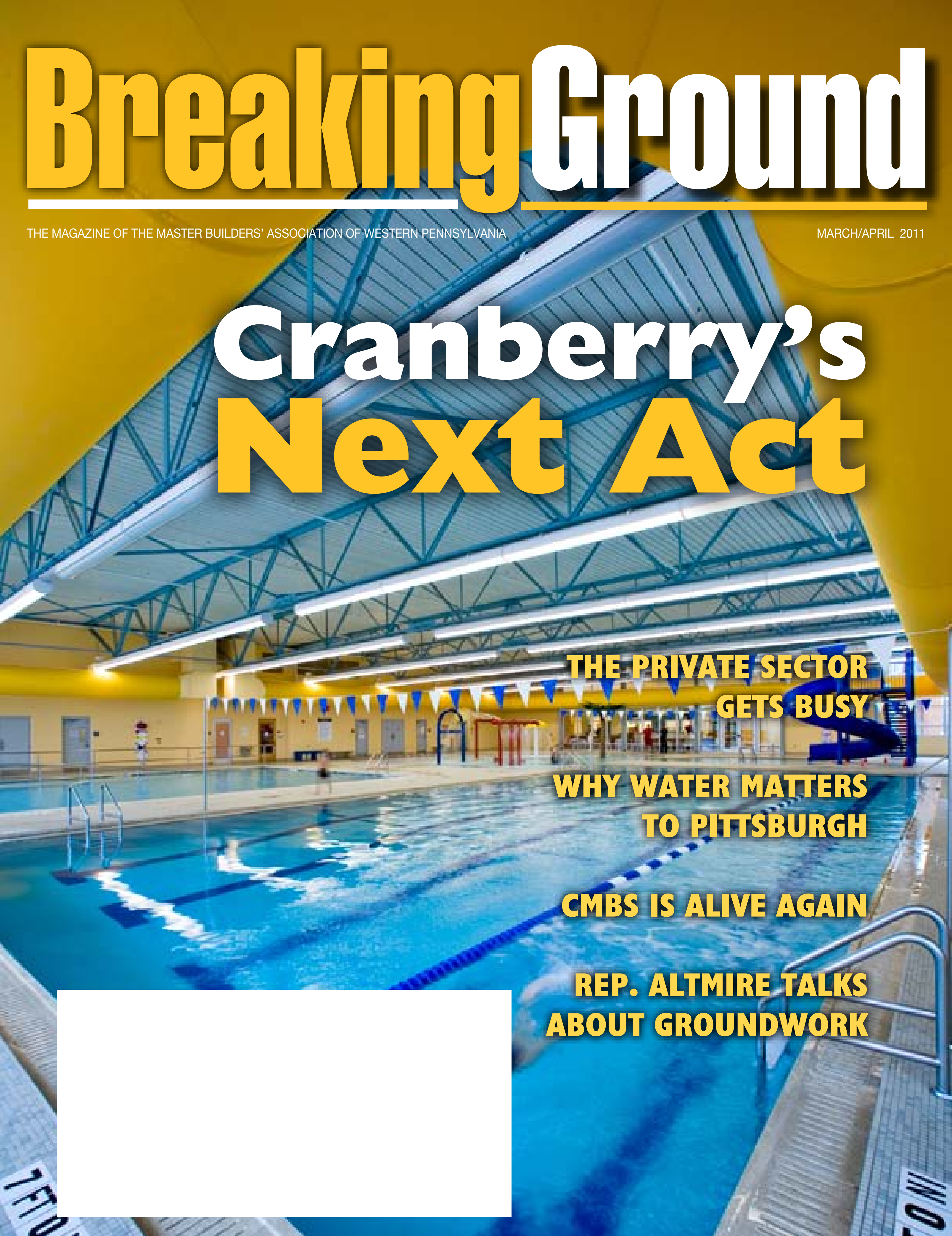

Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

MARCH/APRIL 2011

Cranberry's Next Act

THE PRIVATE SECTOR GETS BUSY

WHY WATER MATTERS TO PITTSBURGH

CMBS IS ALIVE AGAIN

REP. ALTMIRE TALKS ABOUT GROUNDWORK

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Publisher's Note

Even though *BreakingGround* is now more than halfway through the fifth year of its existence, more often than not when I relate to the feature subject of a bi-monthly edition the experience from the Pittsburgh Construction News is still my point of reference.

That is certainly the case when the subject is the story of Cranberry.

You'll note when I speak of Cranberry that I've omitted the word 'Township' from the name. That is an intentional omission. While most of the extended growth that has occurred near the intersection of I-79 and the Turnpike has been in Cranberry Township proper, the sub-market we're talking about is broader than the municipal boundaries. The distinction matters to me because the economic phenomenon of Cranberry has mostly defied municipal planning, even though the township's planners have done unusually good planning.

Most of us are familiar with the aphorism, 'Life is what happens while we're making other plans.' You could substitute the word growth for life and be reasonably accurate in describing how Cranberry bloomed. When John Nutt and I started the Pittsburgh Construction News in 1994 we undertook the not inconsiderable task of building a dataset of what was going on in the region. Looking for the hot spots, we were immediately directed to Cranberry Township and Dan Santoro, then the director of planning for the municipality. In trying to help me understand what was going on in southwestern Butler County, Dan explained that an unusual spurt in new home construction had occurred and that the township felt the area was 'under retailed' by about 250,000 square feet. The impression I got was that development was winding down in that area. It was not.

At the time the hot project in planning there was the Cranberry Square development that Pat Nardelli was doing. The size of that retail plaza was right at the quarter million square foot benchmark. Bear in mind that Cranberry Square was going to fill in what appeared to be the last big hole on the Route 19 retail corridor, and it was going to include a bunch of the retailers that were missing from Cranberry's inventory.

Of course after that came Home Depot, a Super WalMart and Sam's Club, Lowe's, Costco, Target, Cranberry Commons, about a dozen restaurants and lots of strip retail, all told about ten times Santoro's estimate. At the time, few people realized that the American consumer was about to become a shopper on steroids and change the retail equation significantly. It's also true that the township's careful planning – and it was carefully trying to plan development – could not foresee just how much stamina the growth arc would have.

The accelerated growth – especially in new home construction – lasted almost two decades and the construction volume was fairly consistent. Most of that time there were about 300 new housing units in Cranberry Township, 200 in neighboring Adams Township, 100 in Pine Township and nearly that many in Marshall Township. Those new housing developments begat all that retail, which in turn provided enhanced tax revenues for the local governments.

Those local governments actually played a significant role in the development of Cranberry, although sometimes it seemed like they were playing a role in not developing the area. In particular Cranberry Township's planning process influenced how residential development would occur and paved the way for a different scale of commercial development after its 1995 comprehensive plan update.

That update marked a transition from the early phase of development to a very different style of growth. The transition was like moving from one act of a play to another, hence the concept of the story of Cranberry in four acts. It's probably a little trite but thus far there have been three fairly distinct 'acts' since the growth accelerated in Cranberry, with another about to commence

Principals of modern community planning have eased the transition from burgeoning bedroom community to employment center in Cranberry, but it's also eliminated some of the quirks that happen when a bunch of farms become home to tens of thousands of people in ten or fifteen years. I'm not sure anyone lives in the old houses that somehow survived all the commercial construction on Route 19 or 228 or Dutilh Road. It's comforting though, that you can still escape on Rowan Road to the east or Glen Eden Road to the west and be in farm land in just a few minutes. I hope it stays that way a little longer

Jeff Burd

REGIONAL UPDATE

As the regional economic benchmarks continue to outpace the national economy – which continues to show recovery in the areas that precede growth of commercial demand – the indicators remain solid for 2011 as a recovery year in non-residential construction. But by late-February, the market is still characterized in terms of potential rather than performance.

Potential construction from government spending is less likely than in the past few years. The beneficial impact of ARRA 2009 has gone through the state's systems, and the decline in heavy and highway investment reflects that. President Obama recently floated a proposal to invest $500 billion in infrastructure improvements to maintain economic viability into the future but the proposal lacked specificity about both funding sources and timeframe.

Another government decision that will negatively impact the market is the decision by the Corbett administration to cancel the construction of the 2,000-bed new prison unit at the State Corrections Institute-German Township in Fayette County. The move was not much of a surprise, as Gov. Corbett had expressed skepticism about the prison expansion program as attorney general, and it came as the award of the project was being protested. That protest was deemed likely to succeed by several legal observers not involved in the case. At $178 million, the project represented a significant backlog for the successful contractors, backlog that will now have to be replaced from existing opportunities, which makes a competitive market that much more so.

Bidding activity at the end of February was running ahead of the same period in 2010, with a more significant increase in the private sector activity. Activity has picked up in many of the commercial sectors that had been slowed by the recession and financial crisis.

Among the types of projects that have been on the streets are churches, which rely on the generosity of the consumer, car dealerships, which rely on consumers buying cars, and senior living facilities, which rely on the homeowner selling his or her existing home. The latter category of building has seen demand build because of favorable demographics, but new construction has been tamped down by unavailable financing and recessionary pressures that made it difficult for empty-nesters to transition from home ownership.

Consumer health has improved over the past twelve months but it has not yet translated into robust construction in the most obvious sector to benefit from a happier consumer: retail. While some specific retail locations have prospered during the past two years – most notably Ross Park Mall, Settlers Ridge and the Tanger Outlets – very little new construction is underway or in the pipeline for 2011. Pittsburgh as a market has actually seen more retail construction since the recession than other major markets, but the volume is way off historical standards. Although most retail centers in the metropolitan area have maintained decent occupancy, conditions have not inspired new investment. And the lack of big box development is disconcerting.

Government data can be misleading in judging the direction of the economy. Research methodology for some of the data is suspect and is often better at predicting what has already occurred. Big box retailers, on the other hand, have been entirely reliable in detecting a consumer recovery. The scale of their investments – a typical WalMart or Home Depot is a $15 to $20 million bet – makes it incumbent upon the retailer to be darn sure that the stores will get traffic once opened. Unlike in 2004, activity in big box retail has been virtually non-existent thus far in this recovery. A new Target in East Liberty, a Lowe's in McCandless and a WalMart in North Huntingdon Township are the full extent of the new construction, and retail bell cow WalMart actually pushed back its plans to build new stores in Ross and Moon Townships.

One possible explanation for this missing piece of the retail market could be a sea change in consumer behavior that will make big box retail less profitable to develop, but the reality is that such a change hasn't been detected by the retailers as of yet. There simply hasn't been enough evidence of consumer recovery to motivate the WalMarts, Targets and Costcos to begin expanding. Until they do, the jury will remain out on the recovery of retail.

One sector of the market that is performing well is manufacturing. The steel industry has been grabbing most of the headlines about new construction, with major upgrades at the AK Steel Butler Works and the USS Clairton Battery C and the new hot rolling mill for Allegheny Ludlum in Brackenridge. Construction at these three facilities will add almost $2 billion to the market over the next couple of years. Outside the metropolitan area, V & M Star's $650 pipe mill in Youngstown has proven to be an opportunity for several Pittsburgh contractors.

The impetus for the V & M project is the burgeoning natural gas exploration in the region, for which the pipe is being gobbled up as gas distribution infrastructure is put in place. Support facilities for the drilling and extraction processes – like frac water treatment plants and compressing stations – are also under construction throughout the region. Cal Frac Well Services has started work on what will ultimately be a $140 million investment in the Fayette Business Park near Fairchance. Most of the facilities for frac water treatment will be much smaller, although each will result in at least $10 million in construction. Like the frac treatment plants, compressor facilities have been developing throughout the gas patch. These facilities are small in comparison to the production and distribution projects that were built during the past

THE SEGMENT OF THE MARKET THAT IS

LIKELY TO BE THE NEXT HOT PRODUCT ...

two years, but again each represents between $15 million and $25 million.

During the past 18 months or so the region has also seen construction of dozens of drilling and exploration related businesses that are down the supply chain. New facilities for tool and well services companies are on the drawing boards. Durabond is preparing to start construction on a 55,000 square foot pipe coating plant on RIDC property in Duquesne and Horizontal Wireline Services plans to build two buildings totaling 36,000 square feet for its explosives business in the Alta Vista Business Park in Washington County.

Also expected in Alta Vista is a 75,000 titanium processing plant for Latrobe Specialty Steel. The project is being managed by CDMG, a Stevens division with offices in Southpointe.

Another specialty metals company, Horseheads Corp. announced plans to build a new zinc line, although the company has not announced whether or not the new facility would be located at its Monaca plant in Potter Township, Beaver County or at another site.

The resurgence in metals is a result of rapidly rising prices and demand, combined with unusually large cash balances in the corporate coffers. The projects are breathing life back into many small contracting firms and suppliers who made a living servicing the mills in the Mon or Ohio River Valleys prior to the decline in steel manufacturing a generation ago.

The segment of the market that is likely to be the next hot product is office construction. The fundamentals of supply and demand are favorable – vacancy rates are below 10 percent in the largest submarkets – and financing for office product appears to be improving. More importantly, the region's employers are hiring. CB Richard Ellis vice president Andy Wisniewski talked about the conditions in the office market at a CBRE symposium on real estate held February 17. Wisniewski pointed out that the region's ten largest employers were in the process of adding almost 5,000 employees this year, and that several of the largest – PNC, UPMC, BNY Mellon – were straining to find space downtown.

Wisniewski also talked about a symptom of the current conditions that was adding to the office market's stability.

"For larger companies – and I'm talking about 40,000 square feet or more – the cost to pick up and move is becoming much more expensive, and with the tightness of the office market they don't have a lot of options," he explains. "At the same time building owners have been trying to secure their financing by extending the leases of larger A credit tenants. Both sides are motivated to extend the terms of a lease and it makes sense for the tenant to secure improvements or rate or lock in expansion rights."

Wisniewski points out that this phenomenon has been going on in Pittsburgh during the past couple of years. He expects that the easing of economic fears will mean that similar dynamics will now impact smaller tenants, many of whom had been hunkered down but are now feeling the need to expand.

Office projects have been among the first private sector jobs to get underway in 2011, and represent a big share of the pipeline. Work has started on Range Resources headquarters for its Marcellus Shale operations in Southpointe, a 180,000 square foot facility built by PJ Dick. The Embassy Park office condo being developed by Horizon Properties and built by Rycon in Southpointe is also underway. Construction is about to start on Pennwood Commons II, a 54,000 square foot office developed by PA Commercial in the RIDC Thorn Hill. And planning is in various stages of development for new offices in Cranberry Woods, South Side Works, and by Elmhurst Group in Oakland and two sites in Cranberry. Although no detailed planning is being done for offices in Downtown, both Millcraft Industries and Scalo Real Estate Services recently reiterated plans for mid-rise office buildings.

The health of the industrial and office markets is a good sign for the regional economy beyond the new construction impact. Expansion in these categories is a function of the success of businesses that are job creators, and the need for more space reflects increased employment in those businesses. An improving employment picture means an increased tax base for local and state governments, more customers for local retail and recreational businesses, and more options for graduates of the region's universities. There are no economic downsides to growth in office and industrial space.

Contracting in January and February exceeded $420 million, a higher than average volume for the winter months. Indications from some design firms are that a lull has followed the heightened activity of the winter, but this can also be a function of cycle of marketing in architect's offices, where having a lot of work often means not chasing more work. More construction will be done in 2011 than in 2010, but it will be mid-year before local firms in the industry can judge how much improvement their bottom lines will feel. By that time, the region should know whether or not an $800 million vaccine and bio-defense facility is in its future. If the UPMC-lead effort succeeds, 2011 will be remembered fondly, regardless of the contracting environment. BG

NATIONAL MARKET UPDATE

The most recent rounds of economic data have reinforced the notion that global markets are recovering and growing again. Gross domestic product (GDP) in the U.S. moved above three percent in the fourth quarter and private sector hiring continues to improve.

Optimism about the economy is spreading but remains muted at best. A January survey of AGC members revealed that 27 percent of the respondents expected to add to staff in 2011 while only 20 percent foresee further layoffs. At the same time, just 16 percent were forecasting growth in the construction market in 2011. Nearly half (48 percent) of the respondents did not expect growth in construction again until 2012. The National Association of Business Economists' survey was more upbeat, with 42 percent responding that their firms would add to staff and only seven percent expecting layoffs.

The 84 NABE respondents overwhelmingly expected GDP growth in 2011, with only one forecasting decline. Of those, 20 percent forecasted GDP between 3.1 and 4 percent; 62 percent predicted growth of 2.1 to 3 percent. NABE also queries capital expense planning and 62 percent responded that their firm expected to increase capital spending.

Final year-end data for 2010 showed total construction at $814 billion, the lowest annual total since 2000. Public construction was slightly higher overall in 2010 because of lingering spending from the 2009 stimulus, but public building construction slumped. Private construction was down 12 percent in non-residential buildings and a further 9.8 percent in residential structures. Construction of power plants, transmission and renewable energy projects was the only non-residential building category with an increase.

Heavy and highway construction volume in 2011 will be hurt by budget problems in state governments and the Congressional Budget Office (CBO) sounded an alarm in its February 1 Economic and Budget Outlook, which included a gloomy projection for the Highway Trust Fund. Because of diminished driving over the past few years and higher fuel efficiency, revenues for the Trust Fund have fallen behind expenditures. The CBO projects a $6.8 billion shortfall in receipts versus spending in 2011, resulting in a balance to begin 2012 that will not cover planned obligations. Without a change in revenue or expenditures, a similar dilemma faces the 2013 fiscal year.

The decline in commercial construction has helped set the stage for stabilization of commercial real estate, according to Jeffrey Rogers, President and COO of Integra Realty Resources. In presenting his company's Viewpoint 2011, Rogers pointed to the deleveraging of the market and the bifurcation of real estate markets as the keys to the commercial market's finding a footing for a new round of expansion, although Integra expects any growth in 2011 to be modest. Among the more hopeful indicators presented were the rebound in the apartment segment – traditionally the first sector of the market to recover – and the estimate that 81 percent of the metropolitan real estate markets were in recovery or expansion by the end of 2010, compared with nine percent in 2009.

Two distinct developments in finance – one positive and one negative – will have a significant impact on the conditions for residential and commercial construction over the coming year. For residential construction the conditions fairly assure continued low housing starts, while the conditions for commercial construction offer some promise.

Since the financial crisis began there has been much speculation and fear of the regulatory response, particularly in the area of consumer lending. The political and cultural backlash against the policies that precipitated the mortgage crisis seemed likely to make home buying more difficult as well. And overhanging all concerns about residential lending was the specter of Fannie Mae and Freddie Mac, whose balance sheets were enormous ($5.4 trillion when taken over, more than half the total mortgage volume).

Fannie Mae was a New Deal initiative designed to provide liquidity for the residential mortgage industry after private investment in residential loans dried up during the Depression. The agency operated for thirty years as a government agency and was privatized as a government sponsored enterprise in 1968 in a budget shifting measure by the Johnson administration in response to Vietnam War fiscal pressures. Freddie Mac was created a few years later. With the benefit of tax exemption and the de facto backing of the federal government against default, Fannie and Freddie became the main buyers of residential mortgages in the secondary market. Since most lenders originate loans for the purpose of resale instead of portfolio, Fannie and Freddie's rules became the industry standard.

"Overall the residential mortgage market continues to get tighter instead of more relaxed," observes Dan Dintino, vice president in charge of First Niagara's mortgage business. "That's not because we're getting tighter. It's set by Fannie and Freddie."

When the Clinton and Bush administrations – for entirely different reasons – became advocates for the expansion of home ownership, Fannie and Freddie became the vehicles for propagating easier credit policies. Those policies went to extremes, the housing bubble popped and billions in bad loans now have to be managed. To date, the government has spent $224 billion to prop up the two agencies, which were re-nationalized in September 2008.

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On February 11, the Obama administration announced a three-part plan that will slowly wind down Freddie and Fannie, and attempt to finance the recovery of hundreds of billions in unpaid mortgage debt through higher borrowing costs and rates. Most striking in the proposal was language that assured all Americans access to quality, affordable housing but explicitly said, "This does not mean our goal is for all Americans to be homeowners."

The Obama plan will reduce the volume of mortgages Freddie and Fannie buy over a multi-year period, ultimately eliminating the government from the residential mortgage market. Details will be left to Congress and policymakers to hash out, but regardless of the exact plan the result will be more difficulty in borrowing and lower demand for new housing. Without the government backing, national loan originators will do much less business and the market may shift more to regional lenders for residential mortgages.

Regional banks that are willing to keep residential mortgages in their portfolios have more flexibility in lending than Freddie or Fannie may allow, but that carries a price.

"We try not to portfolio residential loans because that usually leads to a higher rate for the borrower," explains Chris Martin, president of Northwest Savings Bank's Pittsburgh region. "If we keep the loan we take on the risk and that can mean a quarter or half point more in rate but the fact that we can portfolio a loan allows us to service more customers."

Lenders that hold some of their own loans are able to make discretionary decisions about borrowers or properties that they know well enough to understand what risks are involved in the decision. However, those kinds of decisions are generally made on consumer loans or refinancing rather than new construction. No matter what happens on the demand side of housing, the constraints that appear to be looming on residential finance will limit the growth of new construction.

The more positive development is the return of demand for commercial mortgage backed securities (CMBS), a shift that gives hope that pent up demand for commercial property will find reasonable financing.

The CMBS market functions like the secondary market for residential mortgage in that it serves as a way for lenders to shift the long-term risk of commercial loans to buyers with the appetite for the higher yields of the securitized mortgages. Securitizing their loans allows banks to recapitalize their assets, making a short-term profit or spread on the loan sale and then using the capital to make another loan. Like all asset-backed securities, CBMS issues fell out of favor during the financial crisis of 2008. Since then, the uncertainty about the ultimate decline in commercial real estate values, the recovery and resultant increase in demand for commercial space, and low tolerance for risk have all kept CMBS volume down.

Typical volume for CMBS has historically been around $75 billion annually. During the euphoric years ahead of the crash, deal volume spiked, topping $200 billion in 2006 and $225 billion in 2008. Interest in CMBS warmed last year but only $12 billion were issued. Time and yield demand have changed the conditions radically this year.

"Investors who need better yields really have no other place they can go," explains Gerard Sansosti, executive managing director at mortgage broker Holliday Fenoglio Fowler LP. "The estimates are for $35 billion to $60 billion in 2011. How much is done will be purely a function of product but if there is CMBS product there will be buyers for as much as can be issued."

Sansosti points out that financing for commercial property has been as much of the problem as risk appetite. Without commercial mortgages – whether for new construction, acquisition or refinance – there can't be any securitization. As this category of financial instrument faded, the big institutions also cut staffing to the bone, which will also pose a limitation on the number of securitizations that can be done in 2011. But the availability of buyers is an enticement.

"The big institutions – I mean Deutsche Bank, Goldman Sachs, Citi, Bank of America – don't want to take the risk yet of staffing up," he says. "Many are doing their first issues this quarter so they will wait and see how profitable they are before growing staff to do more. The good news is that everyone is playing in their own sandbox."

"Playing in their own sandbox" means that the investment banks will be doing CMBS deals that match their expertise and their business plans, which will keep institutions from overreaching into markets they don't know just for the sake of volume. The reemergence of a functioning CMBS market comes at a time when it appears that the 'extend and pretend' policies of lenders may be reaching an end. While much criticized, the idea behind extending existing commercial loans beyond their maturity dates was to allow for the recovery to improve the performance of the property. With vacancy rates falling and literally trillions in cash on the sidelines, commercial property is becoming attractive again, especially since bargains are out there. The recovery of the CMBS market gives that much more confidence and liquidity to lenders, potentially thawing conditions enough to kick start new development. BG

WHAT'S IT COST?

The mid-February reporting of consumer and producer prices by the Bureau of Labor Statistics (BLS) showed continued evidence of inflationary price pressure while at the same time offering a glimmer of hope that prices were stabilizing in certain key materials.

Following the 2010 year-over-year reports in January that showed producer price inflation for construction at 5.4% compared to 2009, January's inflation was reported at 4.9%. This increase still caused pressure on contracting firms, as prices for construction put-in-place remained essentially flat, meaning that the increased cost of products and materials was offset by a decline in the price for labor and profit margin.

Anecdotal evidence since the end of January points to further announced increases in many of the materials or finished products that have not seen higher pricing, but the four main inflationary culprits – steel, copper, aluminum and diesel – experienced a plateau or a reversal from the recent highs. The divergent direction of pricing across all commodities is an indication of uncertainty about the strength of global recovery and a reflection of uneven supply and demand dynamics. In short, the data is confusing to a lot of experts.

PERCENTAGE CHANGES IN COSTS	Jan 2011 compared to		
Consumer, Producer & Construction Prices	**1 mo.**	**3 mo.**	**1 yr.**
Consumer price index (CPI-U)	0.5	0.7	1.6
Producer price index (PPI) for finished goods	0.8	1.8	3.6
PPI for construction	0.9	2.2	4.9
Costs by Construction Types/Subcontractors			
Residential buildings	0.7	1.8	4.3
New industrial building construction	0.2	0.2	0.6
New warehouse construction	0.2	0.2	0.7
New school construction	0.8	0.8	1.4
New office construction	1.0	0.4	0.2
Concrete contractors, nonresidential	0.1	0.2	0.7
Roofing contractors, nonresidential	0.5	0.5	-1.2
Electrical contractors, nonresidential	0.8	0.8	1.6
Plumbing contractors, nonresidential	0.2	0.0	0.5
Costs for Specific Construction Inputs			
#2 diesel fuel	3.2	10.7	17.7
Asphalt paving mixtures and blocks	0.1	0.0	3.3
Concrete products	0.1	0.3	0.0
Brick and structural clay tile	-2.4	-2.9	-2.4
Plastic construction products	-0.8	0.2	2.0
Gypsum products	-3.3	-2.7	0.5
Lumber and plywood	2.0	3.6	7.4
Architectural coatings	-0.3	2.3	-0.3
Steel mill products	2.0	0.7	11.5
Copper and brass mill shapes	3.3	10.6	9.9
Aluminum mill shapes	1.0	4.4	9.2
Fabricated structural metal	1.6	2.3	3.1
Prefabricated metal buildings	5.2	4.1	12.0
Crude petroleum (domestic production)	4.3	12.5	15.9
Asphalt (at refinery)	-1.8	-5.5	-4.8
Cement	-0.3	-0.4	-4.8
Iron and steel scrap	13.6	28.4	35.6
Copper base scrap	1.4	7.6	15.6

Source Bureau of Labor Statistics, Updated February 17, 2011
Compiled by Ken Simonson, AGC Chief Economist

During the week of the BLS report the mainstream business media was reporting analysis of the most recent Federal Reserve Open Market Committee (FOMC), during which discussions of inflation moved more to the forefront. This sentiment grew only a few months after the Fed launched a second round of quantitative easing in response to concerns about deflation. Articles in the *Wall Street Journal* and on *Marketwatch* warned of both coming inflation and deflation after the BLS data was announced, pointing to the same data to support both arguments. The consumer price index (CPI) was up 0.4% (core CPI was up only 0.2%) in January, which suggests low inflation or even falling prices; but the annualized rate of 3.9% was up from the recent 3.2% (and much lower CPI the year before), which indicates that the trend towards inflation is building.

ARTICLES IN THE *WALL STREET JOURNAL* AND ON *MARKETWATCH* WARNED OF BOTH COMING INFLATION AND DEFLATION

…POINTING TO THE SAME DATA TO SUPPORT BOTH ARGUMENTS.

Two days after the BLS reports, China's regulators announced another hike to the banking reserve requirements, bringing the capital reserve levels for Chinese banks to 19.5%. The move was a continuation of Chinese policy aimed at controlling asset inflation. That same morning Fed Chair Bernanke defended the quantitative easing at the G-20 financial summit in France, expressing the opinion that inflationary risks were outweighed by the risk of recession and deflation.

It's a small wonder, then, that there seems to be no clear consensus on the near-term trend for inflation.

For construction, the manufacturers announcing recent price increases have primarily been doing so without any supply/demand justification. Like in 2008, manufacturers may be guilty of trying to use the rising tide of metals and oil prices to lift all boats. With several years of losses among drywall and lumber manufacturers, for example, it's reasonable for them to try to get pricing up to profitable levels. Similar tactics – raising prices 20% or more – were tried ahead of the 2010 building season, and the lack of demand from housing pressured the prices back down by year's end. With no hope of a significant increase in residential construction this year, the manufacturers will have a hard time making increases stick again in 2011.

For material categories that have been rising due to demand that was growing ahead of supply, prices leveled out again in January. Prices climbed 28% in 2010 for diesel fuel, 12.5% for steel mill products, 12% for copper and brass mill shapes, and 12% for aluminum mill shapes. And while each of these commodities saw increases in January – diesel and copper hit post-recession records – pricing since then has receded some. The Energy Information Administration has forecasted an average diesel price for 2011 of $3.43 per gallon, which is 10 cents lower than current levels. Steel and iron scrap prices have eased since January, although producers have not passed that through as yet.

Part of the reluctance to drop prices from metals manufacturers is due to demand forecasts that suggest that lower prices will be short-lived. On February 11 Arcelor Mittal announced a forecast of 10% growth in steel demand for 2011 in the U. S. market, while estimating an increase of 7% in the rest of the global market. Also fueling concerns about steel pricing was President Obama's proposal to add $50 billion in federal spending to improve infrastructure. Increases in heavy/highway spending have the effect of spurring steel consumption further. American auto makers have projected a 16% increase in production in 2011. And the recovery in consumer sentiment and spending, if it continues, will increase production of appliances that are made of steel.

Recent geo-political events in Libya, Egypt and Bahrain have pushed oil prices 15% higher on fears of shortages resulting from the unrest. The potential for disruption exists but the likelihood is for short-term problems as the eventual rulers of African or Middle Eastern nations will need the oil revenues.

A look at the most recent business cycle also gives reason for caution about the pricing of these most volatile commodities. Comparing year-end 2010 prices to those of December 2003– a time when the economy was beginning to grow out of recession – shows that diesel rose 175%, copper and brass shapes 197%, iron and steel scrap 181%, copper scrap 310% and asphalt rose 176%.

If 2011 is the beginning of another period of expansion – as 2004 was – the increased demand will be supplied by producers with little or no room for capacity growth. Refining capacity for crude oil is lower than half a decade ago. The steel industry is reinvesting capital but most of the projects are for stainless or specialty products. Expansion in emerging economies, coupled with U. S. growth will pinch scrap supply and drive costs much higher. Continued improvement in the global economy poses the most palpable threat to stability in pricing as the 2011 construction season heats up. BG


Westing

CRANBERRY:
GROWTH IN FOUR ACTS

Since the Parkway North opened up in September 1989, the region's economy has been through three complete business cycles. During the most recent recession, southwestern PA has drawn attention from national experts and government officials for weathering the downturn better than most major cities. At the intersection of the Turnpike and Interstate 79, the multi-municipal area commonly referred to as Cranberry has managed to keep on ticking as though no recession occurred, not just during the recent slowdown but ever since that corner of the metropolitan area began attracting attention.

The reference to the general area as Cranberry is derived from the fact that the township of the same name was the center of the growth cycle that is still going strong after 25 years. In 2011, when locals refer to Cranberry they are often referring to a residential and commercial region that goes from north of the Wexford Flats – an area that actually encompasses Pine and Marshall Townships in Allegheny County – to Zelienople, and from Adams Township in the east to the northeastern corner of Beaver County in the west along the Route 228 corridor.

Westinghouse's decision to building its headquarters campus in Cranberry marked the beginning of a new phase of commercial development.

Cranberry Woods brought Class A office parks to Cranberry when Mine Safety Appliance decided to control the development of the land surrounding its headquarters.

This fast-growing area is located at the corner of three counties, a fact that has added to some of the headaches of managing growth, since the municipal services that residents and businesses expect have to be delivered by five or six local municipalities and three counties. Coincidentally, the epicenter of Cranberry is an intersection that was once known as Crider's Corners.

Cranberry's story is one that has three acts thus far, with a fourth being planned. Like most places that have experienced rapid growth, Cranberry became Cranberry because of a big improvement in infrastructure.

ACT ONE

It's important to remember that while the focus of the story is the Cranberry market, the reason for the growth was its proximity to Pittsburgh. About an hour north of the Butler-Allegheny border lays the intersection of two other major highways, Interstates 79 and 80. Even more than the PA Turnpike, I-80 is a vital east-west commercial artery linking New York to San Francisco through the American heartland. At the juncture of these two highways in Mercer County, however, is nothing. No commercial development supports this significant infrastructure exchange, no residential sprawl, not even a truck stop.

The attraction of Cranberry Township, and the other nearby communities, was in what you could get to more conveniently once the Parkway opened. With the advent of a limited access multi-lane road that linked downtown Pittsburgh – where more than a hundred thousand jobs were located – to I-79, the areas to the north became ten or fifteen minutes closer every day.

For businesses that meant that locating in the RIDC Thorn Hill Park or any of the newly built office/industrial projects of the day would not separate you from your customers. For homeowners the Parkway offered a convenient commute that terminated in Butler County, which boasted property taxes that were as little as one-third of those in Allegheny County. While the commute may have opened residents eyes to the attraction of southern Butler County, the proximity to the two interstates also meant having more convenient access to the highways that were commonly used for vacations to the beach, travel to Lake Erie or Cleveland (OK maybe not Cleveland), and to more mundane but practical places like high schools and colleges.

Construction of the I-279/Parkway North took four years. What is interesting is that the anticipation of the better access actually spurred growth well ahead of the highway's completion. Beginning in 1987, permits for new houses in Cranberry Township essentially tripled, growing from 99 units in 1986, to 272 units in 1987 and 364 units in 1988.

The busiest intersection in Cranberry is the former Crider's Corners, the crossroads of Old Perry Highway (now Dutilh Road) and Mars Crider Road (now Route 228).

New home construction changed in size and product mix but the volume remained at those heightened levels almost every year through 2005. During the ten years that followed that first boom year 3,454 units of housing were built in Cranberry Township. More than 1,000 units were started in Pine Township and 1,500 in Adams Township. The housing boom meant that more than 25,000 new consumers now lived in Cranberry and the existing eating, shopping and recreation were suddenly inadequate.

During this housing boom, development followed an unpredictable pattern. Landowners quickly realized the value of their property and developers looked to optimize the return on investment by building as much as possible in the neighborhoods. The market conditions were excellent for building more affordable tract homes and the early construction was dominated by production-oriented builders like Ryan Homes and Maronda Homes, who were capable of selling lots of homes and meeting aggressive take-down schedules that increased the absorption rate of lots for the developers.

Cranberry Township's elected officials may have anticipated some of the problems that attended such rapid growth but the township ordinances and municipal officials were not geared to manage such growth. The residential development was chaotic at times and little in the way of regulation was in place to deal with the expected commercial real estate boom.

However, the rapid increase in new homes coincided with a real estate recession and credit conditions that sound eerily familiar to today's market. Savings and loans had zealously lent too many commercial projects too much money in the mid-1980's and the resultant credit crunch stretched out until the early part of the 1990's. Residents of the area who were already growing weary of the congestion at Route 19 and Freedom Road were at least spared the growing pains of the flurry of retail and commercial projects that normally follow residential growth. But as credit conditions improved, advance word of a big project mobilized Cranberry residents and altered how the area would grow. Act one was over.

ACT TWO

In the early 1990's the property on the north side of Route 228, just east of the current intersection with I-79 had attracted the attention of a developer who wanted to build a horse racing track. Many of Cranberry's residents already felt that the growth of their township resembled the Wild West, but the possibility of a horse track sent a chill through the community. At the time there was little that the municipality could do to prevent such a destination development, which could attract thousands of cars and require government services beyond what the township could manage.

In response, a resident named John Milius ran for township supervisor in 1991 explicitly to oppose the construction of the racetrack. Milius and others who agreed with him proposed that their comprehensive plan be updated to anticipate growth in the community and establish zoning ordinances that would guide development. Milius was elected and that same year the township hired a professional municipal manager from the suburban Harrisburg named Jerry Andree.

Part of the aim of the comprehensive planning in Cranberry Township was to ensure that a desirable blend of zoning developed. Planners believed that the great location of the township would be attractive to employers as well as retailers, and the ongoing benefit of a comprehensive plan would also be to create a tax base that could generate predictable revenue to fund the municipal services the community would demand.

Crider's Corners today

Cranberry's 1995 plan allowed for corridors of retail and commercial services along the logical pathways of Routes 19 and 228, and also designated areas within those commercial corridors for office and industrial growth. That kind of growth would boost the employment and tax base of the area. The plan also sought to optimize property values for the long term by establishing green space requirements and lot size minimums of half an acre. These regulations were less than popular with the landowners.

The new supervisors and Andree's staff believed that the direction of the comprehensive plan would promote the growth of a community that would be desirable to homeowners and business owners alike. Some of the landowners responded by suing the township to prevent the new ordinances from becoming law. With the support of the supervisors and many of the residents, Cranberry Township persisted in the defense of its plan and ordinances. A court ultimately agreed with the township.

Adoption of the new comprehensive plan became a turning point for development in Cranberry. The green space and larger lot requirements created an incentive for the development of more expensive housing. Cranberry's new neighborhoods became increasingly more custom. As the residential characteristics of the community improved, the township's demographics also improved, which attracted more and upscale retailers. In the end, the price of land appreciated well beyond what the landowners feared would be lost when the comprehensive plan reduced the density of development, which was the result the township leadership had promised.

"At the height of the dispute one of our prominent land owners told me at a meeting that he wished I would just die," laughs Jerry Andree. "A few years later after the plan was starting to play out he came up to me and apologized. He said that he couldn't understand it at the time but the value of his land had really been enhanced."

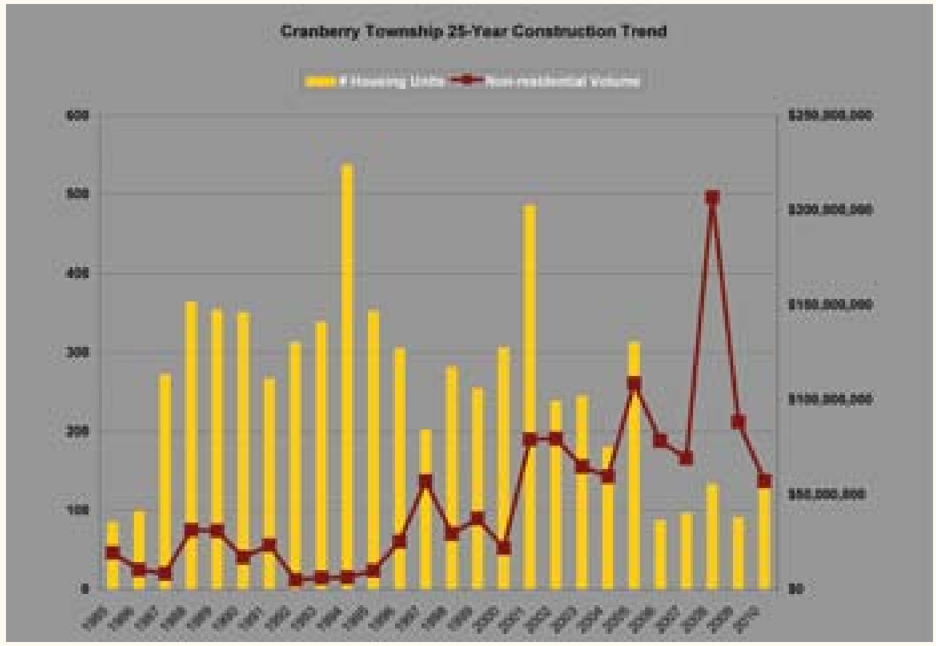
One landowner anxiously watching the comprehensive planning process was Mine Safety Appliance. The firm owned 327 acres at the corner of Route 228 and the Interstate that it used to build two facilities for research and development. Developers had eyed the remaining property for commercial use for some time, but MSA had a different vision for the land. MSA's CFO and treasurer, Dennis Zeitler, was dogged in his vision of a Class A office campus that would be similar to the corporate campus that MSA had there. He participated in the public input for the planning and soon after the comprehensive plan was adopted MSA announced its plan for Cranberry Woods. In January 1997, MSA selected Trammel Crow Co. to develop the project.

"The concept was that Cranberry was growing rapidly and the natural progression was for its professional, highly skilled residents to begin working in Cranberry," Zeitler says. "We could have sold the property for another purpose and got more cash at the time but we felt our job was to create the best long-term value for MSA. Our experience was that working with the local municipal and civic leaders would yield the best solution for MSA and the community."

Since MSA was going to occupy the park, Zeitler jokes that they had another motive. "We didn't want the directions to MSA to be 'get off 79 and turn right at the WalMart'."

The park's first building, 800 Cranberry Woods Drive opened in December 1999. In the ten years that followed, three more spec office buildings were built by Trammel Crow, bringing the total space to 454,000 square feet. A full service Marriott Hotel was built, along with the 75,500 square foot Regional Learning Alliance. The home run for the development was the signing of the new headquarters for Westinghouse, a four building project that resulted in the construction of 925,000 square feet of office space.

While Cranberry Woods was being developed another commercial project, Cranberry Business Park introduced a different type of Class A office and industrial flex space into the market. Beginning with Building 100 for GMAC Finance in 1996, the park was developed by Penn Power to attract customers for electricity to the Cranberry market. After a second building was built for Great Lakes Cold Storage the project was sold to a partnership led by Dick Donley's Chaska Property Advisors in 1999. Since assuming the role of developer of Cranberry Business Park, Chaska has developed ten more buildings totaling an additional 528,000 square feet. When it is completed the campus will encompass nearly one million square feet.



Housing and commercial construction boomed for nearly 20 years in Cranberry Township.

"I thought the park could be developed more effectively," says Donley. "Penn Power was just selling land. We came up with a flex product and a cohesive park that looks like it has the same mother! Our feeling was that the park would be 50/50 office and warehouse but it ended up becoming more like 80/20 office."

Donley's approach was to differentiate Cranberry Business Park by building Class A shells, with brick and glass exteriors that would be lower in maintenance and higher floor to ceiling heights. He also exceeded the parking requirements of three spaces per thousand square feet and invested in landscape and signage that was associated with Class A parks. The approach paid off. The park has attracted corporate tenants like Westinghouse, SMS, Simplex and recently, Tollgrade Communications. Vacancies have been non-existent and the average tenant size is nearly 25,000 square feet.

The more noticeable developments in Cranberry's "second act" are the many retail projects that were built after the comprehensive plan. The new plan gave Cranberry justification for charging impact fees to new developments, which in turn paid for needed traffic and road improvements. Impact fees are understandably unpopular with developers, and there were predictions that Cranberry's fees would dampen development. The area's demographics, retail traffic and sales per square foot performance proved too attractive to be derailed by traffic impact fees. The demand for retail construction in the area was high, and the township took advantage of its enviable position to require that prospective developments fully comply with its ordinances. Unlike most communities, Cranberry could afford to let retailers consider other locations rather than compromise its standards for setbacks, parking or access and egress.

It was during this period that much of the retail we associate with Cranberry was developed, including that which spilled over into adjoining municipalities. Virtually all of the big box retailers that currently operate in the Cranberry area were built after 1995, and some that existed – like WalMart or Giant Eagle – expanded or built new stores to meet the opportunity that the growth presented. These years between 1997 and 2007 also saw the reshaping of Route 228.

The largest of the shopping centers on Route 228 is the Cranberry Commons, a 463,000 square foot power center anchored by Target and Lowe's. An expanded version of the Cranberry Square power center built a few years earlier, Cranberry Commons put two high-traffic destination stores on Route 228. With little room for new retail on the Route 19 corridor, Cranberry Commons opened the gates for a variety of retail products going east on Route 228. Don Rodgers' so-called Knockout Development attracted more than a dozen casual dining, banking and small strip retailers to a site opposite Cranberry Commons. By the start of the next decade, residential development in Seven Fields had been built out and the commercial lots along 228 began falling to still more retail and commercial service projects. And after Adams Township completed the update of its comprehensive plan, another slew of neighborhood retail and casual dining projects grew up along Route 228 to the east. The Cranberry shopping district now extends east several miles and includes more than Cranberry Township.

At the end of this phase of Cranberry's growth were a major development win and a major loss. In 2007 Westinghouse announced that Cranberry Woods was its choice for a new headquarters campus. The company chose the area over Charlotte NC and the news meant that the face of Cranberry was going to change again. Westinghouse promised to bring 3,000 jobs to Cranberry and hire aggressively for at least a decade. Part of the attraction of Cranberry Woods was the adjacent development being planned by several parties along Route 228 and the promise of significant improvements, including a re-working of the I-79 interchange, that were to be done on the highway. The project re-energized Simon Property's plan for a million square foot mall.

By the time work got underway on the first Westinghouse building, however, conditions had changed and the result would upset most of the related development along Route 228. The infrastructure project as proposed was very costly, more than the township could manage, and involved state highways so that a significant portion of the funding was to come from Harrisburg. The project was to widen Route 228 from I-79 to Myoma Road in Adams. The problems began when costs skyrocketed in early 2008. To meet the project's $65 million budget, the project was shortened. Even though Simon was contributing millions to the project, PennDOT balked at its $24 million share because of the reduced share. With the economy tanking in late 2008, and the Rendell administration unwilling to budge, the project died. Within months Simon cancelled it $800 million retail center and took its highway funding with it.

ACT THREE

During the first year of the recession Cranberry was still a market that had some hope in it. While there were some initial fears that the dead Route 228 project might cause Westinghouse to slow its development, the company's global success moved it to accelerate the schedule for completing the campus. At the same time, Westinghouse's growth meant that it needed space even faster than it could build. Westinghouse became a tenant in Cranberry Business Park; it took 175,000 square feet in the Keystone Summit Corporate Park and 100,000 square feet in 600 Cranberry Woods Drive. Moreover, interest from businesses serving Westinghouse flooded existing office and industrial properties in the Cranberry area.

Also in 2009, Cranberry got the first whiffs of the burgeoning natural gas business. Because of its location and the long-range outlook for exploration in Beaver and Lawrence Counties, Cranberry became the second most popular destination for natural gas businesses looking to participate in the Marcellus Shale play. In addition to driving leasing demand, the gas industry was behind the construction of two of the few new office buildings constructed in 2009-2010. Crossgates developed a 30,000 square foot new building for Eastern Resources and PA Commercial built a 50,000 square foot building for Talisman Energy USA, both in the RIDC Park.

The recession did slow down the pace of new residential development in Cranberry, Marshall, Pine and Adams Townships. These communities remained among the most active for new construction of homes but the volume of housing starts dropped to 25 percent or less of the halcyon days of a few years earlier. Likewise, commercial projects went on hold.

There was an upside to the cooling activity, however. Interest in the area remained high, even as the recession extended. Without significant addition to the inventory of office or industrial product, the vacancy rate in and around Cranberry remained low. Tenants looking for small spaces had options, but anyone needing more than 8,000 or 10,000 square feet found no vacancy. Even when new construction did occur, such as the 72,000 square foot Building 110 in Cranberry Business Park, the space leased up before construction was complete. US Food Systems abandoned a 200,000 square foot plus facility in Tri-County Business Park just into Beaver County, but Giant Eagle emerged to take the space almost immediately. The half-vacant Ericsson complex was acquired by Keystone Properties and - branded as Keystone Summit Corporate Park - stands more than 90 percent occupied. As 2011 began the vacancy rate for offices in Cranberry was at 3.5 percent.

Retail was one of the sectors hardest hit by the recession, yet retail real estate remained remarkably resilient in Cranberry. According to Grubb & Ellis's year-end 2010 Retail Trends Report, vacancy in Cranberry was only 3.6 percent of the 5.4 million square feet total, less than half the metropolitan vacancy rate. And at $25 per square foot, the average retail rent in Cranberry was among the highest in the region.

By most indicators, the recovery from the global recession has begun. More importantly, the financing freeze that resulted from the mortgage crisis seems to be thawing, freeing up capital for developers who have projects planned in markets that are healing. Cranberry is one of those.

The landscape has definitely changed over the past two years in Cranberry. In 2008, the Route 228 corridor was poised for a 600,000 square foot retail center from Simon Property Group. Petrarca Companies was planning a retail center nearby and Creative Real Estate had plans for a lifestyle center to the south of Route 228 and adjacent to the new Westinghouse campus property. Most of that is now out the window.

Creative has continued with the planning of its mixed-use development, but its character continues to vary. The first phase of the Village of Cranberry Woods has been scaled back to include a 135-room Hilton Garden Inn and 23,460 square feet of casual dining and retail.

Recently the Petrarca property went to sheriff's sale and the result was symptomatic of how the market has changed. The property was purchased by two local developers, Elmhurst Group and Echo Development. In place of a larger retail development, the property will see instead, a $10 million office building developed by Elmhurst and a retail project by Echo that will include an 80,000 square foot Dick's Sporting Goods, a GetGo Station and perhaps 30,000 square feet available for smaller retailers.

> "The township is focusing our efforts on redevelopment, **on the types of applications that might re-purpose older buildings ...**"

Office construction appears to be the order of the day in Cranberry. Cranberry Woods is in the early stages of planning for a 185,000 square foot office at 400 Cranberry Woods Drive. Keystone Properties has announced plans for two new office buildings of up to 150,000 square feet in the Keystone Summit Corporate Park. PA Commercial has started construction on another building in the RIDC Thorn Hill Park, the 53,500 square foot Pennwood Commons II. Elmhurst also has plans, in joint venture with the RIDC for two flex office buildings called the Commons at RIDC, which should be roughly 90,000 square feet. When completed those buildings would mark the fourth and fifth new building in the venerable Thorn Hill campus since 2009. As the oldest industrial park in the Cranberry market, Thorn Hill also still has 11 parcels available for future development. Going forward the RIDC is planning to have a more active role in the Cranberry market.

Last year the RIDC acquired the property known as Tech 21 in Marshall Township. The project is located just west of the Warrendale exit at I-79, just an exit south of Cranberry Township proper. Home to MEDRAD's new headquarters, the property is a difficult one for infrastructure development because of its steep topography. RIDC was able to secure a RCAP grant from the Rendell administration in December, although the contracts were not signed by the time Gov. Corbett took office. CEO Don Smith says the grant is one of the strategies the RIDC is using to get the office park, now called Innovation Ridge, moving again.

"We signed a letter of intent with a developer for residential development of 14 acres [to build 112 townhomes]," Smith says. "We're awaiting word from the governor's office on the $3 million grant so that we can start doing pre-construction on the next phase of the site. There have been several prospects talk about a building. We're not opposed to doing a spec building either if we land one of those prospect deals."

The shift in development from retail to offices again is logical given the economy over the past few years. With demonstrable employment stability in Cranberry and fast-growing employers located in the area, financing for new offices should be more salable to lenders, especially with Cranberry's rent structure. Office construction in 2011 is also the continuation of a trend that started with the Cranberry Woods project, and which represented a shift in Cranberry's role. The area's rapid growth was founded on the ease of commuting, but since the turn of the century Cranberry has also become a commuter destination. Some 30,000 people live in Cranberry. As of 2011, there are roughly 25,000 people working in Cranberry. The township's planners are looking out another decade and seeing the working population and the number of residents as being equal.

DRAFTING ACT FOUR

New office construction is planned for RIDC Thorn Hill, Innovation Ridge and the Keystone Summit Corporate Park (at the former Ericsson campus)

The assumptions about working and living in Cranberry were drawn from the township's most recent update to its comprehensive plan, done in 2009. This time around the planners decided to look further out and to envision the needs of the community in 2030.

Some interesting interim changes took place in Cranberry Township's plans during the past decade that will have a bigger place in the coming decades. The township adopted form-based codes in February 2008 as an alternative to traditional suburban zoning in several selected sectors of the community. Form-based codes focus on the shape and size of the building and its relationship with the street rather than density and specific uses. The aim of form-based codes is to allow for development of mixed-use projects with more human and pedestrian scale, similar to the small towns of America one hundred years ago. Generally form-based codes are used in urban or densely populated areas, but in Cranberry they have been applied to parts of the community where traditional neighborhood developments overlay the existing residential zoning.

One of the big projects that are on the horizon is the Town Center, which represents another departure from suburban scale development. Sometimes called the Meeder Town Center because the site is the old Meeder farm on Rochester Road, the project is being pushed by the township as a means to create a 'downtown' Cranberry. The property is located across from the municipal building and one of the aims is to build a new community library there. To make the Town Center work, however, the bulk of the construction will have to be the highest best use for the ground, a concept that is hard to pin down. Municipal officials have heard interest from users as varied as the Community College, PA Cyber School, hotel chains and retailers. A development team that includes CB Richard Ellis, dck worldwide and Urban Design Associates is in the very early stages of determining the market feasibility, but the project is a high priority for township leaders.

Cranberry Township's leaders are also studying a question that few thought would be an issue for this area: how should redevelopment be approached?

"We're getting to the stage where we have to think about what to do about the redevelopment of some of our commercial property," explains John Skorupan, chairman of the supervisors. "For instance, if Dick's moves to 228 what do we need to do about the old store? Should we be offering incentives? The market has taken care of that so far – the old Dunkin' Donuts and Hollywood Video became a Buffalo Wild Wings – but if it doesn't, no municipality wants to have vacant storefronts."

Part of the dilemma for Cranberry Township is that many of the businesses and buildings along Route 19 are legacies from before a progressive comprehensive plan existed. Many of these are smaller properties and buildings that wouldn't comply with today's – or tomorrow's ordinances – or are uses that might not conform when redeveloped.

"The township is focusing our efforts on redevelopment, on the types of applications that might re-purpose older buildings and sites along Route 19," says John Trant Jr., Cranberry's chief strategic planning officer. "We're taking a look at the ordinances to ensure that we're not inadvertently outlawing new development or redevelopment of the smaller, older properties. It means re-thinking about issues like density or permitted use more like urban planning."

Cranberry's 2009 long-range comprehensive plan focuses on diversity of mixed-use, traditional streetscape, more varied types of housing, and decreased need for vehicular use. The plan includes scenarios for a 2030 build-out. Under the preferred scenarios the township planners envision population growing by another 75 percent to over 50,000. Their plan calls for retail space to grow a similar share, but looks for hotel space to triple, office to double and protected green space to grow by more than 150 percent. The build-out plans for 18,000 residential units and more than 26 million square feet of non-residential space. That means roughly the same amount of construction during the next 25 years as has occurred since 1985.

Trant believes that planning for changes that may seem unlikely is the best way to look at the future for Cranberry. He's adamant that the clear vision and persistence of the earlier leadership made a difference in how livable Cranberry is today.

"That 1995 plan set the table for how the following developments unfolded and the 2009 update will set the stage for the next round. There was a boatload of litigation that followed that plan but the township stayed the course and today everyone's property values are much higher as a result," he says. "Without that comprehensive plan and MSA's vision, there would be a WalMart or some other retail center there. That was the highest and best use for the site, but there wouldn't be Westinghouse in Cranberry if it had happened that way." BG

Photo by Denmarsh Photography

ROSE E. SCHNEIDER FAMILY YMCA

ABOUT TWENTY YEARS AGO THE BUTLER COUNTY FAMILY YMCA FOUND ITSELF IN A QUANDARY. ESTABLISHED IN DOWNTOWN BUTLER IN 1886, THE YMCA HAD BEEN FOR MOST OF ITS EXISTENCE AT THE HEART OF THE ACTION IN BUTLER COUNTY. IN THE EARLY 1990'S HOWEVER, THE FASTEST GROWING PART OF THE COUNTY – FOR THAT MATTER THE FASTEST GROWING PART OF THE STATE – WAS CRANBERRY TOWNSHIP IN THE FAR SOUTHWESTERN CORNER OF THE COUNTY. NOT ONLY WAS CRANBERRY'S POPULATION GROWING BUT IT WAS LEANING DEMOGRAPHICALLY TOWARDS YOUNG FAMILIES, ONE OF THE MAIN USERS OF YMCA FACILITIES.

"Every YMCA in the nation has its own service area and the Butler County Y is geographically the entire county," explains Larry Garvin, president and CEO of Butler County Family YMCA. "The growth in our service area was southwest, not in an area convenient to Butler, so we established a storefront operation in Cranberry in 1993."

The YMCA leased 2,500 square feet in the Nagel Heating & Air-Conditioning building on Route 19 and began doing the kinds of programs that a full-service YMCA would provide in a piece meal manner. "It was a typical startup of a Y. We held programs in the local schools and classes in churches," says Garvin. The YMCA's directors also began the planning for planting a satellite facility in Cranberry Township.

Several sites were being considered in the area when the project got a big helping hand from a local site contractor, Harry Schneider. Schneider owned a 21-acre parcel of land at the Route 19 and Ehrman Road intersection, which he was willing to sell to the YMCA at a below-market price. He asked to handle the site work and the gift gave the facility its name.

During the late 1990's the Butler YMCA had expanded and renovated its main building in Butler using Landau Building Co. In 2003, when the leadership approved the project they called on Landau again. "We were told that having a contractor and architect work on the project together from the start would give us the best chance for a successful project," Garvin says. "That way the architect's ideas could be tested by the contractor's experience and if there were more cost-effective ways to do something we could get what we needed without spending more than we needed."

The YMCA assembled a volunteer selection committee to hire the professionals for the Cranberry facility and ultimately formally chose Landau to be the contractor and RSSC Architects (formerly Ross Schonder Sterzinger Cupcheck) to design the project.

Project architect Ralph Sterzinger had been tracking the progress of the project since its early stages. One of the first sites considered for the YMCA was just off Route 19 north of Zelienople, in Jackson Township, where Sterzinger served on the planning commission. He and partner Steve Cupcheck had both served on YMCA boards and founding partner Jack Ross had been a leader with the YMCA of North Hills when Sterzinger joined the firm. Since that time RSSC had worked on YMCA projects throughout the region and had a comfort level with the organization's goals and design standards, having just completed the Baierl YMCA in Franklin Park.

"I think our experience with the YMCA's and other non-profits showed we had the patience to work effectively with committees," Sterzinger says. "Those kinds of groups need understanding about fundraising needs, a sensitivity to budget so they can get the best bang for the buck."

With an original budget of roughly $11 million, that meant finding a couple million dollars.

Larry Garvin explained that the growth in the program of the project wasn't due to a design gone wild but rather some prudent long-term planning. "There didn't appear to be any end in sight to the population growth in Cranberry Township and we wanted to make sure that what we built wouldn't need to be expanded," he says. "You can build gyms with walls that you plan to knock out later but when you do it never looks right. With swimming pools you have a lot of ceramic tile and features that are tough to enlarge."

Part of the headache in planning this YMCA was that there wasn't the need for building a facility with capacity for growth because the growth was already occurring. From early surveying of the community it was clear that the building would be well-used. The problem was "everyone wanted to join but not so many wanted to donate," remembers Sterzinger. He says the transient nature of the residents created a disincentive for investing in a facility when many of the members would be moving in a few years, and because the community was so young there wasn't a backbone of long-term residents with roots in Cranberry Township. It became apparent that the project would be paid for by users rather than benevolent donors, and that influenced the design and scope.

"When the design heated back up we talked with Larry about some new ideas for the spaces," says Sterzinger. "We felt the aquatic center should be much bigger because the Y's marketing study had shown this was going to be one of the big attractions for members. The gymnasium was also going to be a big draw so we needed to add a court that would make the gym about 30% bigger."

Having Landau on board during pre-construction helped deal with the 'bang for the buck' issues, just as Larry Garvin had been advised. During the programming and schematic stages of most construction projects there is a certain amount of scope creep, but in the case of the Cranberry YMCA it was more of a scope leap.

"One of the first big issues was that the building grew about 20 percent during the process of preliminary design without any increase in the budget," laughs John O'Brien, vice president at Landau building Co., who was involved in the preconstruction process. "The gym grew to three courts and the aquatic center grew to three pool areas, so we had to make a lot of suggestions to bring it back to the budget."

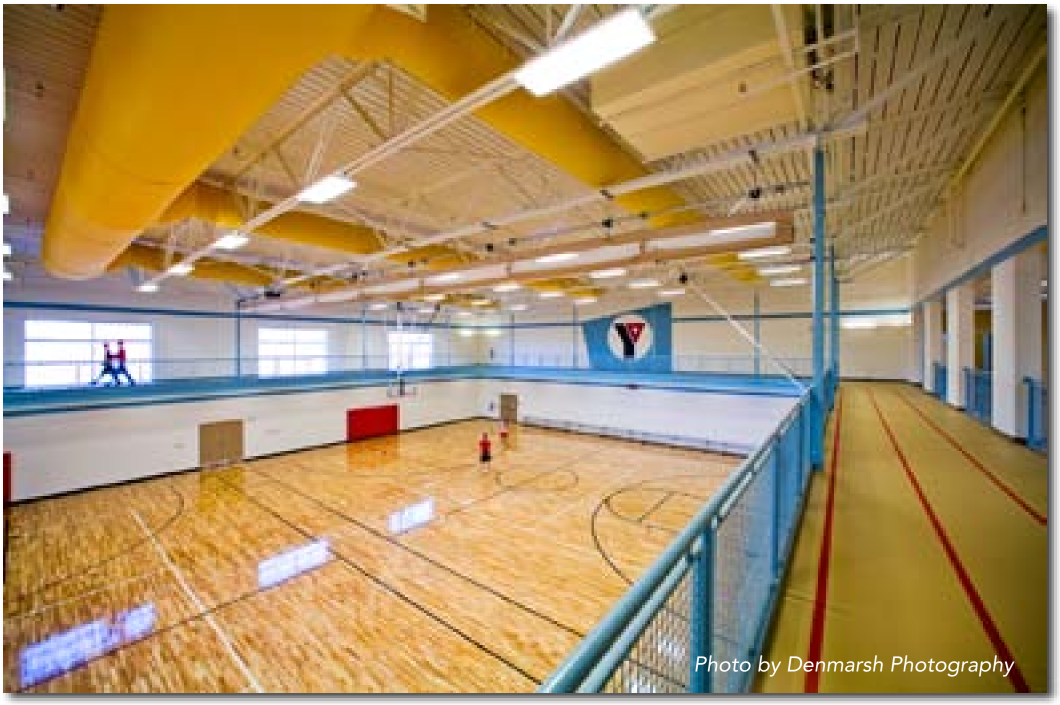


Photo by Denmarsh Photography

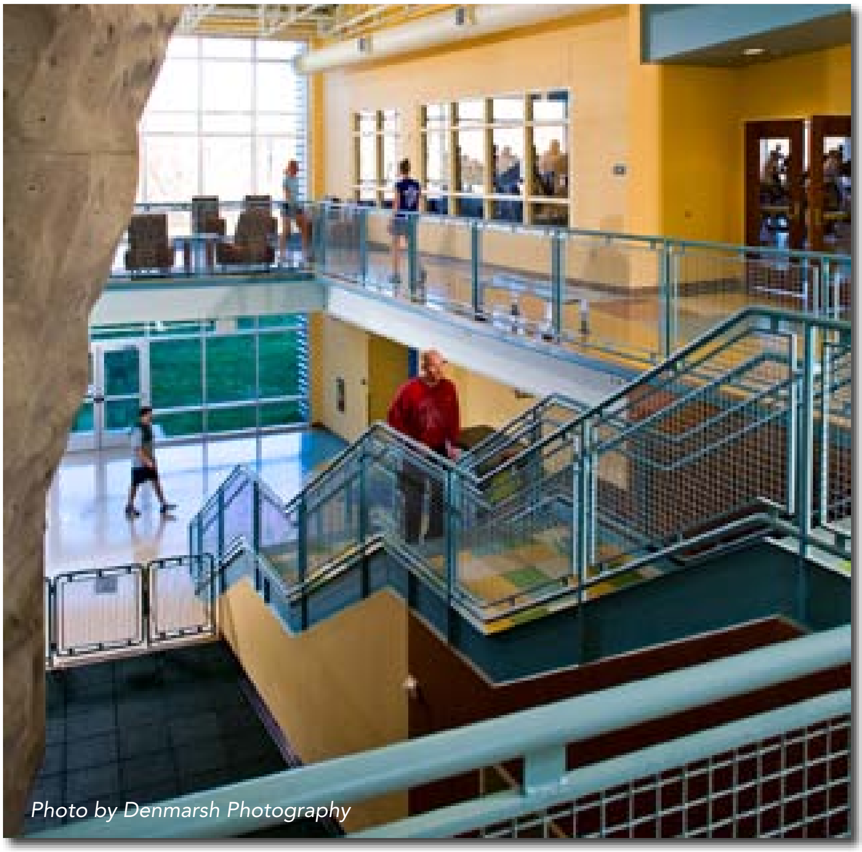


Photo by Denmarsh Photography

"It is an ultra-modern YMCA design," says Garvin. "The natatorium and gymnasium are much larger than the average design. I've been working 37 years in YMCA's and have never seen one as large."

The gymnasium portion of the building grew to 15,096 square feet, while the natatorium was designed to be just under 12,000 square feet. In addition to its sheer size the natatorium was unusual for a YMCA in that it included a 25-yard lap pool, a warm water pool with a ramp access for physical therapy, an enclosed water slide area and another portion of the pools with a zero depth entry and play features for young children not yet able to swim.

Another jump in scope actually helped with the funding. The Butler Hospital had planned to lease space from the YMCA for an imaging center but decided to add to their usage. The rent from the hospital would be one of the critical funding streams to support the project so when the hospital increased its needs from 4,000 square feet to 12,000 square feet, the space would have to be created as well.

The building's size requirements had become the project's number one design challenge, Sterzinger recalls. "The sheer size of it – at 80,000 square feet it was getting up there for a branch YMCA – made for a challenge to get that much space organized so that it could still be simple and easy to use. The building was supposed to be a marketing tool so the plan had to excite people about what is going on inside after just a few steps. YMCA's also have security considerations – like seeing as many venues as possible so no one can hide – that encouraged us to make the place as open and inviting as possible."

While some reigning in of the project could be accomplished by reducing scope – space for a day care was deleted for example – the lion's share of the reductions in cost were going to have to come from creative decisions about materials, means and methods. That's where Landau's work began.

"One of the first significant changes was that we oriented the building differently so that we could use the contours of the site to significantly reduce the costs," John O'Brien explains. "By putting the slab on grade portion on the high end of the site and the pools at the low end – we were going to have to excavate for them anyway – we eliminated a lot of excavation."

O'Brien ticks off a list of other solutions engineered to reduce the cost of the construction without eroding the performance of the building. Standing seam metal

Photo by Denmarsh Photography

> "CREATING A PARTNERSHIP APPROACH WITH A TEAM OF ARCHITECT, OWNER AND CONTRACTOR WORKED WELL ..."

roofing was replaced with colored thermoplastic polyolefin (TPO). The structural steel and loading of an elevated, suspended track in the gym were re-engineered to be more efficient. A flat metal architectural panel was used judiciously and less expensive exterior panels were substituted on the rear elevations. Some solutions added utility and reduced cost at the same time.

"An HVAC system in the natatorium is always a problem because of the corrosive atmosphere so we suggested using a duct sock, which is spiral duct made of fabric, instead of using stainless steel or sheet metal with high performance coatings," says O'Brien. "That solution gave the space a lot of color and saved on some very expensive duct work alternatives."

This process of finding alternatives that bring a project back into budget is now often referred to as value engineering in a rueful way, but there is little cynicism about the process from any of the parties involved in the Schneider YMCA. All the professionals, and the owner, understood that the building they were planning had outgrown the early budget and all worked without selfish agendas to get the scope and the cost aligned. Contractor and designer give the other's team high marks for accepting that changes would be made and for delivering solutions that would not diminish the performance or durability of the facility.

"We had a great relationship with both the architect and the owner so it was comfortable for us to make suggestions knowing that Ralph and Larry understood we were trying to build the best project for them that we could," says Steve Bishop, Landau's project manager.

"Creating a partnership approach with a team of architect, owner and contractor worked well to keep the budget in line, hold down change orders, and make sure the owner got what he paid for," says Sterzinger. "Let's face it though, lots of projects get started that try that same approach and it just doesn't often work out. This one did. Maybe the best evidence of that is that we're working with Landau again right now on a new YMCA in Kittanning."

One byproduct of the fundraising challenge was that it extended the preconstruction period and allowed the team more time to analyze the design. The two-year preconstruction also gave the project ample time to work through PennDOT, Department of Environmental Protection and Corps of Engineers approvals. The latter was especially important since the site plan called for constructing a new culvert across a stream that was to be the access road to the YMCA off Ehrman Road. As with most projects that have the luxury of an extended planning process, the construction of the Rose E. Schneider YMCA was largely uneventful.

The result of the project has been anything but ordinary. "We did a study prior to construction to project membership levels and what dues should be and we met our first year's projection in eight months," says Garvin. "There's really no other place in the area that can meet the needs of residents from kids who want a pool to the retirees who need physical therapy. It's such an appealing venue that Bill Clinton rented it when he made his one stop in the area campaigning for his wife Hillary."

"YMCA directors usually only get one chance to build a new facility during their career. I have had the opportunity to do two major projects, and probably won't do another, but if I got the opportunity I'd love to have Ralph Sterzinger and Landau do it."

John O'Brien is understandably proud of the way the project turned out but is equally impressed by the way it's been operated. "Have you been in the Y lately?" he asks. "If you walk in there today it still looks brand new. The way the YMCA maintains the facility is impeccable."

"The most rewarding aspect of the project is seeing the positive impact the facility is having on the community," says Sterzinger. "I belong to that YMCA. When I walk in I see kids using the facility everywhere I look. That's the best evidence that we did our job right." BG

KEY SUBCONTRACTORS

Renick Brothers	Mechanical
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Etzel Masonry	Masonry
RAM Acoustical	Interiors
Carl Taylor & Sons	Concrete
Don's Mirror & Glass	Curtain wall
Bruin Roofing Inc.	Roofing
Moore & Morford Inc.	Structural steel
Specialty Contractors	Swimming pools

NICKLAS SUPPLY

John Nicklas is too young to have been a reader of Horace Greeley's columns in the New York Tribune after the Civil War, which implored Americans to follow the growth of the nation in the west, but the growth of his family's plumbing supply business seems to have followed the credo, "Go north, young man, go north."

The Nicklas family was in the construction industry even before the founding of Nicklas Supply. By the time Elmer Nicklas opened his small warehouse in Glenshaw in 1956, he had spent a decade in the building supply business after returning from World War II. Elmer's father and grandfather had operated a sand, gravel and concrete block business on Route 8.

The growth that accompanied the post war period meant prosperity for industrial cities like Pittsburgh, as American products helped rebuild much of the world. That prosperity meant jobs and growth for Pittsburgh and the growth pushed new construction outside the city and into the suburbs. To the north there were still lots of wide open spaces and the developers looking to take advantage of the upward mobility of the burgeoning middle class began creating new neighborhoods in communities like Shaler and Ross Townships. The developments created opportunities for homebuilders and their plumbers, many of whom relied upon suppliers closer to the center of town.

Elmer Nicklas saw the opportunity and founded Nicklas Supply almost entirely as a wholesaler to the residential plumbers working in the new North Hills. Nicklas started with one employee, making deliveries to job sites in his station wagon. As the business grew, Nicklas Supply put a showroom in place so its customers could send their homeowners to make selections on fixtures. The company was still relatively small, employing eight or nine, and its market was focused entirely on the northern suburbs when Elmer's son John graduated from college and joined the company in 1972.

Even though the 1970's brought economic uncertainty to the region, Nicklas Supply's market was still doing well. Elmer Nicklas built a new building on Route 8 in Shaler, with a larger showroom and warehouse. The larger facility allowed the company to expand its inventory and consider serving a broader market. John had come into the business with a fresh perspective and new ideas from his business education and Elmer was willing to give his son the room to try new things.

SPLASH
KITCHEN BATH HOME

"My father gave me a lot of leeway at a very young age," remembers John Nicklas. "For example, we computerized the company in the late 1970's. After that we began to look at broadening the company's reach throughout the region."

Elmer's younger son Mark joined the company in the early 1980's. Nicklas Supply opened its first branch in Heidleberg at that time, to take advantage of the growth going on in the far southern suburbs. A few years later a second remote location was opened in Monroeville to serve plumbers in the east of Pittsburgh. John also began to look at expanding the business into related segments of the business that went beyond plumbing. He added kitchen cabinets to their repertoire to capture business from homeowners already shopping for kitchen fixtures. John also looked at expanding their non-residential business, which had been geared towards serving end users, by entering the plan-and-spec commercial market. When he discovered that Nicklas Supply wasn't built to service large projects as effectively, John changed gears and the new direction took the business to another level.

By 1992 many of Nicklas Supply's customers had moved farther north, following the builders who had flocked to the neighborhoods growing rapidly along the newly-opened Parkway North. John and Mark Nicklas saw the shift in homebuilding as an opportunity to expand their business in a significant and new way. They decided to follow their customers and build a new headquarters and distribution center in the hottest part of the new construction, selecting a site on Freedom Road west of Route 19 and I-79 in Cranberry Township. "With the location of the Turnpike and I-79, the new location was going to be good for redistribution and we could see the area was going to be a growth area," says John. "Construction

> ... John changed gears and the new direction took the business to another level.

was moving away from the old North Hills and Glenshaw was no longer convenient for our customers. Our building's size was no longer efficient for distribution so a new warehouse made sense. But we also moved to Cranberry with the intention of putting in a first-class showroom. We brought in a designer to help design the showroom with the idea of merchandising a higher end market for plumbing."

Nicklas Supply's showrooms had served the purpose of making sales easier for their plumbing customers by enabling the consumer to make selections in one place, but John Nicklas perceived that the market was changing. Nicklas Supply was investing in a showroom that would put the focus on the end user of the home or business.

"This was a whole other consumer-centric approach," explains John. "We wanted to create demand through marketing, by showing consumers fixtures that weren't available in kitchen and bath showrooms in Pittsburgh before. We were going to drive sales of higher end products."

Nicklas's approach to the consumer assumed that the reason homeowners bought high-end kitchen and bath fixtures in other markets, like New York or the Coasts, was because they were aware of the products. Conventional wisdom held that Pittsburgh homeowners were too conservative to buy high-end fixtures and furnishings. Nicklas was willing to take a chance on Pittsburghers, who he felt were becoming more aware of what was out there through television and other home improvement media. In 1994 Nicklas Supply branded their newly focused business with the SPLASH name and saw the results follow as homebuilding in the far northern suburbs exploded and then shifted from production development to custom homebuilding a few years later.

"The consumer has so much more information now," says Nicklas. "There is new advertising and so many shows like on Home and Garden network that make people aware of the kinds of things that you can do in a bathroom or kitchen."

With television shows on nightly that highlight big ticket kitchen and bath makeovers, consumers can come to the SPLASH showroom with a virtual shopping list of brand names and styles that they saw used in a million dollar renovation in South Beach or Santa Fe. The challenge for Nicklas Supply is to anticipate that those elevated expectations and introduce products that stay ahead of the DIY Network.

One way they are working towards that end is by opening a new showroom in the upscale lower Fifth Avenue corridor downtown.

...OPENING A NEW SHOWROOM

IN THE UPSCALE LOWER FIFTH AVENUE CORRIDOR DOWNTOWN.

SPLASH recently leased a 750 square foot showroom at the corner of Fifth and Market aimed at introducing the newest innovations in kitchen and bath design within walking distance of the design community and architectural firms downtown. The studio highlights lighting, upscale finishes like glass mosaic tile, European faucets and china fixtures. Aside from displaying high end products the showroom aims to support architectural specification, a new initiative for Nicklas that is a response to the new urban development in Pittsburgh. Its location also gives the SPLASH showroom access to a concentrated group of consumers who work downtown.

In addition to the Market Square design center, SPLASH now has five locations, including the Nicklas Supply operations, and the firm has grown to 50 employees. To augment the plumbing distribution business SPLASH has broadened its focus again to include custom architectural window and door hardware.

Mark Nicklas now has three sons involved who will be the next generation in the family business. He and John have successfully built upon the foundation Elmer Nicklas provided them and they hope that the current direction of SPLASH will serve the next generation well. Regardless of what changes will come down the road, John Nicklas knows what will keep the business thriving.

"The number one reason for whatever success we've had is the people we employ," he says. "We just have a great staff of people." BG

Company Facts

SPLASH and Nicklas Supply

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Founded: 1956
Contact: bethfay@exploresplash.com

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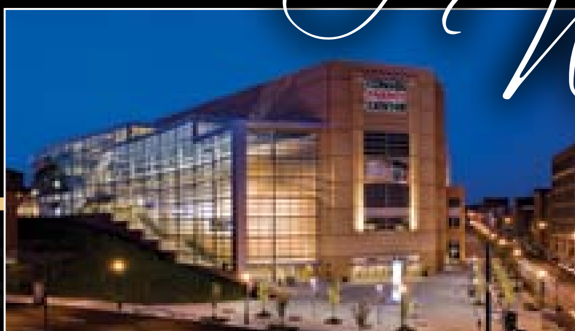
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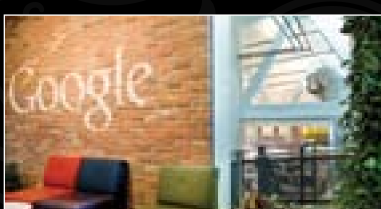

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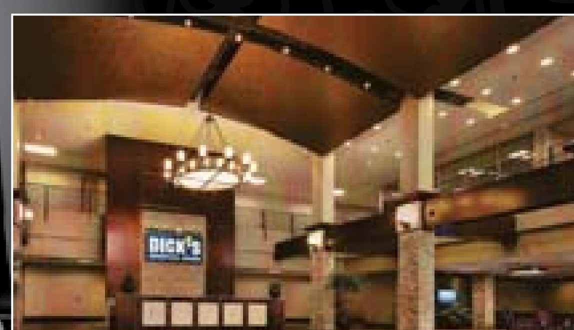

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The Intricacies of the Pennsylvania Construction Code Act
By Chad I. Michaelson

The Pennsylvania Construction Code Act not only adopted a statewide building code for the first time; it also enacted an entirely new scheme for enforcing that code. The Act required municipalities to appoint a municipal code official to perform plan review of construction documents, inspect construction and enforce building codes in that jurisdiction. It also empowered the Department of Labor and Industry (L&I) to adopt regulations governing the training and certification of these code officials.

As is the case with many new laws, the Act and the regulations subsequently issued by L&I have created many new questions about the permitting process and the authority of building code officials. Some of those issues have been resolved by the legislature, which has passed several amendments to the Act, and others have been resolved by the courts. Several questions remain unanswered, however, and this article will discuss a few of the more confusing or controversial provisions of the Act.

Automatic Adoption of Triennial Code Revisions

The recent controversy over the adoption of the 2009 revisions to the ICC codes, which added a residential sprinkler requirement, illustrates what many consider to be a significant shortcoming in the Act. The general assembly chose to adopt the model codes issued by the International Code Council (ICC) as the Uniform Construction Code in Pennsylvania. Those codes are revised by the ICC every three years, and the Act requires L&I to issue regulations adopting each new version of the ICC codes in the year after they are released. Unfortunately, the Act does not provide L&I with much, if any, authority to modify any code provisions that it may deem inappropriate for inclusion in Pennsylvania's Uniform Construction Code.

In 2008, the Act was amended to create a Uniform Construction Code Review and Advisory Council (RAC) that had the authority to determine if any new or amended code provision would be inappropriate for inclusion in Pennsylvania's Uniform Construction Code. If the RAC made such a determination, L&I was required to exclude that provision from the Uniform Construction Code. However, the RAC was not given the power to modify or add to the codes; it can only exclude the new or amended provision. Because the RAC cannot adopt a desirable portion of a new code provision while rejecting any undesirable provisions, it is essentially forced to throw the baby out with the bath water.

This is an issue that is sure to gain more attention with each subsequent revision to the ICC codes. For example, the ICC is set to include the "International Green Construction Code" in the 2012 revisions to its family of model codes. That "high-performance" building code will require reduced energy and water usage along with a whole host of other sustainability measures. The policy implications of adopting such a code are likely to be the subject of controversy, and that controversy will be even more difficult to resolve because of the limitations on L&I's ability to modify the model codes to meet the unique concerns of Pennsylvania's owners, designers and contractors.

Liability of Code Officials

The Act has expanded the roles and responsibilities of code officials and, by extension, has exposed them to greater liability. It seems code officials are being included with increasing frequency in lawsuits alleging that negligent inspections failed to reveal construction defects. There are, however, significant obstacles to overcome before a code official can be held liable for construction defects or other problems. Foremost among these is the fact that a code official is not a guarantor of the quality of construction. The code official's duty is to determine whether construction is code-compliant, not to second guess the contractor's means and methods or the quality of construction. And the mere fact that work may be of poor quality or defective is not evidence that the work is not code-compliant.

In addition, the passage of the Act raises a serious question as to whether municipal code officials are subject to the same immunity from suit enjoyed by municipalities under Pennsylvania's Municipal Tort Claims Act. If the code official is an employee of a municipality, as is the case in most cities in Pennsylvania, there is little question that he or she will be immune from claims alleging negligent inspection. However, most Pennsylvania municipalities employ private independent contractors, as the Act expressly permits them to do, to discharge their municipal duties under the Act. The courts have held that these independent contractors may be immune from suit, but have not issued a clear ruling that would protect all privately-employed code officials who have been appointed to perform a municipality's statutory duties under the Act.

Plan Reviews and Inspections

Before the Act, many Pennsylvania municipalities had no building codes whatsoever. Now, every municipality is required to make provisions for the review and approval of construction plans and for periodic inspections to ensure construction progresses in accordance with the approved plans and all applicable building codes. Many see these requirements as an obstacle, but they can also be viewed as an opportunity.

Tension often arises when during plan review the code official identifies aspects of the design that are not code-compliant. While this can cause delays while the design is revised, it also can benefit the project by pointing out areas of the design that, if not identified by the code official, could lead to errors in bidding and change order disputes. Some also criticize the plan review process for taking too long, but that criticism usually results from unjustified expectations. L&I's regulations give the municipal code official thirty business (not calendar) days to complete the review of plans for commercial construction, and that time period does not begin to run until all of the conditions precedent (zoning approval, issuance of a highway occupancy permit, etc.) have been met. Municipal code officials can be quite busy, and many of them handle plan review for multiple jurisdictions. So, understanding that the process is likely to take the full thirty business days and planning for this in the schedule can reduce the frustrations that may arise from this process.

The same holds true for inspections. For residential construction, the Act requires five separate inspections before a certificate of occupancy may be issued. Contractors must allow sufficient time in their schedules for these inspections, as municipal code officials are rarely available on short notice. And contractors can facilitate the inspection process by making sure that the approved plans are available on site and that the work to be inspected remains accessible and exposed for inspection.

Appeals

There are remedies available to an owner, designer or contractor that wishes to challenge a code official's decision. The Act required each municipality to create a Board of Appeals to hear such challenges, but the Board's authority is somewhat limited. An appeal, for instance, may only be based on a claim that the code official's interpretation of the code is incorrect, that the provisions of the Act do not apply, or that an equivalent form of construction is to be used. If the cost of code compliance is the issue, it cannot be the subject of an appeal and one must instead seek a variance. In addition, the Board of Appeals has very limited power to deal with procedural irregularities in the permitting process. Thus, some disputes have to be resolved by the courts, which is rarely a quick or efficient process.

Conclusion

Most would agree that more good than harm has come from the adoption of a uniform statewide building code. But the Act is by no means perfect, and it seems that every time the legislature plugs one hole, a new leak is sprung. From a practical standpoint, however, the best approach is to treat the code official as an ally and try to work within the system to avoid costly disputes and delays.

Chad Michaelson is a partner practicing construction, litigation and sustainable development law at Meyer Unkovic & Scott LLP. Chad can be reached at CIM@MUSLAW.com BG

Financial Perspective

Multiemployer Pension Plan Disclosures and its Potential Negative Impact

By Eric P. Wallace CPA

Editor's note: This is the third of three articles explaining the potential impact of accounting changes proposed by the Financial Accounting Standards Board (FASB).

In September of 2010, FASB issued an exposure draft (ED) of a proposed standard that it states is intended to increase transparency in financial statement reporting about entities that participate in multiemployer pension (ME).

FASB's ED set forth proposed disclosures that it states would help users of financial statements (FS) better assess the potential risks faced by employers participating in ME plans. A recent study of over 100 ME plans, including the largest plans in the US, indicated that in 2008 those plans were collectively underfunded by over $160 billion. Current U.S. Generally Accepted Accounting Principals require employers to disclose their total contribution to ME plans, but beyond that, there is no requirement to describe the funding status. Under the ED, employers would have to provide more information. "Investors and other financial statement users have expressed concern that current financial statements do not provide enough information about the commitments and potential risk related to ME plans arrangements," states FASB.

Key Disclosures of the ED

The ED proposed the following disclosures, among others:

- Total assets and accumulated benefit obligation of each of the ME plans that an employer participates in
- Quantitative information about the employer participation in the plan, for example, the number of its employees as a percentage of total plan participants
- A description of the contractual arrangements between the employer and the plan, including the length of the arrangement, the contribution rates agreed to, and any minimum funding arrangements
- Expected contributions for the next annual period
- Known trends in future contributions
- The amount that would be required to be paid upon withdrawal from the plan, and
- A narrative description of any funding improvement plans adopted by the plan, including the expected effects on the employer

All FASB standards cover one to all three tenets of financial reporting. Those standards include:
Recognition – when and if an issue should be reporting in an entity's financial statements (i.e. this year, future years, or never), Measurement – at what amount should the item be recorded? and/or Disclosure or Presentation – what should be disclosed in either the notes to the financial statements or in the financials themselves (balance sheet, income statement, statement of cash flows.

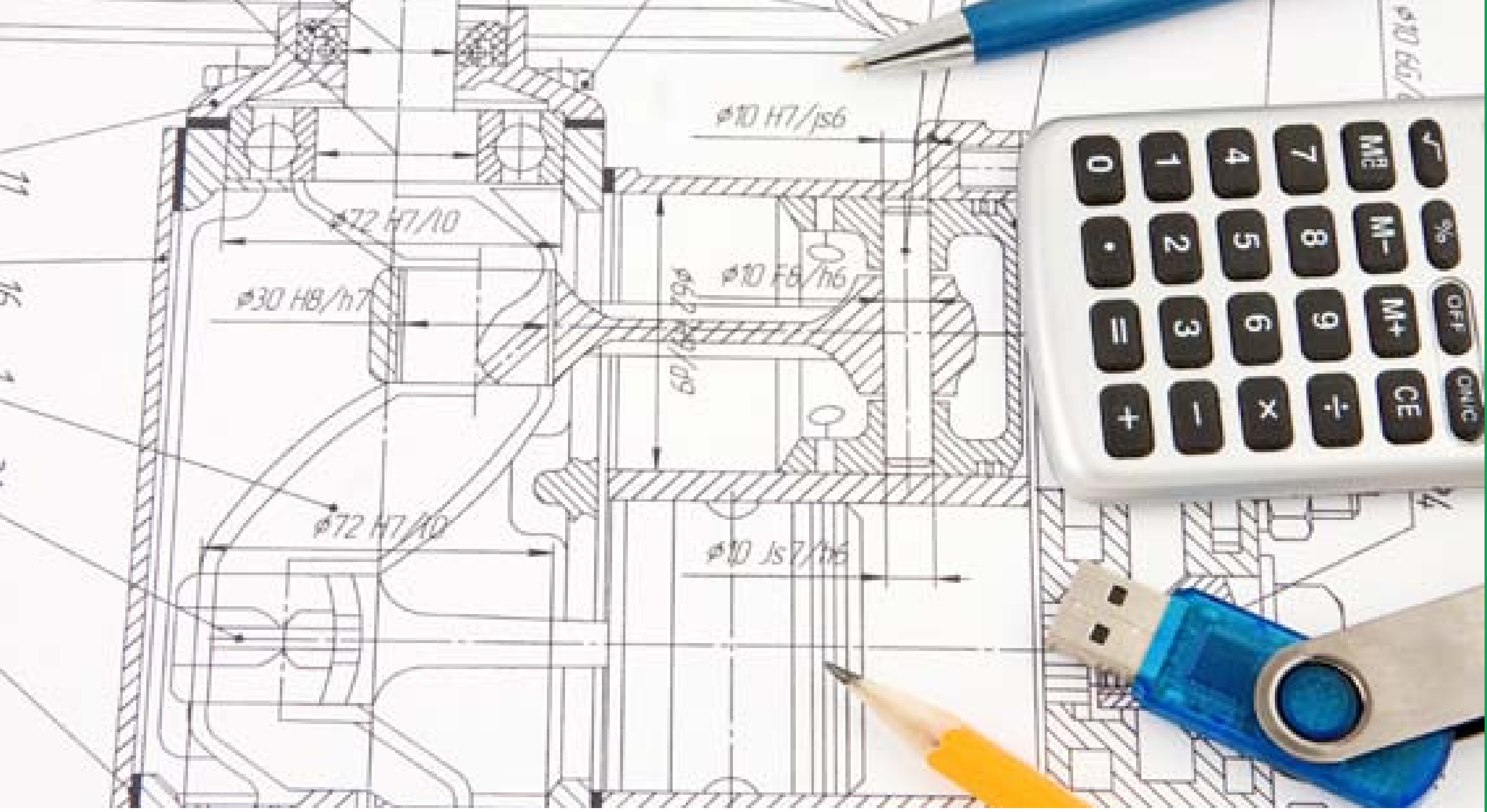
The ME ED covers only the disclosure tenant of financial reporting.

Latest Position - FASB Summary of Decisions Reached to Date and Project Update

The September 2010 ED issued by FASB had proposed that public entities would begin providing enhanced disclosures in their financials for fiscal years ending after December 15, 2010, with a one-year deferral for nonpublic entities. In late 2010, after receipt of hundreds of comment letters on the ED, FASB changed its position and decided that a final standard will not be effective for the 2010 calendar year-end reporting period. It will decide on an effective date at a future meeting, after it has substantially concluded further deliberations. FASB states on its website that it expects to issue a final standard on this issue in the second quarter of 2011. AGC has asked FASB not to release a final standard but to instead issue another ED for comments.

AGC's Response to FASB on the ED on ME Plans

After discussion with many contractors and leaders in the construction industry, and considering the issues of ME plans and the consequences of the proposed FASB ED, I assisted the AGC in writing AGC's response letter. It can be found as Comment Letter number 240 on FASB website under the listing of the comment letters it received on the subject. There were hundreds of hours devoted to researching the issues and facts related to the



ED, considering the needs of contractors, and thoughts about the potential solutions around FASB proposed requirements.

We called to FASB's attention the following concerns about the ED.

- First, the ED under-appreciates the costs associated with compliance related to the proposed new disclosures. The cost of obtaining the proposed required information per plan will be significant for each employer and for each ME plan. A ME plan can have hundreds of participating employers. Some of the proposed new disclosures are available and can be calculated at the plan level and communicated to each employer. The disclosure of potential withdrawal liability, however, will be unique to each employer and outside experts will be needed to obtain the data, process, and estimate it. These outside experts will, at a minimum, consist of a team of an actuary and the contractor's legal counsel.

- The ED misunderstands and overestimates the relevance of the required disclosures to the construction industry. The proposed new FASB disclosures about withdrawal liability are not only irrelevant, they would be misleading.

- Proposed disclosures would be neither timely nor accurately reflective of the financial impact of participating in a multiemployer plan. Construction companies and their financial statement users want their financial information issued on a timely basis. It will simply not be possible for the plans, the participating employers, and the required outside experts to accomplish this process in a timely manner for the latest MEPP information to be presented in the applicable, current year's financial statements and the actuarial valuations provided by a plan are always at least a year old.

- The Ed underestimates the complexity of the relationship between employers and ME plans. The ED appears to be founded on the incorrect assumption that single and multi-employer pension plans have similar liability characteristics to an employer. Additionally, we argued to FASB that the ED indicates a need for FASB to better understand how ME plans and the construction industry operate, especially within its related regulatory and statutory requirements. The team of outside experts needed to come up with proposed new disclosures will make conclusions that vary significantly from plan to plan and employer to employer. Withdrawal liability information will be speculative, if indeed it can be obtained

- Finally, the ED significantly underestimates or ignores the effect of the construction industry exemption. Under 29 USC § 1383(b)(2)(B), a construction industry employer has no withdrawal liability unless the employer either (i) continues as a non-union contractor in the same jurisdiction where the collective bargaining agreement had applied, or else (ii) resumes work in that jurisdiction within 5 years after the collective bargaining agreement was terminated. Any legal counsel will argue that these are future events that cannot be determined for disclosure inclusion currently. Moreover a contractor would have to make a conscious choice to trigger this liability; thus the resulting liability cannot result from unforeseen or uncontrollable events.

Conclusions about the ED

If this ED, as currently written, is adopted as a standard, the cost to the construction industry will be extreme. Additionally, not only will the information be irrelevant or untimely, it will for the withdrawal liabilities, be misleading.

Contractors should be aware that if this Standard is adopted as written the volume of the proposed additional required data (two additional pages per ME plan) will cause their financial statements to double or triple in size depending on the number of ME plans it participates in. Complying with the standards will require an outside team of experts that will be costly to use and the team will reach conclusions that aren't timely to current financial reporting and that will be speculative as to any actual liability.

These disclosures could eventually lead to FASB requiring union contractors who participate in ME plans to record a liability for withdrawal, even if no liability actually exists, and such accounting measurements and accruals could cause a contractor to potentially lose bonding capacity, banking lines of credit, and, consequently, go out of business.

Generally, we are concerned that due to the potentially negative economic impact of the proposal on union employers who participate in ME plans, the ED, in its current form, would create undue hardships for union employers that are already struggling to weather the economic recession.

Not all hope is lost, yet. As AGC's representative, I recently joined with the Mechanical Contractors Association of America, the Association of Union Contractors and several other union and trade organizations to present to FASB a "cost-effective disclosure protocol" that would achieve the sound accounting rules and transparency that FASB is seeking without the negative consequences that are currently awaiting our industry in the original FASB ED. This group has a scheduled meeting date with FASB in late March of 2011.

Eric P. Wallace is a partner with Carbis Walker LLP. He was appointed by the MBA to be a member of the AGC National Tax and Fiscal Affairs Committee. BG

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Trend to Watch

Water Matters to Pittsburgh

If you're feeling a bit overwhelmed by trying to keep track of all the opportunities and concerns about the natural gas industry exploding onto the scene in our region, here's a bit of bad news: the next big thing is coming already.

In many ways the history of southwestern PA is the story of water. The confluence of the rivers was the original reason that traders stopped here and the strategic asset that led to Fort Pitt's establishment. The abundance of water from streams and rivers supported life and commerce here prior to the Industrial Revolution. Once manufacturing began in Pittsburgh water became even more important to the economy. Our history with water involves drinking, fishing, trading, shipping, cooling, boiling, polluting, treating, cleaning, filtering and now, fracking.

The industrial legacy in Western PA has taught us that water can become scarce, even when it surrounds us, if it is allowed to be poisoned. Life is so dependent on water that pollution can damage all parts of the ecosystem that the water supports. Pittsburgh's waterways have become clean and green in part because the sources of much of the pollution – the mills – are no longer here, but the improvement in the quality of our water is also the result of technologies for treating bad water for re-use, even for drinking again.

For the past generation most of the focus of raising awareness about our planet's finite resources has been on energy. Much quicker than was anticipated, the petroleum-based global economy began to see a time when the world's oil reserves would expire. With the economies of India and China growing rapidly – and with U. S. consumption still more than double the rate of those two economies – the threat of insufficient energy seems suddenly possible.

What hasn't received nearly enough attention is the fact that the global supply of fresh, potable water is even more in peril. The pace of growth of population is threatening to outstrip the availability of fresh water just as rapidly as oil. Much of the world does not have access to the amount of water that we have here in our region, and many places that do are polluting the water to the point that it can't be used. The double whammy about water is that in addition to supporting human life it is essential to the production of virtually all the energy we use.

The purpose of this discussion isn't to paint an apocalyptic picture of a barren future, with Mad Max-like scenes of water barons and wars over water tanks. It is instead to highlight the fact that as water becomes more of an economic opportunity, it becomes more of an opportunity for Pittsburgh.

Of course the truth is that the world's people and businesses are making water increasingly scarce. Although water scarcity and quality may not be issues with as high a profile as energy conservation, many resources are being devoted to dealing with the water problems. As the problem solvers begin to explore solutions to the world's water problems they are drawn to places where there is expertise in treatment technology, efficient use of water, water quality monitoring and security technology and the proven track record of engineering and manufacturing those technologies. There are places where there is a concentration of companies that have settled to create a water technology cluster. Pittsburgh happens to be one of them.

Economic development agencies focus on industry clusters as a way of leveraging expertise into a job-creating machine. Clusters, like Pittsburgh's life sciences or software engineering allow for efficiencies in the supply chain, sharing resources and an incentive for vendors to build needed infrastructure for the specific industry. More importantly, having an industry cluster in a region creates an incentive for attracting a talented workforce.

The focus on the business opportunity for water is an outgrowth of the Allegheny Conference on Economic Development's ongoing efforts to support the energy sector and highlight regional advantages. "We are following supply chain opportunities for the energy sector and identified three energy groups – gas, nuclear and wind," say DeWitt Peart, the Conference's executive vice president for economic development. "The fourth opportunity is water, which supports virtually all energy generation."

On June 3, 2010, Pittsburgh hosted Water Matters! as part of its duties as the North America's Host City for World Environment Day 2010, a United Nations Environment Program held annually on June 5. As part of the conference the Pittsburgh World Environment Day Partnership commissioned Fourth Economy to develop a report, Pittsburgh's H2Opportunity: An *Assessment of Southwestern Pennsylvania's Water Sector*, that would examine the economic potential for the water sector cluster in our region. Their findings showed an industry that already has an economic impact, but which has potential to growth exponentially as global solutions for water quality and scarcity are pursued. Some of its findings were:

- Southwestern PA is home to more than 3,000 water-related businesses generating $5 billion in business activity.
- Water used for generation and cooling at power plants and for extracting natural gas sustains a $13 billion energy sector
- 173 regional firms are involved in supply and treatment doing $3.5 billion in sales
- 416 firms are involved in components with sales of $1 billion
- Water technology is growing at a 10 percent annual rate
- By 2015 the global market for desalinization should be $16.6 billion, for wastewater resource recovery $37 billion, for wastewater treatment $70.8 billion, and the overall water-related market should be $770 billion world-wide

Defining the SWPA Water Cluster

The Sub-Sectors include:

Supply and Treatment – treatment and remediation companies

Components – companies making devices and instruments for measurement, control, security

Services – technical, engineering, testing firms

Transportation – water freight companies and administration

Source: Fourth Economy, Pittsburgh's H2Opportunity: An Assessment of Southwestern Pennsylvania's Water Sector

To be an effective market force an industry group must be able to identify the regional assets and their strengths, but the tricky part is in getting the 'members' of the industry cluster to recognize a mutual benefit in promoting the industry. Collaboration is not the first instinct of competitors, and it's not unheard of for a region's allied industries to undermine attempts to collaborate. At this point the water sector is still figuring out its appetite for collaboration. Assuming that the players can cooperate to advance an industry marketing effort, the companies involved are already global leaders. The list includes Calgon Carbon, Eaton, Lanxess, Curtis Wright, Emerson, Michael Baker, L. B. Foster, URS, Siemens and many others.

One of Pittsburgh's advantages is that regional industry marketing efforts in water are virtually non-existent. At this point only the Milwaukee Water Council exists as a metropolitan or regional promoter in the U. S. Fourth Economy's report did not specifically recommend the creation of a formal water-related association but rather a task force or working group that can assess and organize the opportunities and match regional resources to them. Carnegie Mellon is currently managing an effort to identify research/demonstration projects for sustainable water innovation, called the Water Innovation Council. Working groups will also need to identify a recruitment pipeline to attract expertise and a workforce needs assessment. Once functioning, any industry group would arrange for funding academic research for future commercialization, as well as encouraging entrepreneurial activity.

For now the Allegheny Conference is taking a lead in moving the ball forward. Aside from its education efforts, the Conference is taking a few concerted initiatives it believes have a chance to bring returns.

"We have a concentration in Pittsburgh of foreign-owned companies involved in water technology," explains De Peart. "When we go overseas looking for foreign investment in the region we are concentrating on water businesses. We're going at this with a laser focus for now. For example, we have trips planned with the Pittsburgh Symphony when they are in cities that already have companies in this sector."

Peart says that it helps to point out that Pittsburgh is within 500 miles of 60 percent of the nation's population, manufacturing output and the market for water purification.

"We're looking at companies who are already interested in the U. S. as a market," he says. "We can talk to them about our location and the industry cluster that's already here. If they are coming to the U. S., what they are looking for is already here in Pittsburgh." BG

Moving Towards and Achieving Your Digital Potential

By Ray Steeb

It's been almost a decade since sources as varied as Economist magazine, the Construction Users Roundtable and the National Institute of Standards & Technology weighed in on the inefficiency of information flow in the construction industry. Separately these three different groups – a private publication, a non-profit association of industry end users and a government agency – all concluded the same thing: the lack of standardized digital information was costing big money, as much as 30 percent of the total construction cost or $15 billion each year.

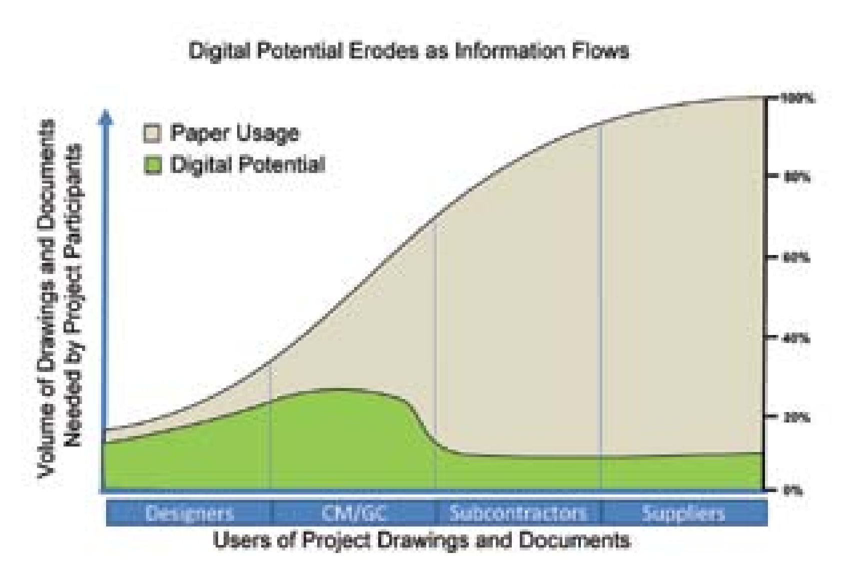
Technology has improved radically during that time but their conclusions remain unchanged.

The professionals who are involved in a project number in the hundreds. By the time a construction project is completed, as many as a thousand people who have never worked together before will have assembled thousands of components from almost as many sources. Most of the people involved will know something about the project that could help another person do his or her job better, but will never have the chance to share that knowledge. It is no wonder that construction projects encounter problems. Imagine the potential for improvement if everyone involved had access to the same information all the time.

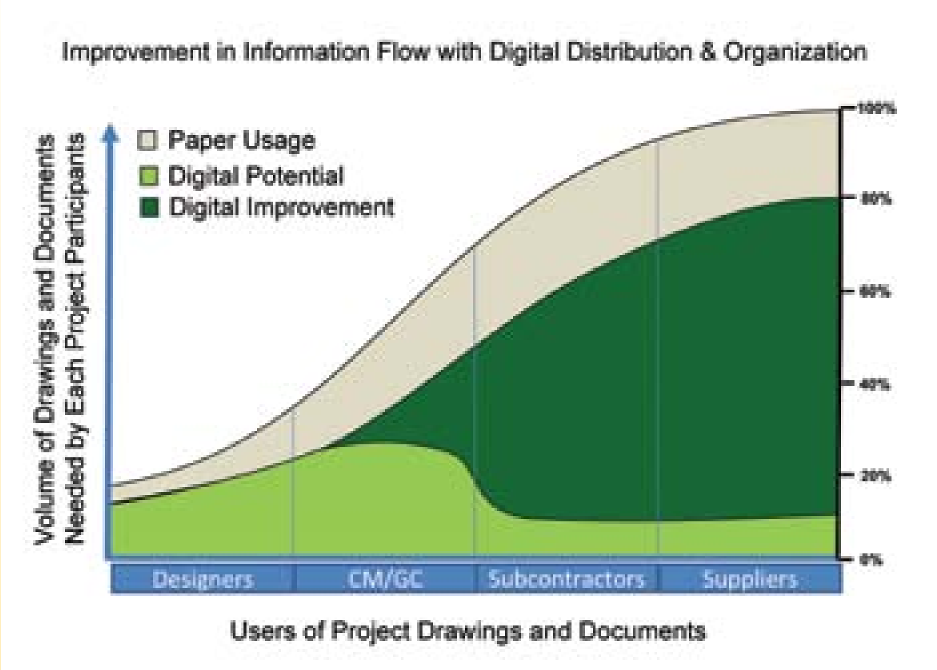
Digital technology is commonly used to design, estimate and procure a project, but for the most part the technology is used independently by the separate parties to a project. Even in the case of collaborative technology use, as with Building Information Modeling (BIM) or an integrated project delivery system, the sharing of information is limited to the digital model itself. The notes and thinking that were shared to build or revise the model are lost as the project develops and the model is rarely extended to the place where the construction actually occurs: in the field.

This gap between the use of current technology and complete sharing of information is the unrealized digital potential. This gap is costing the construction industry billions of dollars in time and money.

The traditional approach to information dissemination in the construction industry is to send a hard copy of a drawing or specification to a local reprographer for copying and distribution to a list of recipients that have been determined to need the documents. An update to that approach is to have the originator upload an electronic copy (typically a PDF file) to their own or a local reprographer's File Transfer Protocol (FTP) website and either have copies printed and shipped, or to notify a list of recipients that there is new information available for them to log on and download. FTP sites aren't currently capable of providing interactive access to the documents.



The utility of digital project information erodes as the documents are distributed completely throughout the project life cycle.



Distribution and organization of project documents in digital form increase the potential for savings and collaboration.

Instead, users must download the documents and print them (either to their own printer or their reprographer) so that they can use and share with their staff as needed. This "updated" approach does not change the need for printed material, only who pays for it and how much effort is needed to obtain it.

To truly make a difference in using digital information while it remains in its digital format, this information must be easily accessible, quick to load, and dependable even when disconnected from the internet. A system that can achieve this improves the digital potential of the information. Full digital potential is currently available to a limited few extremely technologically savvy individuals in today's marketplace.

Limited Digital Potential of Project Groups using FTP Sites, CDs and DVDs

Architects, engineers, and consultants typically have established for themselves a system to share computer aided design (CAD) technology to permit them to exchange design information and work in a digital environment nearly all the time. They have achieved much of the digital potential possible for the design period of a project. One of BIM's main benefits is the retention of information as the project develops through design.

Construction managers and general contractors (CM/GC) currently may have internal systems that give their office staff access to digital information by utilizing local servers as electronic file storage and access points for drawings and documents while connected to their local area network (LAN). This allows office staff to operate in an improved digital environment, but it still requires the field staff to have all of their drawings and documents printed and filed – not always carefully – at the jobsite. Additionally, the CM/GC has a higher potential to utilize FTP sites (their own private site or their reprographer's site) to make digital drawings and documents available to their subcontractors and suppliers. They provide login and access code information to those parties so that they can obtain the information. The digital potential of the CM/GC is less than that of the designers and drops off quickly when the information leaves their office. The first graph illustrates how quickly the digital potential of the project information erodes in the current environment.

Subcontractors and material suppliers are a varied group of digital drawing consumers. Today, they receive CDs, DVDs or access permission to FTP sites to obtain their drawing and document information. They typically don't have the resources to utilize home office servers to store and access project information. They must download (or have their reprographer download) the information made available to them and have it printed and shipped to their location (and their field staff's location), then manually organize it for their future use. The digital potential is very limited for this group of consumers of project information. In addition, the slow velocity of this information in getting to the user who needs it; when it is needed is often the cause of issues that arise on project sites.

Maximizing Digital Potential for Project Groups with Digital Distribution and Organization

For designers, CM/GCs, subcontractors and material suppliers to improve their digital potential on a project the following must occur:

- The digital information must be quickly accessible and simple to update.
- The system containing the information must be easy to use.
- The organization of the information must be logical.
- The system must provide tools so that the digital information can be utilized in the same way as paper.

A digital distribution system must provide the digital environment that can be used by the entire project staff and team. The system should organize the project information so that every user can always find it with ease. The system should update itself automatically so that the user does not have to be computer savvy to obtain, access and download the most current digital drawings and documents on a daily, hourly or up to the minute basis.

For example, if drawing A101 had a new revision, the new A101 will take the place of the existing A101 in the digital distribution system and automatically move the existing A101 to a new location one slot behind the new A101 just placed. The existing A101 should always be available for future reference. In order to view the now superseded drawing A101, you must first view the current drawing A101 and "look behind it" the same way you would if they were located on a drawing stick (this would significantly reduce mistaken usage of an old version). Simple one button updating is necessary to permit the least sophisticated of users to be able to manage their digital drawings and documents without any outside support.

A digital distribution system must also provide a simple set of tools that permits the user to "mark up" a drawing to record as built information and convey coordination information. Work flow and sign off markings should also be able to be placed on the drawings to permit collaboration among the project team.

Graph two shows how digital distribution can improve the digital potential and organization of a project significantly. How much risk would be reduced by having all participants in a project have all the current documents, even those reflecting site conditions today? What portion of your day is spent with "velocity of document" problems – proving that someone on the job received what should have been received? How much more collaborative would your project be if subcontractors could note their activities in areas critical to the critical path, and have all the related subs acknowledge those activities?

A digital distribution system that automatically downloads, organizes, and keeps current all project information, provides the same tools that would be utilized if the digital information were paper, and empowers the entire project team to improve collaboration, coordination, and communication while reducing project risk is a system that will maximize the digital potential of your organization.

Ray Steeb is the founder and CEO of FASTTAC, an Aspinwall-based company providing file sharing and document archive services dedicated to helping the construction industry manage information from design through construction and operations.

INDUSTRY & COMMUNITY NEWS

"Massaro Serves" Braddock and Youth Works

Over the course of six days, Massaro Corporation carpenters Eric Boesenberg and Tony Carr constructed a wheelchair ramp at the home of a Braddock woman as part of Massaro Corporation's, "Massaro Serves" program. The woman had recently had her leg amputated and could not leave her home to attend doctor's appointments and physical therapy without being carried down the stairs. Massaro Corporation, along with Braddock Mayor Fetterman, proudly provided labor and materials to construct the 54' wooden ramp that will now allow her the freedom and safety of being able to leave her house once again.

On February 3, 2011 Massaro Corporation hosted several students from Youth Works, Inc. for "Job Shadow" day. The students shadowed different employees from Massaro to learn more about possible career choices within the construction industry.

Carpenters Eric Boesenberg & Tony Carr working on the ramp.

Members of the Massaro Team giving the Youth Works participants a tour of an active jobsite.

MBA Announces Engineering Scholarship

The Master Builders' Association (MBA) and the Construction Advancement Program (CAP) awarded a $7,500 scholarship to Jeremiah Beiter, a student at the University of Pittsburgh School of Engineering. Since the MBA & CAP teamed to provide annual scholarships in 1998, nearly $100,000 in scholarships has been provided. This year's recipient was honored at the 2011 MBA Annual Membership Dinner, held on Friday, January 21, at the Duquesne Club.

Ray Volpatt Sr. (left) chair of the MBA Scholarship Committee with recipient Jeremiah Beiter and Jack Ramage.

MBA executive director Jack Ramage (left) with Mosites' Tony Malanos and Lighthouse Electic president Todd Mikec at the MBA Membership Dinner.

Blumling & Gusky founder Bob Blumling (left) with Jendoco's Domenic Dozzi at the MBA Membership Dinner.

Babst Calland Clements & Zomnir attorneys Rick Kalson, Lauren Rodriguez and construction practice chair Matt Jameson (right) at the MBA Membership Dinner.

Supporting Girls Softball

Bill Vodde, Senior Estimator for Joseph B. Fay Company, and Ralph J. Pagone, Regional Manager for Richard Goettle, Inc. are both involved in the effort that has brought slow-pitch softball back to middle schools and high schools across Western PA. The Western Pennsylvania Interscholastic Softball League (W.P.I.S.L.) was created six years ago to provide middle school and high school girls (grades 7-12) the opportunity to play at a competitive level while representing their respective school districts. There are currently 30 teams in the league, with new teams being added every season.

Vodde is a Board Member of the W.P.I.S.L., serving as its Treasurer. He is also the Head Coach of the Hampton High School Varsity team. Pagone serves on the W.P.I.S.L's Executive Board as one of its founding members. He also is the Head Coach of the North Allegheny High School Varsity team.

Volunteer coaches Ralph Pagone (left) and Bill Vodde (right) with members of the Hampton and North Allegheny girls softball teams.

Chris Schweiger of Laurel Aggregates, Marshall Elevator's David Heiner, Bruce Bartholomew from Phoenix Roofing and Zurich's John Nissley at the American Subcontractors Association's annual networking event at Cioppino on February 16.

Express Sawcutters president Kim Losego (right) and Jen Altmiller with Dan Scabilloni of Marsa at the ASA event at Cioppino.

GREEN BUILDING NEWS

GBA Hires New Executive Director

Mike Schiller, a successful entrepreneur with deep roots in Pittsburgh, is returning to the city to assume the position of executive director at the Green Building Alliance (GBA). His appointment begins February 7, 2011. Having founded three for-profit companies, one non-profit organization, and one charter school—all of which are currently thriving—Mike brings a great deal of passion, enthusiasm and expertise to his work, and will focus on growing GBA to new levels as the green building movement continues to gain widespread awareness and adoption.

Mike is most well known locally for having established both Venture Outdoors, a non-profit dedicated to promoting outdoor recreation in Western Pennsylvania, and Confluence Technologies, Inc., a leading provider of mutual fund back-office software applications. BG

GBA executive director Mike Schiller meets Barbara and Lee Hicks and GBA board member Byron Falchetti (left)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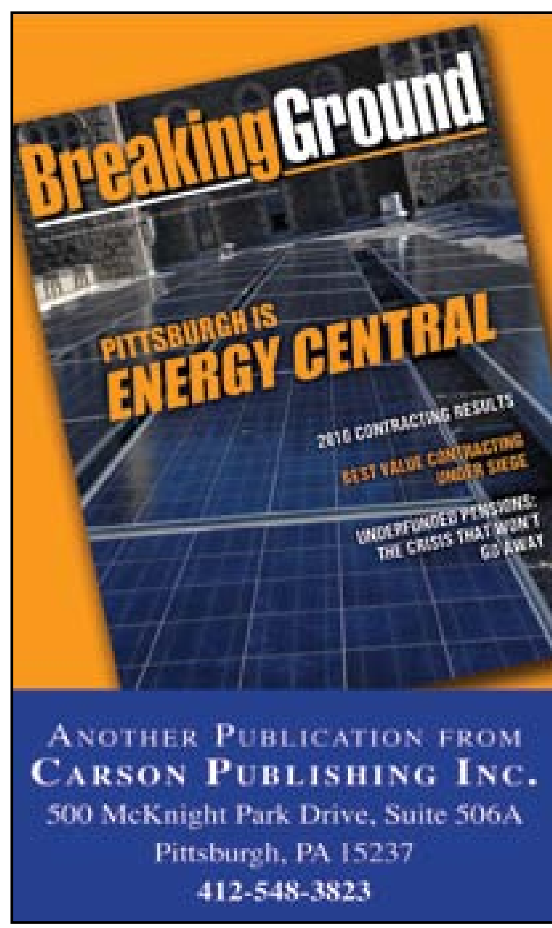
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AWARDS & CONTRACTS

John Deklewa & Sons was the successful contractor on several projects at St. Clair Memorial Hospital. The projects, valued at approximately $2.3 million, are the Cath Lab #3, Relocation of Infusion Center and Alterations for Time Share Offices. Architect on the projects is VEBH Architects.

Cal Frac Well Services awarded a contract for construction management services to John Deklewa & Sons for the first phase of their $140 million frac water treatment facility at the Fayette Business Park in Georges Township, Fayette Co. Work in this phase includes $11 million, 86,000 square foot warehouse, office, lab and truck maintenance facilities. McMillen Engineering is the local engineer for the project.

Poerio Inc. has been selected as contractor for a $500,000 addition and renovation to the PNC Bank Shopper's Plaza branch in Hampton Township. The project involves reconfiguration of the interior and a 1,000 square foot addition.

Poerio Incorporated has been selected by the Roane County School district of Left Hand WV to serve as general contractor for the renovations of the Geary Elementary School. The renovations include a new gymnasium, additional class rooms and a new sewage treatment plant on site. The project is to be completed in the summer of 2011 Williamson Shriver Architects is the architect for the project.

FED- EX Ground selected Poerio Incorporated for the renovations of their Fed Ex in Atlanta Georgia. Extensive site work and widening of the entrance of the existing facility were included. The design engineer on the project was Southern Civil Engineers Inc.

Poerio Incorporated is the successful contractor for the extensive renovations of the JC Penney Department store renovations in Johnstown PA. The project is scheduled to be completed in spring 2011. Nudell Architects designed the project.

The Art Institute of Pittsburgh awarded Poerio Inc. a contract for renovations to several Class Rooms, Dark Room and Photo Studio. The project, designed by The Design Alliance Architects, will be completed in July 2011.

dck north america, a dck worldwide company, was selected by the Naval Facilities Engineering Command for the Mid-Atlantic Multiple Award Construction Contract (MACC) and its $22 million seed project, a design-build project for the School of Infantry East Facilities at Camp Geiger, Marine Corps Base, Camp Lejeune.

Landau Building Company was contracted to build two fit-outs for MedExpress, in Lancaster North and Chambersburg, PA. MedExpress is an urgent care facility that is open seven days a week, 12 hours a day. Paul Slowik & Associates is the architect for MedExpress.

Robert Morris University awarded Landau Building Co. a design/build contract for their Facility Services Center, a 15,000 sq. ft. building purchased from Verizon. The architectural firm teaming with Landau Building Company is Intelligent Design Group. Construction is scheduled to begin on March 1, 2011.

Oxford Development Company has contracted Landau Building Co. to build a new 10,262 sq. ft. UPMC Cancer Center in Bethel Park. The center will allow patients to receive the highest level of cancer care without having to leave their community. Image Associates is the architect.

Landau Building Company will be renovating the second floor office for the Dean's Suite of the School of Business Administration at the University of Pittsburgh in the Sennott Square Building. The Design Alliance is the architectural firm involved.

Allegheny Construction Group was the successful contractor for eight new hangars at the Joseph A. Hardy Airport in Connellsville, PA. Michael Baker Jr. Inc. designed the $1.5 million hangar project for the Fayette County Airport Authority.

Direct Energy Inc. awarded a contract to Jendoco Construction Corp. for the tenant improvements to its 14th floor space in the Liberty Center. The project involves buildout of approximately 9,000 square feet.

PNC Financial Services selected Jendoco Construction as contractor for their data center chiller plant expansion in the RIDC West, Findlay Township. Lami Grubb Architects/ CJL Engineering is designing the 20,000 square foot, $10 million project, which should start in May.

A. Martini & Company was the successful contractor on the $850,000 tenant improvements for the Webb Law firm in One Gateway Center. The project involves renovations to 32,000 square feet on the 11th and 12th floors. Strada Architecture LLC is the architect.

The Center for Organ Recovery selected A. Martini & Co. as contractor for its $11 million re-use of 204 Sigma Drive at the RIDC Park in O'Hara Township. The project involves 28,260 square feet of new construction and renovations to 21,140 square feet of existing space. The project will be done with the minimum goal of LEED Silver certification. The Design Alliance is the architect.

Rycon Construction, Inc. was awarded the $9 million contract to build Phase II of the CARC gymnasium/field house at Garrett College in McHenry, MD. The 42,000 square foot athletic center will hold three collegiate size basketball courts, athletic training rooms and office spaces and is scheduled for completion in spring 2012.

A Giant Eagle GetGo store is under renovation by Rycon Construction in Pittsburgh's Southside neighborhood.

Rycon Special Projects Group is currently responsible for the renovation of the following projects: First Niagara Bank in Gibsonia, UPMC Surgery Center in Monroeville and multiple projects within UPMC Passavant Hospital.

Volpatt Construction was the successful contractor on the $2.8 million O'Connor Hall renovations at St. Paul's Seminary on Noblestown Road. Hayes Design Group is the architect for the project.

Southwood Hospital awarded Volpatt Construction a contract for work at their Boyce Road facility in Upper St. Clair. IKM Inc. is the architect on the $300,000 project.

RRI Energy selected Volpatt Construction as the successful contactor for renovations to their 3,400 square foot space at Southpointe. The project was designed by DRS Architects.

Point Park University has selected Massaro Corporation as the general contractor for the renovations at Frontier Hall. This 26,500 square foot renovation has a five month schedule and is slated for completion this summer. TKA is the architect for this $860,000 project.

Massaro Corporation will serve as the general contractor for UPMC Western Psychiatric Institute and Clinic for the renovation to the 6th floor of the Merck Unit. This $3,400,000 project has a nine month schedule and is slated for completion in October of this year. Image Associates is the architect on this project.

Massaro Corp. is the contractor for UPMC Western Psychiatric Institute and Clinic for the bed expansion to the 7th floor of the Merck Unit. This $1,400,000 project is slated for completion in May of this year. Image Associates is the architect on this project.

UPMC has selected Massaro Corporation to serve as the CM at risk for the renovation to an existing lab space in the Oakland neighborhood of Pittsburgh. Perkins Eastman is the architect on this renovation to the nine story, 130,000 square foot high-rise building.

Massaro Corp. was the successful bidder for the UPMC St. Margaret Burke & Bradley office renovation. This 7,600 square foot project has a 13 week schedule. Burt Hill Pittsburgh is serving as the architect.

Massaro CM Services, LLC has been hired by the Housing Authority of the City of Pittsburgh to provide project inspection services on multiple projects.

Gurtner Construction Co. Inc. was awarded a $5.75 million contract for the general construction portion of the Westmoreland County Transit Authority's new fleet maintenance facility. The $6.8 million project involves a 28,000 square foot new building. Parsons Brinckerhoff is the engineer on the project, working with DRS Architects. BG

FACES & NEW PLACES

Landau Building Company is pleased to announce that Drew Davidson has joined the company as a Project Engineer. Drew Davidson recently graduated with a Bachelor of Science in Civil Engineering, Mathematics Minor and a concentration in Environmental, Mining Engineering from the University of Pittsburgh.

John Deklewa & Sons added Peter Crespan to their staff as senior project manager.

Michael Kuhn, LEED AP has rejoined the Board of Directors of the Green Building Alliance and will serve as Vice President of the Board. Mr. Kuhn is vice president of Jendoco Construction and previously served on the GBA board from 2002 through 2008 and previously held the positions of Secretary and Treasurer.

Jared Friedman has joined Massaro Corporation as a BIM project engineer. Jared is a recent graduate from CMU where he received a Bachelor of Architecture degree. Jared is from the Long Island area of New York.

Rondale Wilbur has joined the Massaro CM Services, LLC as an Administrative Assistant. He joins Massaro from CVS Caremark where he worked as a Customer Service Representative for the last several years.

Kayla Timulak has joined the Massaro CM Services, LLC team as a Site Manager. Ms. Timulak has been in construction for the last five years serving as either a Site Manager or Superintendent. She will be on-site working for the Housing Authority for the City of Pittsburgh.

The General Contractors Association of Pennsylvania (GCAP) announced the election of its executive officers, naming Todd Dominick to the position of Treasurer. Mr. Dominick is Chief Executive Officer of Rycon Construction. Mr. Dominick is also a current Board of Director of the Master Builders' Association of Western Pennsylvania (MBA). Along with Mr. Dominick, the MBA is also represented on GCAP's Executive Board of Directors by Jack Ramage. Mr. Ramage is GCAP's Western Pennsylvania Director and Mr. Ramage is also the Executive Director of the MBA.

Babst, Calland, Clements and Zomnir, P.C. recently named Richard W. Saxe, Jr. a shareholder in the firm. Mr. Saxe, a member of the Construction Services and Litigation Services Groups, concentrates his practice in the areas of construction and commercial litigation and arbitration. Mr. Saxe is a 2001 graduate of Duquesne University School of Law.

Nicholson Construction Company has acquired Advanced Foundation Systems, Inc., a geotechnical contractor located in Denver, Colorado. The acquisition strengthens Nicholson's position in the Western United States, where Advanced Foundation Systems has completed numerous earth retention, piling, and ground improvement projects. The Denver office becomes the third office in Nicholson's expanding Western District. The district also includes offices in Salt Lake City and Austin, TX.

In response to projected growth in the construction sector of the Middle East, Astorino has opened an office in Abu Dhabi, United Arab Emirates (UAE). Michael P. Linder, senior vice president, will direct projects in UAE.

The Master Builders' Association Board of Directors are pleased to announce the following appointments to serve on the MBA Education Committee:

Karl Borgman, Burchick Construction Company
James Frantz, TEDCO Construction Company
Jen Landau, Landau Building Company
Lance Shreffler, McKinney Drilling Company

The newly assembled committee assists the educational programs of the Construction Advancement Program and provides guidance and support to MBA Staff to ensure that effective education programs are made available to the membership. For more information on the MBA Education Committee, please contact the MBA at 412-922-3912 or jobrien@mbawpa.org. BG


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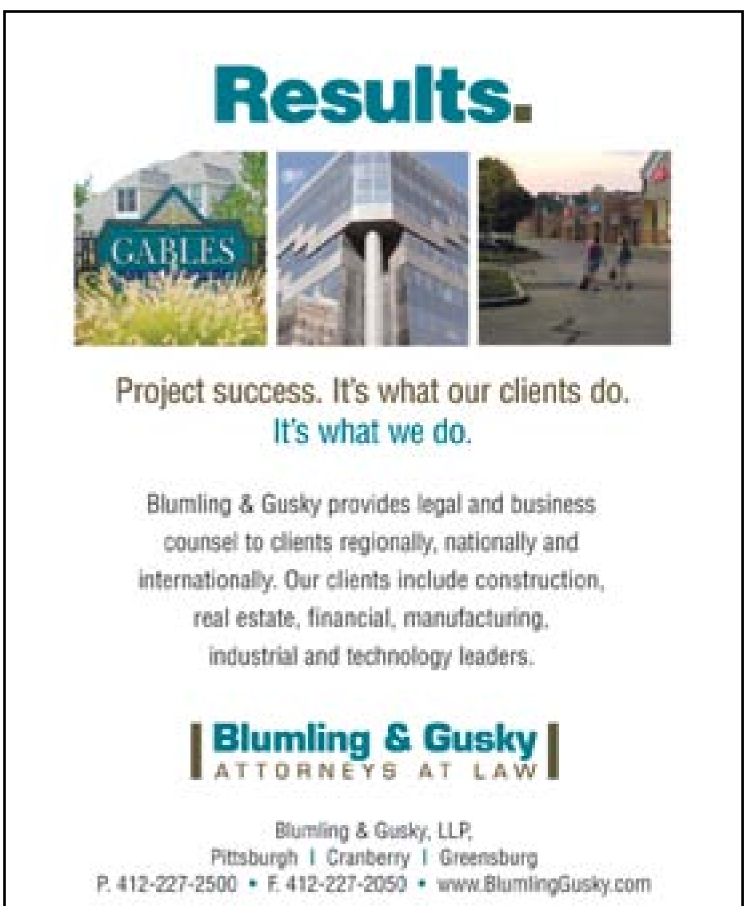
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The Master Builders' Association (MBA) is a trade organization representing Western Pennsylvania's leading commercial, institutional and industrial contractors. MBA contractors invest in a skilled workforce, implementing award-winning safety programs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

Laying the Groundwork for Growth

By U.S. Congressman Jason Altmire (PA-04)

Over the last three decades, western Pennsylvania's economy has undergone a dramatic transformation. After the steel industry's decline in the 1970s and 1980s, our region reinvented itself as a destination for alternative energy, high-tech, and life science enterprises. When the G-20 summit was held in Pittsburgh in the fall of 2009, leaders from around the world had the opportunity to see how western Pennsylvania has utilized its world class universities and its manufacturing expertise to create new opportunities for growth.

Rep. Jason Altmire

One of our region's fastest growing areas is Cranberry Township, a town located within my congressional district. Capitalizing on its location at the intersection of I-79, I-76 and Routes 228 and 19, Cranberry Township has nearly doubled its population over the last twenty years, from 14,000 residents in 1990 to 28,000 residents today. Over the past two decades, hundreds of restaurants, stores, and homes have been built here. Having opened its new 900,000 square foot corporate headquarters and technology center in 2010, Westinghouse Electric now has more than 4,000 employees working in 1.2 million square feet of office space in the Cranberry area.

As one of western Pennsylvania's representatives in Congress, I want to make sure that we are doing everything we can to build upon this growth and facilitate future development. One of the keys to doing this successfully is investing in our region's transportation infrastructure. As a member of the House Transportation and Infrastructure Committee, I secured $750,000 in federal funding to improve the Freedom Crider Road Corridor, which links Beaver County to Cranberry. By upgrading this road, we can make it easier for Beaver County residents to access Cranberry's economic and commercial opportunities and pave the way for new growth.

In addition to improving our region's physical infrastructure, we must also continue to put in place policies and structures that will attract new businesses and create new opportunities for our area. In today's global economy, western Pennsylvania companies are competing with firms located across the country and around the world. To enhance our region's competitive edge, four years ago I joined with U.S. Congressman Tim Ryan (OH-17) to help launch the Tech Belt. This initiative is designed to promote collaborations between businesses, research institutions, and nonprofits throughout the Pittsburgh-Youngstown-Akron-Cleveland corridor to facilitate job creation and economic growth.

The idea for the Tech Belt took shape in 2007, when the Pittsburgh Life Sciences Greenhouse and BioEnterprise in Cleveland decided to work together to attract greater levels of biosciences funding and talent to our area. In the past four years, the Pittsburgh Life Sciences Greenhouse and BioEnterprise have introduced countless companies in western Pennsylvania and eastern Ohio to one another, resulting in collaborations between 50 different companies. These collaborations have helped the Tech Belt region achieve a soaring rate of growth in venture capital investment, rising from $146 million in 2005 to more than $958.3 million from 2007 - 2010.

The Tech Belt's development extends beyond the life sciences sector as well. After starting with just two employees in 2005, Google Pittsburgh now employs 150 people and expects to hire additional staff in the coming months. In 2010 Smith Micro Software, Inc. a software firm based in Southern California, announced plans to build a new research and development center in the Pittsburgh region. This company is now looking for approximately 50,000 square feet of office space and expects to create 230 jobs. These are just two examples from a growing body of evidence which shows that entrepreneurs nationwide increasingly see our area as a destination for investment.

As our nation's economic recovery continues to gain steam in 2011, I am hopeful for our country's and our region's future. The success of towns like Cranberry and initiatives like the Tech Belt show that despite the severe recession that we have experienced over the past few years, our region still has a bright future. I look forward to working with all of you to continue to expand opportunities for cities and businesses throughout western Pennsylvania. BG

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To learn more contact Karen Kleber, 412-922-4200 or karen@pghbx.org

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