing to understand is that government procurement has its own unique set of rules and regulations that you must learn. These rules and regulations may differ among federal, state and local governments, but typically all adhere to a principal set of rules called the Federal Acquisition Regulations (FAR).

The FAR, included as Title 48 of the Code of Federal Regulations, consists of sets of regulations issued by agencies of the Federal government of the United States to govern what is called the "acquisition process," which is the process through which the government acquires goods and services. That process consists of three phases: (1) need recognition and acquisition planning, (2) contract formation, and (3) contract administration. The FAR System regulates the activities of government personnel in carrying out that process.

Companies typically must be pre-qualified by the government agency prior to bidding on a government contract. As part of the prequalification process companies usually must submit an overhead rate that is in accordance with the FAR. Most government contracts require that engineers and architects be reimbursed at their allowable overhead rates and labor amounts plus a predetermined profit percentage. FAR Part 31 establishes minimum requirements regarding the allowability of costs.

To be considered allowable contract costs submitted by the company must be:

- Reasonable,
- Allocable either directly or indirectly to specific contracts,
- Allowable in accordance with FAR,
- In compliance with terms of the contract, and
- In compliance with Generally Accepted Accounting Principles

Many unfamiliar with FAR Part 31 find it difficult to apply the subjective definition of reasonableness for determining whether costs are allowable. A cost is considered reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person when conducting competitive business. The burden of proof on defending your position regarding the reasonableness of a specific cost rests on your shoulders. The determination of what is a reasonable cost depends upon a variety of factors, and the specific circumstances in which a cost is incurred. The following factors should be used in determining the reasonableness of costs included in your overhead rate:

- Is the type of cost generally distinguished as ordinary and necessary when conducting your business for contract performance?
- Does the incurrence of the cost reflect sound business practices conducted in an arms length transaction and within the provisions of Federal and state laws and regulations?

- Has the incurrence of the cost been consistent with your responsibility to the government, other customers, the business owners, its employees and the public at large?
- Are your business practices consistent with the normal business practices of the industry?

Part 31 indicates that a cost is allocable if:

- It is assignable or chargeable to one or more cost objectives or cost centers on the basis of relative benefits received or some other equitable relationship,
- A cost must benefit both the contract and other work of the firm and has to be distributed in some reasonable proportion to the benefits of incurring that cost and,
- A cost is allocable to a government contract if it: (1) is incurred specifically for the contract; (2) benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or (3) is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.

Direct and indirect costs must also be considered when evaluating overhead. Direct costs are those costs that can be identified specifically with a particular contract or project. Indirect costs are those costs not specifically identifiable with particular contracts or projects. A cost cannot be charged as direct and also be included in any indirect cost pool. FAR Part 31 does allow for small dollar direct cost to be treated as an indirect cost if the accounting treatment is consistently applied to all projects and produces substantially the same results as treating the cost as a direct cost.

Your company is responsible for maintaining consistency in estimating, accumulating and reporting costs. Additionally, the company must account for costs appropriately and maintain records, including supporting documentation adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in FAR Part 31. Examples of supporting documentation include time sheets and usage logs. Costs that are not adequately supported may be disallowed in full or in part. When accounting practices are inconsistent with FAR, costs resulting from such practices are not allowed in excess of the amount that would have resulted from those practices consistent with FAR.

FAR 31.201-6 requires that unallowable costs and any directly associated cost be identified and excluded from billings, claims or proposals for government contracts. Companies are to maintain adequate records to establish and maintain the visibility of identified unallowable costs including directly associated costs. FAR Part 31 goes into extensive detail regarding the allowability of various costs. Compensation for personal services is one of the largest components of costs and one of the most scrutinized costs incurred under a government contract, so it is not surprising that FAR 31.205-6, Compensation for Personal Services, is the longest and most detailed of the FAR.

There are a number of other costs that may or may not be allowable depending upon the facts and circumstances concerning the cost. Contracting with the government is an area that requires self-education and guidance from professionals familiar with the cost principles, the FAR, and judicial rulings on allowability. Now is a great time to be considering if this is an opportunity worth pursuing.

Dick Spence is partner in the Pittsburgh office of Hill, Barth and King, LLC and Christopher Marrie works with Hill, Barth and King in Naples FL. Christopher Mayfield is with Somerset CPAs of Indianapolis. Both HBK and Somerset are members of the executive committee of the BDO Seidman Alliance Construction Industry Group. BG


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MBE/WBE Company Spotlight

Radelet McCarthy Polletta Architects

Janet McCarthy, John Radelet and Julie Polletta

In 1993, John Radelet decided that his duties as president of a fifty person firm had largely separated him from the practice of architecture, and he joined forces with former associate Janet McCarthy to found Radelet McCarthy Architects. The duo proved to be an excellent team, and built a solid practice and reputation. A decade later the partners began to look ahead to creating a succession that would perpetuate the ideals as well as the business that they had created.

After a couple of years of planning and considering alternatives, the partners decided to reach out to a former associate, Julie Polletta, in late 2007. Polletta had worked with Radelet McCarthy until founding her own firm in 2004, and the principals had parted on good terms.

"We stayed in touch after Julie left," says McCarthy. "John and I had been brainstorming about who we knew that had the experience, talents and youth to continue the business. I called her and asked 'is the window open a crack?"

As it turned out Julie had been planning a transition of her own. After setting up Polletta Architecture in Beaver, PA in October 2004, Julie was in the process of planning the relocation of her business to Pittsburgh, where she continued to live. Although her practice had prospered, she experienced several frustrations she felt could be relieved by being closer to the city.

"In 2005 it was harder to attract architects to work in Beaver when there were so many opportunities in Pittsburgh," she explained. "I was looking at making a change already when Janet called." Polletta also found an unexpected drawback to sole proprietorship, an energy void. "I missed the collaborative environment that we had here. I had one other person in my office, plus a part-timer, and there wasn't much energy there."

The firm that Julie Polletta returned to in 2008 wasn't radically different from the one she worked with between 1999 and 2004. Radelet McCarthy had grown to 14 people, but many of her colleagues remained from the earlier stint, and that was an important factor for the founding partners. "Julie was held in high regard by the staff here," explains John Radelet. "Bringing her in as a new owner represented less uncertainty for our people. She wasn't an unknown. It was important to Janet and me because we knew her return would appeal to the good people we had."

Another plus was that the firm's largest client, the University of Pittsburgh Medical Center, was very familiar with Polletta, since she had been the project architect on Radelet McCarthy's design of the clinical components of the Hillman Cancer Center. At roughly $13 million the Hillman project is still among the largest commissions for Radelet McCarthy Polletta. The firm has a more diverse list of clients than earlier in the decade, but UPMC is still a very important client.

The firm is best known for its healthcare expertise, and its current clients include the Hershey Medical Center, Jefferson Regional Medical Center and VA hospitals throughout Pennsylvania and West Virginia. Radelet McCarthy Polletta also has worked for Pitt, Duquesne, Penn State, Carnegie Mellon and CCAC on a variety of higher education projects, as well as maintaining a long-term relationship with the Pittsburgh Public Schools. And its commercial work includes clients as diverse as the Federal Reserve Bank, City of Asylum/ Pittsburgh and PNC.

Radelet McCarthy Polletta has five registered architects, four interior designers, and two graduate architects. Seven members of the staff are LEED Accredited Professionals. With Julie Polletta as partner, women are now majority owners of the firm, and they are certified as a WBE business. With Janet and John planning to reduce their participation over the next few years, the addition of Julie Polletta is a first step in the transition of ownership for the future. The principals will look carefully to evaluate the intangible traits as well as the technical skills of prospective new owners.

"Julie's vision of the practice is a close parallel to the business plan we have for the firm," notes John Radelet. "We knew her core values too, and thought those would let her shape a new firm but also perpetuate the best aspects of what had been built by our people over sixteen years."

Company Facts

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Trend to Watch

Bidding Both Ways Doesn't Settle the Argument

June 30, 2010 marks the sunset of the Mandate Waiver Program, part of the PA Education Empowerment Act of 2000. The Mandate Waiver Program permits Boards of School Directors or Boards of Control to seek waivers from compliance with certain provisions of the Public School Code, the State Board of Education regulations and standards of the Secretary of Education. A waiver is granted if it will allow the school to improve its instructional program or operate in a more effective, efficient or economical manner.

One of the regulations that school boards sought to circumvent in an attempt to streamline capital projects is the Separations Act, a century-old law that requires separate prime contracts on publicly funded projects. As the June 2010 deadline approaches, opponents and proponents of the Waiver Program have geared up efforts to either extend the program, or let die.

During the decade since the program was enacted a roller coaster of activity has marked its timeline. After its inception, waivers were granted to about 50 districts during the first few years. Several of those projects were built and constructed in Western PA, in fact. In spring 2003, however, the Commonwealth Court suspended the waiver program, finding it in violation with PA's procurement code. The Supreme Court overturned that decision in November 2007, but six months later the state legislature impaneled a task force to study the waiver, at the same time placing a moratorium on the waivers while the task force met. In November 2008, Muhlenberg School District convinced the Commonwealth Court to eliminate the moratorium, thus allowing districts to apply for waivers again. Finally, in early 2009, the task force came out with its report, and among the recommendations was that school districts seeking a waiver bid the projects both as single and multiple prime contracts, thus verifying to their tax payers that the best bargain was being made.

If this back and forth hasn't made you a little dizzy, you may be forgiven for viewing the current status as lacking more than a little market awareness. Given the evolution of the public construction market over the past two decades, comparing separate or combined bids is anything but apples-to-apples in nature.

The battle lines on this issue are drawn as you might expect on the contracting side. Advocates of the waiver, like the Master Builders' Association, represent general contractors. Opponents represent the subcontractors, primarily in the mechanical and electrical trades. It is an issue that places both union and non-union contractors on the same side, regardless of which side of the issue they back. Architects and owners aren't quite as easily aligned. More often than not the bias of previous experience or current politics has determined which way those players leaned.

General contractors prefer the waiver because it returns to them the project control they lose when the major trades become equal prime contractors. As energy efficiency and technology have improved, the portion of the project under the contracts of the mechanical and electrical trades has grown, often comprising more than 40% of the project.

The trade contractors just as strongly prefer a return to the Separations Act without the waiver option. Like the generals, this group is interested in maintaining a control they don't usually have as subcontractors. Having prime contracts with owners means that these contractors aren't beholden to a general for work sequence or payment.

At the heart of the dispute is the question of which system delivers a better value to the taxpayer. That, of course, is easier to argue than to prove. The idea of bidding projects both ways was aimed, ostensibly at least, at letting the market decide the argument. Right from the start, however, that assumption ignores most of the market forces that bear on a project.

No better example of that may ever arise than the first project to experience the separate or combined bids in the current argument. Hollidaysburg Area School District took bids in June 2008 on a $32 million expansion and renovation to their high school. The project's architect, Dwight Knouse of Hayes Large Architects, estimated that bidding the project as a single prime contract when the waiver was filed would save $500,000. What wasn't anticipated, like on many other projects, was the runaway commodity inflation. Also, the high backlogs of local contractors, and relative shortage of regional contractors with adequate bonding capacity, created almost no competition. With limited competition the bids were tight but still over budget.

After a few months of wrangling the project was re-bid using separate prime contracts. The bids were millions lower, giving opponents of the Waiver Program their proof of concept moment. The reality wasn't that simple. Hollidaysburg took bids the second time after commodity prices had plummeted, two weeks after the Lehman Brothers collapse set off economic panic. A third re-bid took place in late October, when the media was writing daily reports about another 'great depression.' Bids came from outside central PA, and the competitive mood had shifted from plenty to scarcity in four months. And material prices were off between 30% and 50%. So much for apples-to-apples.

Since that separate or combined bid, a number of projects have bid as single prime and both ways. The results of each have cemented the validity of both arguments in the minds of the proponents, and proven nothing more conclusive than before.

Beattie Technical Institute bid a major expansion this spring as a single prime contract. The project attracted a handful of contractors who don't normally bid public schools, and the low bid was 15% below the last estimate. Grove City Middle School bid both ways around the same time, with the total of the separate bids beating the combined low bid (which was submitted by the low general trades contractor) by about $500,000. But the back story on each of these highlights the problems inherent in objectively evaluating the 'best deal' for the school district.

The Beattie job matched a group of generals with a number of subs who don't normally work together. In the last hour of bidding several key mechanical and electrical contractors' bids didn't scope out well, and some of the bids were pulled at the last minute. Uhl Construction was the successful general, and has decades of school building experience, but the bidding didn't provide the clear competitive picture that would have resulted from generals taking bids from their regular subs.

In the Grove City case, the low general received incomplete subcontractor coverage from some trades that were bidding as separate contracts, and therefore estimated those aspects of the project very conservatively, resulting in a combined bid that was about three percent higher than the sum of the separate contracts. Also, the decision to bid both ways made the project undesirable to generals who planned to bid the project as a single prime project, and who would have brought different subs into the bidding process.

There was still discussion at Grove City about awarding the single contract, even though it was higher, on the assumption that it would have fewer claims. Such an assumption cannot be proven, of course, and the school board's fiduciary responsibility necessitated awarding contracts to the lowest bidders.

Further bidding this summer has done little to clarify the situation. Recent bidding in Upper St. Clair and Bethel Park, two adjacent south hills districts, provided savings of over 15% to the budgets of the projects. Each bid differently, with USC letting two single prime projects and Bethel Park bidding separate primes.

The inherent weakness in the evaluation is in the assumption that the market behaves the same way for both methods of contracting. First, the recession has created a bidding climate since the spring that is highly competitive. Trade contractors and generals have begun discounting bids to ensure that they can keep their good people working. At the same time, however, the recession hasn't deepened enough to dissuade firms from their separate or combined biases, so generals who don't want to do a multi-prime project won't invest the time to bid combined, and trade contractors who don't want to work as a sub won't quote the project that way. Unless the market becomes truly desperate, there won't be the kind of bid saturation that the districts seem to be expecting.

Multiple prime contract projects present a problem in that the weakest prime contractor can run the project, since the general trades contractor lacks the purse string control to motivate a poor performer. While there are several provisions that could keep this from happening (the most unrealistic being the provision for the general to put a price on the task of coordination), the reality is that an intractable contractor will be almost impossible to move, and the potential for claims that will arise from slow performance (including claims from the general trades) is an incentive to allow the project to drag.

Owners evaluating a single prime bid have a dilemma in that they cannot see the makeup of the critical mechanical and electrical trades, and the cross pollination of subcontractors means that their low bidder may not actually get the lowest sub bids on the street. Here again reality is different. Not much is secret on the street on bid day, particularly on a public project. And concern about inexperienced subcontractors bidding belies the fact that the general has the highest motivation to ensure that every sub hired can perform.

The cost of the project is ultimately determined at closeout, not bid day. Claims that multiple prime bidding has a track record of cost savings are as difficult to prove as claims that the same method has a track record of high claims and delays. Owners and architects who choose multiple prime contracts for a delivery system find comfort in seeing increased competition on a variety of trades, but must also accept that separate contract bidding is an inherently adversarial system that requires lots of management and time to bring a project in without double-digit claims and changes. Choosing a single prime contractor streamlines the hierarchy of responsibility, but the risk increases that a larger project may have more limited competition because of bonding or capacity limitations at the time.

A well-delivered project starts with clear and reasonable expectations that are communicated to the architect for design interpretation, and carry through as clearly in construction documents. This can happen with any contracting method. Owners and designers should evaluate contracting methods with eyes wide open, accepting the limitations of separate contracts or choosing to seek a waiver if that suits the owner's philosophy. Bidding a project both ways will not identify the least expensive and most responsive bid. Completing the project is the only way to accomplish that.

Best Practice

Take the Communications Lead in Siting Situations:

Don't Let a Project's Opponents Define It

by Tim O'Brien, APR

One of the most common communications challenges faced by developers, property owners, contractors, architects and others involved in a new development is centered on siting. The issues could be many, from environmental and historical preservation issues, to simple NIMBY (Not In My Back Yard) objectors who worry about increased traffic, the possible impact on property values and in some cases a possible increase in taxes.

As common as the problem is, its solution is hardly ever simple. Each community is made of up different constituencies with their own agendas. Some economically depressed communities may welcome any sort of development that creates jobs and tax revenue, yet within their population could reside a large number of senior citizens on fixed incomes. Seniors may object to the development if it involves increased taxes that could result from building a school or municipal facility.

On the other hand, a developer in a suburban community with a healthy tax base may find obstacles to progress from those concerned with aesthetics, noise or environmental impact.

The public process for community involvement is familiar. There are municipal meetings, zoning hearings, public town meetings and site tours with key local leaders. Feasibility studies are conducted, analyzed and presented. Timetables are established. And if all goes well, ground is broken, there are no construction delays or cost over-runs. Ideally, the project is completed on time and on budget and everyone is happy.

In the real world, however, working to obtain approval for projects requires a proactive approach to strategic communications outreach.

With this in mind it's worth considering some basic steps that can be taken on the communications side to help pave the way for a smooth construction project.

Attitude Research

One of the areas of preparation most often neglected involves intelligence gathering in the form of community attitude research. This can be conducted quantitatively or qualitatively through surveys and focus groups. The purpose of the research is to gauge potential opposition and support, and determine those hot-button issues that can serve to either sink a project or help it sail through the approval process. In the course of this research, it is also possible to determine what key messages and themes will resonate most with the majority of the people, helping to build a base of support.

Spokesperson Preparation

Quite often, technical professionals are assigned to attend tedious public council meetings and zoning hearings to cover the details of a project. Frequently emotional, highly vocal, and well-organized opponents show up at these meetings, attacking the projects and project representatives. Usually there is at least one reporter at the meeting to capture it all for the local newspaper, and it builds from there.

It is important to be prepared for every public forum, starting with assigning a dedicated spokesperson to respond to the media and address concerns expressed by protestors so that the project's side is not left out of the coverage. Depending on the project, the firms involved and the scenarios presented by individual meetings, it is advisable to make sure that certain representatives are communications-trained so they aren't tongue-tied when procedural meetings suddenly turn into political rallies and photo ops.

Use both Old and New Media

Throughout the preliminary phases of a project, public meetings provide a ready forum for traditional communications, built mostly on neighborhood and local newspaper coverage of events. Developers who passively leave all public communications to this process open themselves up to attacks from increasingly sophisticated grassroots opponents.

The first thing to consider is a dedicated Web page with a recognizable URL that is identifiable with the proposed project. On the site, include Frequently Asked Questions (FAQ); pictures, videos and drawings of the final development; the latest news releases; and a message from the project leader. This is a good place to acknowledge, respond to and defuse any unfounded rumors or concerns. It is important to keep the page timely and current.

Also, make sure the opposition's online activity is monitored. More and more, opponents to developments create their own Web sites and blogs. They participate in message boards sponsored by the local newspaper or television station. And they create social networking Facebook pages that are dedicated to their message.

Create lists of your own key constituencies so that you can blast emails out to them, alerting them to the latest news from your side, or responding to concerns.

Build Alliances

On the outreach front, it remains effective to give tours of the proposed site or other completed sites, which provide a model for your vision for the project at hand. Meet with community organizations that are likely to support your efforts, along with those who may have concerns. Consider the creation of a community advisory board to solicit community input throughout the conceptual development phase of the project. Caution would need to be taken, however, to avoid situations where organized opposition would use such a board for its own purposes.

Identify those community groups that may have the most to benefit and are most likely to support the development. Prepare your communications so that those groups can share information with their members via email, their own Web sites or mailings. Attend and speak at their events to help mobilize them in support of your plans.

Have a Communications Strategy

Believe it or not, many developers enter the preliminary phase of a development with a communications strategy that is neutral at best, planning only to respond to concerns as they are raised in public forums. This is a passive approach to communications that allows the opposition to set the communications agenda and define public perceptions.

A recommended approach is not to meet opposition with neutrality, but rather to conduct public education efforts that make a solid case for the developer's vision for the final project, selling it to the community at a level that touches the self-interest of constituents and accents the benefits to them.

Don't wait for the media to call you about specific topics, but rather, schedule regular meetings with reporters and editors to update them on progress. This helps to ensure your side receives coverage that is accurate, fair and balanced. On media relations, it is critical that you provide accessibility. If the media feels that you are accessible and responsive to them in good times and in bad, you will earn the kind of goodwill needed to ensure fair coverage no matter what happens.

SITING SITUATIONS ARE COMMON, YET COMPLEX. THE ONE MISTAKE ANY DEVELOPER CAN MAKE IS TO UNDERESTIMATE THE COMMUNICATIONS CHALLENGES. BUT WITH PROPER PLANNING AND PREPARATION, COMMUNICATIONS OUTREACH CAN BE TURNED INTO STRENGTH, SETTING THE TONE FOR A POSITIVE EXPERIENCE FOR ALL INVOLVED.

Tim O'Brien, APR, is owner of O'Brien Communications, an independent corporate communications consultancy based in Pittsburgh. For over 25 years, he has provided support to organizations facing the full range of communications challenges, including crisis and issues management situations. He can be reached at 412.854.8845 or at timobrien@timobrienpr.com. BG

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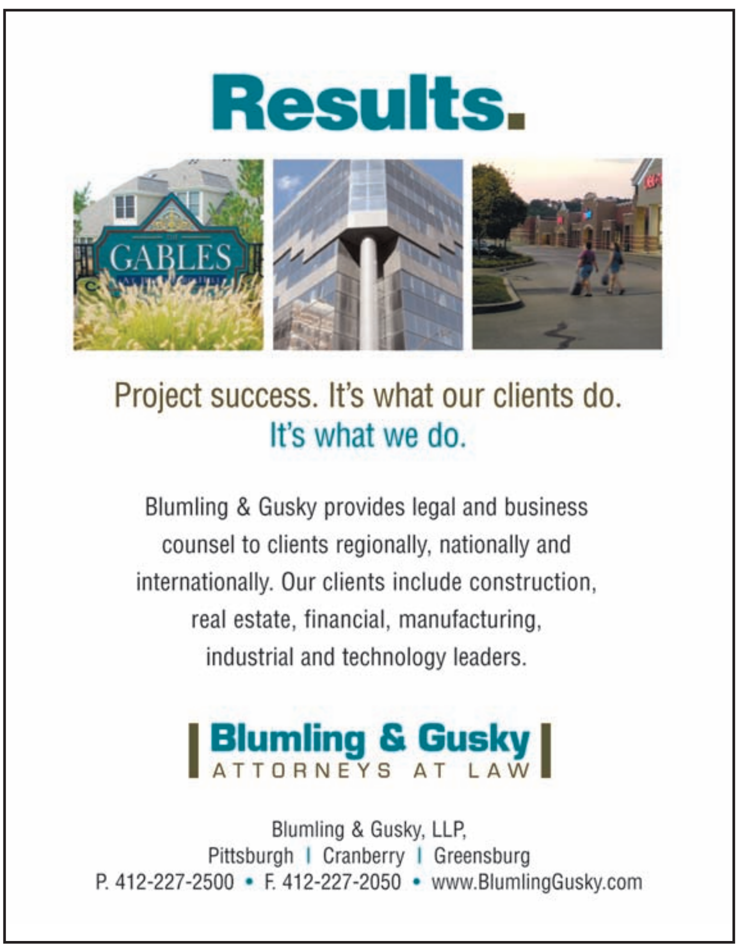

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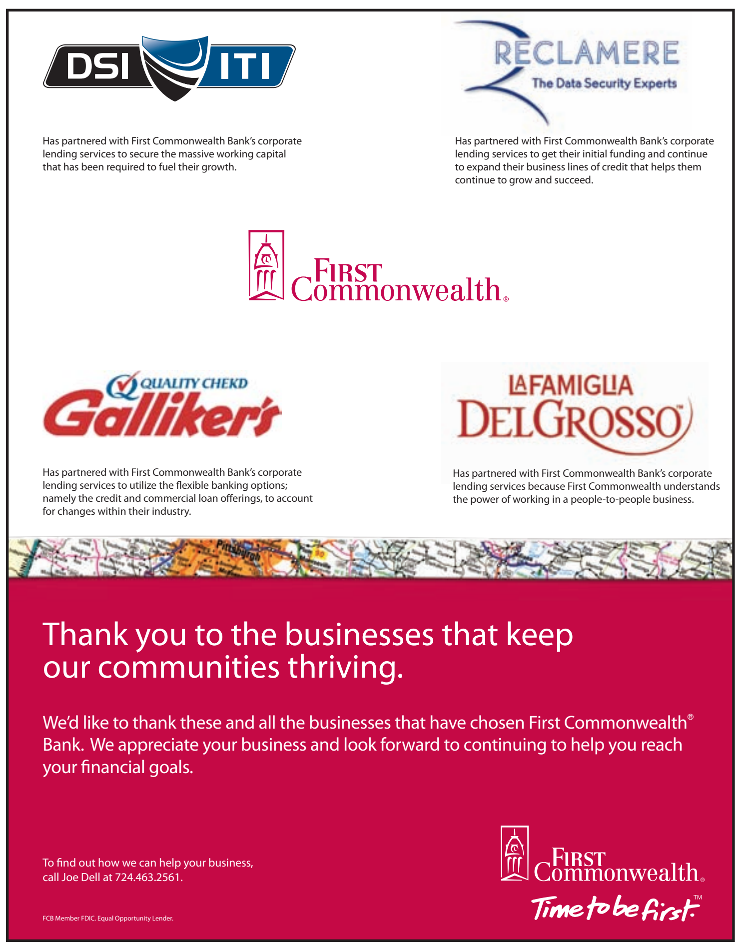

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AWARDS & CONTRACTS

Pennsylvania Department of Transportation awarded a $24 million contract for renovations to the Fort Duquesne Bridge to Trumbull Corp. The project is one of the first PennDOT projects awarded under the American Recovery & Reinvestment Act. Work should be complete in fall 2010.

Landau Building Co. was the successful contractor on three renovations projects at the Heritage Valley Health System Beaver Medical Center in Brighton Township, Beaver County. The projects totaled approximately $1.5 million and included work at the Medical Center's fluoroscopy, cathertization labs and wound center. Paul Slowik & Associates is the architect.

Landau Building Co. continues ongoing renovations to the Andrew Carnegie Free Library & Music Hall in Carnegie, PA. The most recent portion of work includes the restoration of the Civil War Room.

West Penn Allegheny Health Systems awarded Volpatt Construction a contract for renovations to Canonsburg General Hospital MRI and mammography suites. The $750,000 project was designed by Valentour English Bodnar & Howell Architects.

Volpatt Construction was the successful contractor on the Shadyside Presbyterian Church renovation and additions, a $4 million project involving the conversion of a gym into a parish hall, courtyard enclosure and a stair addition. The architect is Celli-Flynn Brennan Architects.

University of Pittsburgh Medical Center has awarded Volpatt Construction a contract for the renovation of on-call suites at Presbyterian Hospital Scaife Hall. IKM Inc is the architect on the $150,000 project.

Poerio Incorporated was awarded a construction management contract from JC Penney Store to renovate the restroom facilities at the Canton Ohio Store in the Canton Centre Mall. The renovation is to an existing 450 square foot restroom area that was designed by Nudell Architects.

Poerio Incorporated was recently awarded a contract from PNC Bank to build a new PNC Branch. The new 3,600 square foot facility is located in Rehoboth Delaware. The architect on the job is Gensler and the project is being built LEED certified. The project is expected to be completed in summer of 2009.

TEDCO Construction was the successful bidder on the Centre Plaza Apartments Garage Repairs for the University of Pittsburgh. Brace Engineering was the designer on the project.

The Carnegie Library of Pittsburgh awarded Rycon Construction a contract for additions and renovations to the East Liberty branch library. EDGE Studio is the architect for the $5 million project, which involves renovations to the existing 33,000 square foot facility and a 9,000 square foot addition.

Rycon Construction was awarded the Alpha School fit-out at LaRoche College in McCandless. The project involves renovations to 9,000 square feet of existing space. The Design Alliance is the architect.

Rycon Special Projects Group was awarded contracts for these projects: Highmark Third Floor Worksite Clinic Renovation, UPMC Magee Women's Imaging North Renovation and The Market at Fifth Retail Spaces Renovations.

JMH Automotive awarded Nello Construction a contract for construction of its new Grease Monkey facility on West Pike Street in Canonsburg. Franus Architectural Services is the architect for the 3,000 square foot, $920,000 building.

University of Pittsburgh Medical Center awarded a contract to A. Martini & Co. for renovations to Urgent Care. The project involves 6,240 square feet of space at 5231 Centre Avenue on the UPMC Shadyside campus. Radelet McCarthy Polletta is the architect.

A. Martini & Co. was the successful contractor on two projects for Excela Healthcare at Westmoreland Regional Hospital: renovations to clinical space for wound care and radiology. The architect for the projects is Image Associates.

PJ Dick's Small Projects Group, in conjunction with design partner, Crabtree, Rohrbach and Associates of Mechanicsburg, Pennsylvania was awarded design-build services for the New L-3 Close Security Housing Units project at the State Correctional Institution - Cambridge Springs in Crawford County, PA. The $11,350,000 project consists of a new 128-cell housing unit with required site and security modifications. The approximately 33,000 square foot prison facility addition is scheduled for completion in August 2010.

PJ Dick's Small Projects Group was awarded the fitout of the new Recreational Equipment, Inc. store located in the Settler's Ridge development in Robinson Township. The $1.1 million project is a complete fitout of a 26,000 square foot retail space. The project, designed by Vanney Associates Inc. in St. Paul, MN, is scheduled for completion in October of this year.

Mosites Construction has started construction on a new Walgreen's Pharmacy in Peters Township for developer Anchor Properties. The 15,600 square foot store was designed by Cole + Russell Architects of Cincinnati.

Swank Associated Contractors selected Mosites Construction as contractor for their new facility in Upper Burrell, outside New Kensington PA. The building is a two-story, 27,000 square foot, $4 million facility, designed by RSH Architects.

Norwin School District awarded Gurtner Contracting LLC a contract for general construction on the renovations to the district administration offices in North Huntingdon Township. Axis Architecture is the architect on the project, which totaled $1.26 million.

Gurtner Contracting LLC was awarded the $20 million general construction contract for the Fort Couch Middle School project by Upper St. Clair School District. The $22.2 million project involves construction of a new educational wing and major renovations. P. J. Dick Inc. is the construction manager and Graves & McLean Architects is the architect.

Federal Street Hospitality Associates has chosen Massaro Corporation to serve as the General Contractor for the Fairfield Inn & Suites on Pittsburgh's North Shore. This $11.5 million hotel will feature 10 floors, 135 guest rooms, and an indoor pool. Construction is slated to run July 2009 through August 2010. Burt, Hill Pittsburgh is the architect on the project.

The Franciscan Sisters of Toronto, Ohio have chosen Massaro Corporation to be the general contractor for their new chapel and motherhouse located in Toronto, Ohio. This $4.7 million dollar project will begin within the month and is expected to be completed in nine months. Design Alliance is the architect on the project.

Holding Acquisition Company, LP has chosen Massaro Corporation to be the general contractor for the restaurant build-out for the Rivers Casino Sports Bar. This 10,000 square foot fast-track project started June 3, 2009 and is slated for substantial completion by early November of 2009. The Architect on the project is Bergman, Walls, & Associates Ltd.

Massaro Corporation has been chosen as the Design/Build contractor by Cook Myosite to complete the new interior laboratory renovations in O'Hara Township. IKM is the architect on the project and RPA Engineers is the engineering firm working on the project.

Massaro Corporation was recently awarded a Design/Build contract for a 50,000 square foot interior renovation at the Ericcson building complex in Warrendale. Construction began in July and is slated to be completed in November of this year. Indigo Branded Environment is the designer on the project.

The Foundation for Indiana University of Pennsylvania selected Massaro Corporation to serve as the general contractor for the fourth and final phase of their student housing project. Phase IV began in May 2009 with the construction of a 185,800 square foot dormitory which will house 586 beds throughout four floors. This $28,000,000 project is slated for completion in August of 2010. Massaro served as general contractor for all four phases of this massive campus renovation alongside WTW Architects who also worked throughout the duration of the project.

dck worldwide, as part of BRDC, a joint venture with Burns & Roe, was recently awarded a $596,000 project for the design/build replacement of HVAC units at Building 2147, Combined Visitors and Officer Quarters, at U.S. Naval Base Guantanamo Bay, Cuba.

dck north america, a dck worldwide company, was recently awarded its fourth contract by BNY Mellon at One Mellon Bank Center. The project consists of approximately 35,000 square feet and includes the demolition and tenant build-out of the 6th Floor and complete demolition and reconstruction of the restrooms on the 6th and 7th Floors. dck is serving as general contractor for this contract, which is scheduled to be completed in two phases within a 16-week period.

dck worldwide was recently selected by NAVFAC to be one of four contractors awarded a GMAC (Global Multiple Award Construction) contract for the DOD.

dck, in a joint venture with Tetra Tech, and three other contractors have been awarded an Indefinite Delivery Indefinite Quantity (IDIQ) Multiple Award Construction type contract that will include both Design-Build and Design-Bid-Build projects.

Mascaro Construction was awarded the general contractor package for the new $73,312,745 Bethel Park High School. This package includes general trades work, earthwork, site utilities, and foundation. The scope of the project includes construction of a four-story above grade building totaling 317,000 square feet and is expected to break ground in August. Weber Murphy Fox is the architect. Massaro CM Services is the construction manager.

Mascaro was awarded a renovation project at the Harris Hall building on the Marshall University campus.

Mascaro received a contract for demolition and MEP rough-ins in preparation for the Larrimors tenant fitout at One PNC Plaza.

Mascaro is providing preconstruction services for the development of the World War II Memorial. The memorial will be located on Northshore's Riverfront Park on a portion of the Great Lawn.

Cuddy Roofing Company has been awarded roofing contracts for a combined 125,000 square feet at Connellsville Jr High, Connellsville, PA and PNC Bank Data Center, Pittsburgh.

John Deklewa & Sons is the successful contractor for the Norwin Lab & Imaging Center project for Excela Healthcare in North Huntingdon Township. The architect is Image Associates.

The Elmhurst Group selected Burchick Construction as contractor for their $18 million, 115,000 square foot Schenley Place office in Oakland. Construction is expected to start in late 2009 on the seven-story building, which also involves a three-level below grade parking garage. Burt Hill is the architect.

Faces & New Places

Rycon Construction, Inc Special Projects Group is pleased to welcome Steve Brunecz to their team. Steve was named Project Manager and brings over 25 years of experience in the construction industry to Rycon.

PJ Dick is pleased to welcome Kayla Polick as estimator. Kayla is a recent Civil Engineering graduate of Penn State University. PJ Dick is proud to announce the addition of James Washabaugh, LEED AP as an Engineering Intern for the Consol Energy Center project. Jim is currently pursuing a Masters of Science in Architecture-Engineering-Construction Management degree from Carnegie Mellon University, where he earned his Bachelor of Architecture degree earlier this year. Jim is assisting with the building information modeling (BIM) at the new arena project.

Vince Fasline joined the Massaro Restoration Services, LLC team as a business development representative. Vince graduated from Indiana University of PA with a business and marketing degree and when not on the job, a local comedian and actor.

Pittsburgh law firm of Maiello Brungo & Maiello has been appointed solicitor of the newly formed Central Valley School District. The appointment follows the first school merger of any kind in Pennsylvania since the 1982 Woodland Hills merger and the first voluntary merger within the state since the school consolidations of the 1960s. Central Valley School District was formed on July 1, 2009 from two adjoining Beaver County Districts, the Center Area School District and the Monaca School District. Alfred C. Maiello, MB&M's Senior Managing Partner, led the districts through the merger process.

Gateway Engineers is pleased to welcome Brian May, P.E. as Project Manager. Brian has over 10 years of structural engineering and design experience. Gateway Engineers recently received the 2009 Outstanding Advocate for Good Government Award from the Local Government Academy of Allegheny County.

Joshua Sprowls, Project Manager for Chronicle Consulting, LLC, passed the Professional Engineer state licensing exam in June. Joshua oversees construction and renovation projects for Pittsburgh Public Schools. John R. Moore joined Chronicle Consulting, LLC as a Senior Project Manager. John will oversee projects for the Housing Authority and for Community Center Library Association in Fox Chapel.

The Duggan Rhodes Group (DRG) recently promoted Brandon McGlothlin from Consultant to Senior Consultant. Brandon specializes in construction claims consulting and has been with DRG since 2006. Brandon graduated from Grove City College with a B.S. in Industrial Management and is currently pursuing his M.S. in Construction Management from the University of Pittsburgh.

Melissa Annett, LEED AP and Natale Cozzologo have joined IKM Inc. as graduate architects. Ms. Annett is a graduate architect from Penn State University and is a LEED Accredited Professional. She joins the firm working toward fulfilling her intern development program (IDP) requirements to sit for the architectural registration exam with the goal of becoming a registered architect. Natale Cozzolongo is a graduate of the Carnegie Mellon University School of Architecture. He is also working on his IDP requirements with a goal of sitting for the exam and becoming a registered architect. BG

The Industry in the Community

MBA Executive Director Jack Ramage & wife Amy.

Sharon Glover (left) and Jon Higgins flanks Elizabeth Quinn from TEDCO.

Club Noir

On July 31 Rebuilding Together Pittsburgh (RTP) held its annual Club Noir fundraiser at the Heinz Field East club. The event, which is the principal fundraiser for RTP's work repairing homes for the low income, elderly and disabled, attracted nearly 500 people to Heinz Field for the evening, raising $25,000. Club Noir was presented by sponsors Meyer Unkovic & Scott and Reed Smith, and the event is responsible for helping to fund the Rebuilding Day each spring. The 2009 Rebuilding Day resulted in the rebuilding of 31 homes and delivered $575,000 worth of construction services.

Volunteers from the Greater PA Regional Council of Carpenters and Mascaro Construction rebuild the barn of veteran Bob Briggs

Mascaro Construction, Carpenters Local Rebuild Barn

On July 15, 2009 a crew of carpenters from the Greater Pennsylvania Regional Council of Carpenters and representatives from Mascaro Construction Company help to build a new barn owned by a dairy farmer, Bob Briggs, in Avella. Briggs is a Silver Star and three-time Purple Heart recipient from the Vietnam War. His barn had previously been destroyed twice as a result of arson. Last month, his barn was destroyed for a third time from a microburst that hit this area.

Nello Sponsors Second Annual Noah Angelici Golf Tournament

The second annual Noah Angelici Hope Foundation Golf Tournament was held June 15 at Southpointe Golf Club with 120 participants. Noah and his twin brother, Jackson, were born to Adam and Jennifer Angelici of Bethel Park. Before birth, the twins developed Twin-to-Twin Transfusion Syndrome (TTTS), a rare condition where abnormal blood vessels develop and connect the circulatory systems of the twins, resulting in an uneven exchange of blood flow. Although his mother underwent life-saving fetal surgery, Noah was born with several health complications. He persevered through many surgeries and much time spent was in the pediatric intensive care unit but Noah died in December 2007.

The golf tournament raises awareness of TTTS and, this year, benefitted the TTTS Foundation as well as The Children's Home and Lemieux Family Center. Headline sponsor for the tournament was Nello Construction Co. with additional sponsorships from Range Resources, PNC Investments, Bombardier Transportation, Centimark and Nathalie Lemieux.

(left to right) Rose Tennent (104.7 FM News Talk), Janet Torriero (Nello Construction), Jessica Russell, Jennifer Angelici, Jane Klimchak

(left to right) Gino Torriero (Nello Construction), Dan Bull (Prudential), Annie Whitehead, Mike Whitehead (Axiom Financial Group, LLC)

Young Constructors and Young Architects Forum Cement Ties

The MBA's Young Constructors (YC) and AIA Pittsburgh's Young Architects Forum (YAF) met on August 20 at the Firehouse Lounge in the Strip to formalize the ongoing efforts to bridge the two professional groups. Over 90 architects, estimators, project managers and executives from the region's contracting and design firms attended the networking event. The evening acted as a formal kickoff for regular educational and networking programs that are designed to create and strengthen relationships between future construction and design leaders.

(left-to-right) YC/YAF event sponsor Del Walker of the Pittsburgh Builders Exchange with Tessa Berkebile of Rycon Construction, and YAF co-chairs Arthur Sheffield of Massaro Corp. and Kristin Merck of WTW Architects.

Sean Shreffler from Astorino (left) with Mary Linn Theis of the International Masonry Institute and Giffin's Monty Gibson.

DRG volunteers included Laura Arrigo, Carren Gallick, Bill Kerns (not pictured), Ivonne Beltran, Andrew Dombroski, Sarah Shaffer, Mark Hammad, Jeff Hogan and Will Motley.

DRG Volunteers with Habitat for Humanity

On July 25, 2009 members of The Duggan Rhodes Group (DRG), accompanied by friends and family, volunteered for a house building project for Habitat for Humanity Allegheny Valley. The Allegheny Valley chapter was founded in 1996 and has completed 17 homes in 12 years. Through their partnership with Pittsburgh Cares, DRG volunteers had the pleasure of being among one of the first volunteer groups to work at Habitat's new build site: the parking lot of the Galleria at Pittsburgh Mills. This is the first time the Allegheny Valley chapter has built a house off-site with the objective of raising public awareness to assist in their efforts to increase volunteerism and funding. To find out more how you can help out, visit www.habitatav.org.

Massaro Team Rows in the Heinz Challenge

Massaro Corporation participated in the Heinz Challenge, a rowing sprint race held in Pittsburgh. This is the second year of participation for the Massaro Rowing Team and participated in the mixed-eight challenge, winning their heat. They also competed in the joint venture women's race, as well as the men's eight race. Employees Jeremy Bowlby, Lisa Clark, Rob Chambers, John Buechli, Jeremy Tartt, Josh Kerestesi, Della Miller, Hilary Brown, Mike Tarle, Mike Katz, Zach Walters and Chris Lasky make up the team. Massaro participated among other corporations like Medrad, Heinz, Alcoa and others. BG

The Massaro Corporation rowing team at the Heinz Challenge on July 25, 2009.

Presenters Dick Donley of Chaska Property (left) and Michael Klein of Bluming & Gusky (right), flank Rep. Mike Turzai and MBA Exec. Dir. Jack Ramage at the MBA/NAIOP seminar on the proposed legislative update to the Mechanics Lien Law, held at the MBA headquarters on Aug. 27.

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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Rycon Construction, Inc.
Stevens Painton Corporation
TEDCO Construction Corp.
UHL Construction Co., Inc.
Joseph Vaccarello Jr. Inc.
Volpatt Construction Corp.
Walbridge East LLC
Carl Walker Construction Group, Inc.
Yarborough Development Inc.

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Easley & Rivers, Inc.
Ferry Electric Company
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Flagship PDG
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FRANCO
Fuellgraf Electric Company
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M.I. Friday, Inc.
Mar Ray, Inc.
Marsa, Inc.
Master Woodcraft Corp.
McKamish Inc.
McKinney Drilling Company
Miller Electric Construction, Inc.
Minnotte Contracting Corp.
Nicholson Construction Co.
Noralco Corporation
T.D. Patrinos Painting & Contracting Company
Paramount Flooring Associates, Inc.
Pevarnik Bros. Inc
Phoenix Roofing, Inc.
Precision Environmental Co.
RAM Acoustical Corp.
Redstone Acoustical & Flooring Company, Inc.
Sargent Electric Co.
Scalise Industries Corp.
Schnabel Foundation Co.
SPECTRA Contract Flooring
J. Stecik Interiors
Swank Associated Companies, Inc.
Team Laminates Co.
W. G. Tomko, Inc.
Wellington Power Corp.
Wyatt, Incorporated

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Alltek Staffing & Resource Group
Alpern Rosenthal
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AON Risk Services of PA, Inc.
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Westfield Insurance
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Zurich NA Construction

Closing Out

The G-20 Summit Comes to the Heart of Pittsburgh

By Dennis Yablonsky

From atop Mount Washington, visitors to Pittsburgh and residents alike enjoy what USA Today declared one of the best views in America. What many fail to appreciate is that Pittsburgh's skyline, world class riverfront development, vibrant cultural district and transforming downtown didn't just happen. To paraphrase David McCullough, historian and native son, "People made it happen."

Downtown Pittsburgh has been a work in progress for 65 years, since the Allegheny Conference was formed to bring together private sector leaders to work with government to improve our region's economy and quality of life, one of the nation's first great public/private partnerships. In the beginning, it was pretty much a "do-over." Pittsburgh pioneered urban redevelopment by creating America's first urban redevelopment authority and leveled a warehouse district to make way for Point State Park, the apex of The Golden Triangle.

Downtown has grown into the second biggest commercial center in the Commonwealth of Pennsylvania, right after Center City Philadelphia. It's home to such national and global giants as Alcoa, Allegheny Technologies, BNY Mellon, The H.J. Heinz Company, Highmark, the PNC Financial Services Group, PPG Industries, UPMC and United States Steel. And it's been growing as a center of business services and support with the emergence of K&L Gates and Reed Smith as global law firms. In fact, business services have become one of our region's fastest-growing employment sectors in this decade as Pittsburgh has enjoyed a growing presence from firms such as Jones Day, Buchanan Ingersoll Rooney and Citizens Bank.

Of course, plenty of downtowns across America boast vibrant business communities during the day and turn into ghost towns at night. That was true for Pittsburgh, too, until the '70s and the '80s when attention turned to The Cultural District. (Back in 1971 when Heinz Hall opened as the home of the Pittsburgh Symphony Orchestra it was more of a "red light" district than anything else.) Pittsburgh is unusual in that the community made arts and culture the centerpiece of a Downtown revitalization strategy. Over the past 25 years the Pittsburgh Cultural Trust has invested in theaters and galleries. The idea was to attract restaurants, shops and even residential development. And the strategy worked!

The success of the Cultural District helped to make possible the investment in stadiums, a new convention center and riverfront parks and trails. The improvements in quality of life drew developers of new apartment buildings, lofts and condominiums in the central business district and nearby neighborhoods.

Since 2006, the Pittsburgh Downtown Partnership estimates that more than $4.8 billion has been invested in Downtown improvement projects, which includes total completed, active and planned investment. Current and planned projects total almost $4.2 billion.

After 65 years, the work is far from done. But it is happening. With the foresight of community leaders, foundations and, of course, the willingness of developers to take a risk on the future, Downtown Pittsburgh is an increasingly vibrant community and destination.

Dennis Yablonsky is the CEO of the Allegheny Conference on Economic Development. BG