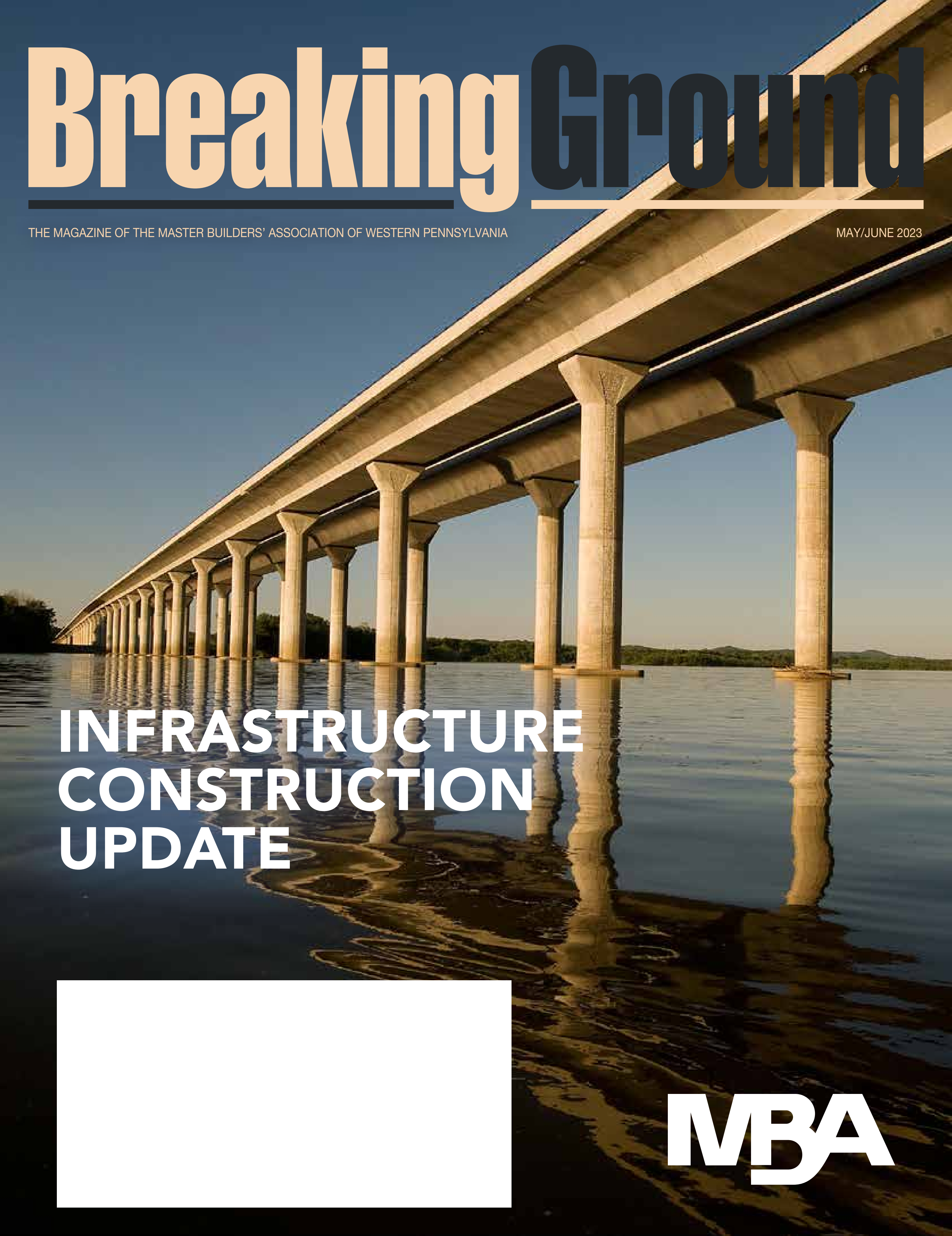
Breaking Ground

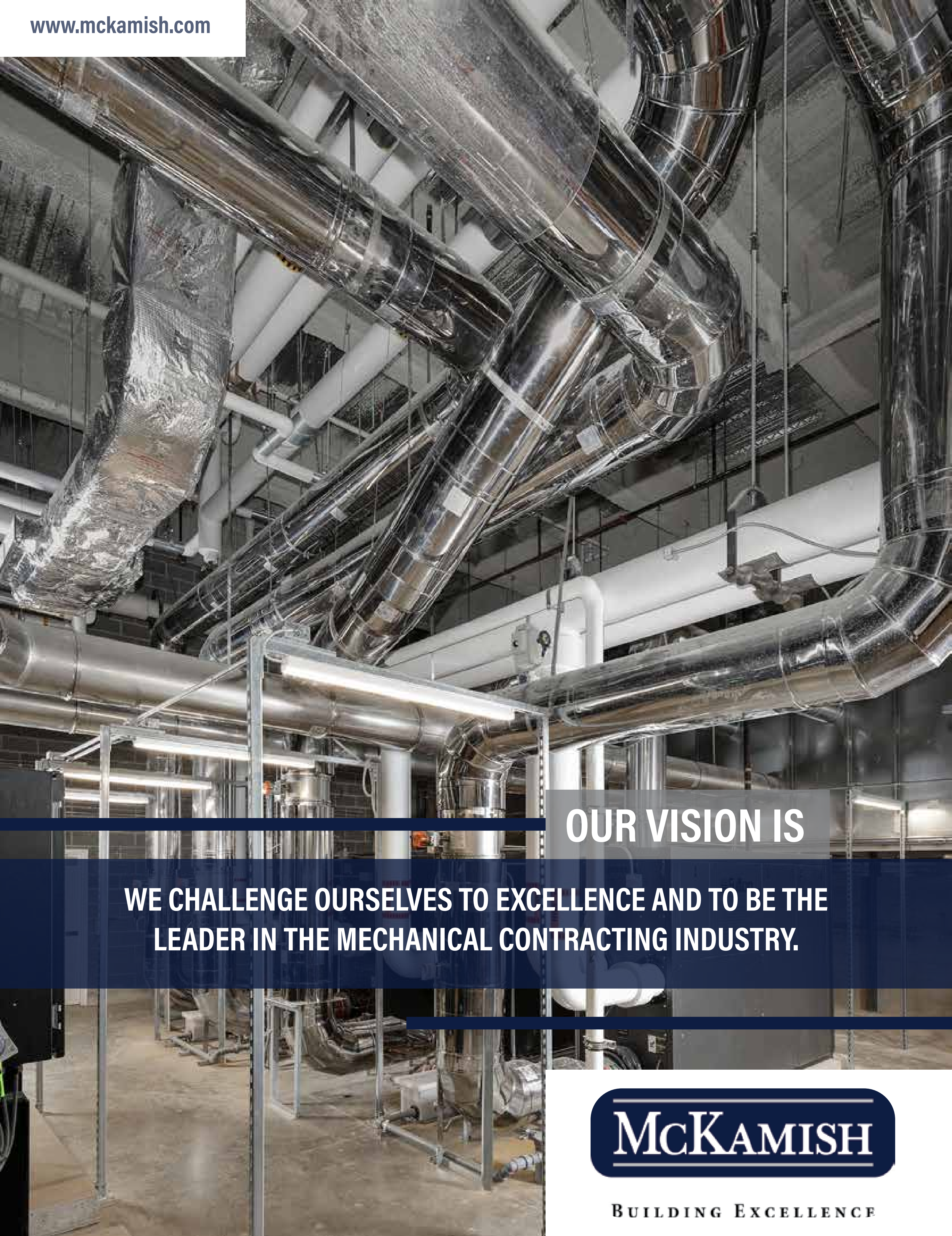
THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

MAY/JUNE 2023



INFRASTRUCTURE CONSTRUCTION UPDATE

MBA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Contents 2023

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On the cover: Susquehanna River Bridge Photo by PA Turnpike Commission

PUBLISHER'S NOTE

There are parts of the country that are so attractive that state and local officials (or community groups) can ask whatever they want of prospective businesses or developers. Businesses are clamoring to get to these areas because of population growth or access to an overpowering economic driver, so much so that they will tolerate a lot of interference, or oversight, or fees to be there. Austin is one. Nashville is another. The same is true of Boston, Atlanta, and Houston. Pittsburgh isn't one of those places.

I say that not as a Pittsburgh naysayer but as someone who has watched the amazing transformation of our region's economy and environment throughout my entire career, and who is wary of our prospects. I'm not wary because the things that make Pittsburgh attractive have eroded, as they did in the 1970s, but because a hubris set in that is threatening to derail what has been accomplished.

Perhaps hubris is too strong a word, although I think it applies to how the Peduto administration saw business attraction and development. The city government was not alone. Hubris is not too strong a word for how leadership in Harrisburg handled economic development. In the 2010s, when Pittsburgh was one of the first places to recover from the financial crisis, there were more than a few regional leaders who behaved as though Pittsburgh had become the belle of the ball.

Pittsburgh's recent success was a comeback story, one of an economic underdog tenaciously using blue-collar work ethic and new-economy intellectual property to reclaim the region's position as an economic leader. There was an element of marketing, of telling the story of what was going on here so that those who make decisions about where to do business understood all the good things that would happen if they located here. As in all success stories, there was also an element of luck involved. No amount of great leadership created the Marcellus shale gas play that drove the rapid recovery in 2011. The culmination of that energy renaissance, Shell's construction of its polymers plant in Monaca, seemed to be the peak of our newfound self-confidence. If that was the case, then the Amazon HQ2 effort may have been where self-confidence evolved into over-confidence.

The incentive package that lured Shell to choose Beaver County instead of a site in West Virginia or Ohio was a whopper. It chafed a lot of people in Pennsylvania to be giving billions to an oil company that had tens of billions in cash laying around. As we have since come to discover, that package was a fraction of what neighboring states have been offering to attract businesses recently. Those states have been cleaning our clocks, economically speaking. Pennsylvania's newly elected leaders seem to have come to the realization that it will take billions in investment to compete with our neighbors. It will take more than financial incentives.

Earlier this year, NAIOP Pittsburgh and the Pittsburgh Regional Alliance hosted the annual real estate breakfast. Lt. Governor Austin Davis opened the event by proclaiming that Pennsylvania was open for business. Things went downhill from there. Panelists talked of the mega projects that were going on in Ohio and West Virginia that Pennsylvania had failed to land. Audience members regaled us with tales of how our Department of Environmental Protection had proudly justified its seemingly interminable approval process to a group of energy businesses. Utility companies told how difficult it was to respond to the demands of new development. By the end of the breakfast, it did not feel very open for business.

It's not just the state's departments. Community organizations in our region have been holding up private development, behaving in a manner that suggests it is the corporation's or developer's privilege to be investing in Pittsburgh, not the other way around. The pendulum may have swung too far for community input, from ensuring that communities are not hurt by new development to chasing new business away simply because they can. The same is true for the city's myriad layers of approval, which too often test the endurance of a developer over issues that would not even merit a public hearing in another city.

The funny thing about the places where businesses will do just about anything to locate there: most of those places don't ask anything of businesses or people wanting to move there. Pittsburgh-based developers regularly tell stories about the culture shock of working in other cities, where introductory meetings involve mayors and other leaders who are there to ask how they can help make the project happen. Do you think Dan McCaffery or Chris Buccini tell those kinds of stories about Pittsburgh?

It's time to take a page from the playbook of these other cities. Pittsburgh does not have the warm weather or low tax environment of Texas or Florida. It does not boast of thousands of people moving here each month. We must be better. Becoming competitive on taxes or incentives will require political cooperation that may not exist, but perhaps we can start by welcoming the businesses we are courting. There are plenty of reasons for new businesses and people to move here but before we can talk about those, we need to start by at least behaving as though we're happy to have them.

I was in the room 15 years ago when Jim Rohr scolded the attendees of the Allegheny Conference's annual meeting about the negativity of our collective attitude. That was the point of the "Imagine Pittsburgh" campaign. It's time to become the underdog again. Imagine Pittsburgh if we made people feel wanted.

Jeff Burd

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REGIONAL MARKET UPDATE

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The weight of negative expectations about the U.S. economy appears to have overtaken inflation as the principal drag on construction in Western PA. While costs have jumped by roughly 30 percent over the past 18-to-24 months, the impact on projects is weighing heavier on backlogs than on projects currently in the bid market.

Contractors and construction managers are reporting that fewer projects are coming in over budget than a year ago. Prices have not gone lower, but budgets have been adjusted to the new realities of construction costs. There is more uncertainty about the projects in preconstruction for which budgets were established pre-pandemic, or at least pre-2021. A significant share of what are higher-than-normal contractor backlogs are these longer-term projects that are still being evaluated for feasibility in today's market conditions.

This dichotomy between owner's expectations may explain the fast start to the 2023 construction year. Contracting and new starts totaled $1.073 billion during the first quarter of 2023, an increase of $370 million, or 52.6 percent, compared to the same period in 2022. The 2023 total excludes construction put in place at the UMPC Heart and Transplant Hospital. During the first three months of 2023, 15 projects of at least $20 million were started, including the $190 million Arena and Sports Performance Center for University of Pittsburgh, being built by Massaro/Gilbane.

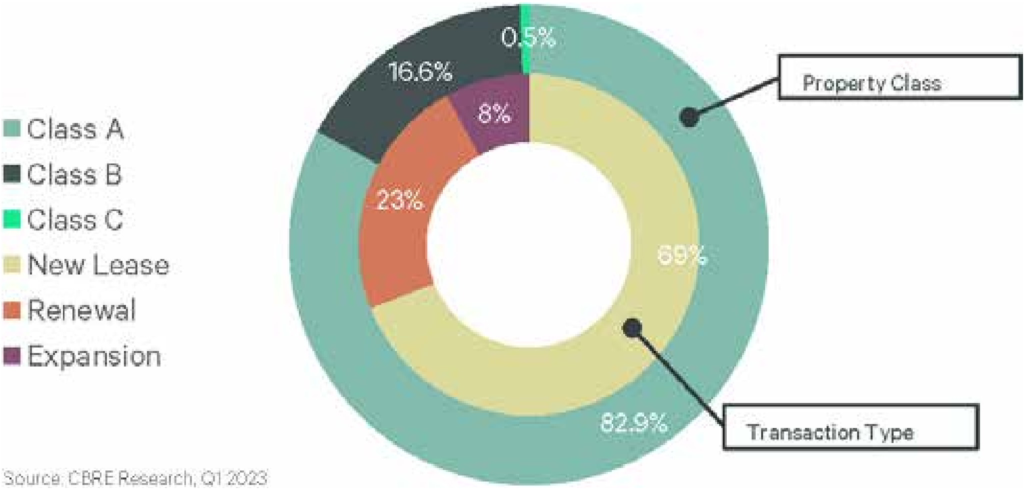
Higher education spending led the market in the first quarter, with $309.4 million. Healthcare projects ranked second, with $149.4 million. There was surprisingly higher activity in K-12 construction ($140 million) and retail ($122 million). The strength of Pittsburgh's construction outlook is the reliance on market segments – higher ed, healthcare, public construction – that are not interest rate sensitive and have forged ahead despite the higher construction costs.

Reports on commercial real estate activity in the first quarter showed that the trends that developed as interest rates rose in 2022 have become entrenched. The markedly higher borrowing costs have slowed purchases of commercial properties (with the possible exception of apartments) to the point where transactions occur only when necessary. Demand for apartments, retail, and industrial space have been steady. Hospitality is experiencing a robust recovery; however, new construction is unlikely in the near term. And the office market continues to be plagued by the uncertainty of occupancy.

The latter is seeing an uptick in construction due to tenant movement. Few tenants are renewing in place, a 180-degree reversal of the market conditions during the last decade, when little contiguous space was available. Roughly 15 percent of office leases expire each year. The market conditions in Pittsburgh are being challenged by high vacancies, occupancy demand that has declined due to work from home, an uncertain economy, and falling office property values. The office market has become a tenant's market, which is driving relocation and tenant improvement construction. What renewals in place are occurring are accompanied by a refresh.

Contractor selection took place on First National Bank's 190,000 square foot buildout at the FNB Financial Center Uptown and Emerson's 142,000 square foot buildout at the former Westinghouse headquarters in Cranberry Township. Bidding is anticipated in the next quarter on Dickie McCamey & Chilcote's 80,000 square foot tenant improvement at 4 Gateway Center.

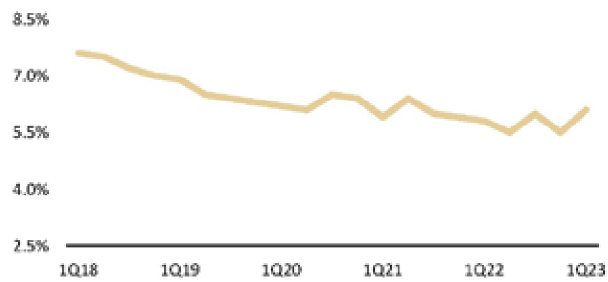
An uptick in tenant improvement construction will not offset the steep decline in new construction, especially since the tenant relocation is generally resulting in less occupied space. Office vacancies drifted higher in the first quarter. JLL's Office Insights reported



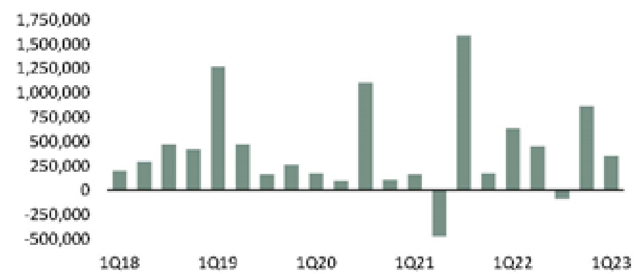
An overwhelming majority of office occupiers were choosing new leases at Class A buildings when their leases expired in the first quarter.

Industrial Market Analysis

VACANCY RATE



NET ABSORPTION



NEWMARK

Class A vacancy at 21.8 percent, while Newmark reported the overall vacancy rate to be 23.4 percent. Newmark reported net absorption at negative 659,280 square feet. CBRE reported that leasing activity jumped to 832,000 square feet in the first quarter, with one-third of that in the Central Business District. Nearly 70 percent of the leases signed were new and 83 percent were in Class A buildings. Asking rents were basically flat across all classes of buildings, but brokers report that deals were being done below asking levels.

By contrast, the industrial market is "quiet with signs of life," as Newmark titled its first quarter market report. Leasing activity was sufficient to have 352,660 square feet of positive absorption during a quarter that saw more than 411,000 square feet of new space delivered into the market. Landlords will be challenged to maintain that level of net absorption over the coming quarters, as more than 1.6 million square feet of space is under construction, although Newmark's Lou Oliva observes that more than 500,000 square feet of potential user requirements are in the market. That would offset the new deliveries for the balance of 2023. The vacancy rate is six percent and average asking rents increased by eight percent year-over-year to more than $8 per square foot, according to CBRE.

There is still more than one million square feet of speculative industrial development that will be delivered over the next 18 months for the market to digest. The pipeline of spec industrial is small and uncertain until there is resolution to the economic outlook, particularly the state of the distribution/ logistics network.

New Residential Units	#SFD	#SFA	M/F	Total
Total Pittsburgh MSA 2023:1	404	304	201	909
Total Pittsburgh MSA 2022:1	526	292	297	1115
% Change	-23.2%	4.1%	-32.3%	-18.5%

Significant declines in the number of permits for single-family detached homes and apartments dragged Pittsburgh residential new construction down more than 18 percent year-over-year in the first quarter of 2023. Source: Pittsburgh Homebuilding Report.

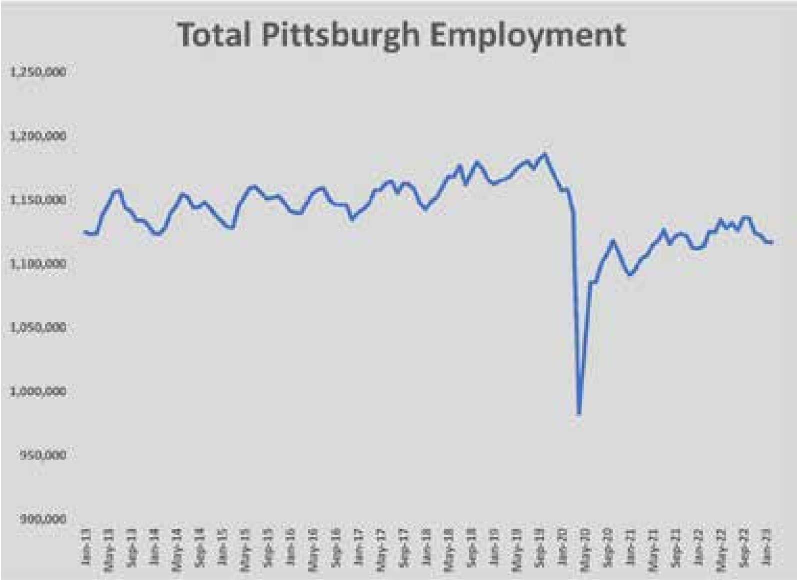
Multi-family construction in Pittsburgh was one-third lower during the first quarter than one year earlier; however, the development pipeline is stronger than in 2022 and new construction should be 500-to-700 units higher this year than in 2022.

The fundamentals of the apartment market are relatively solid. Rents have leveled off or declined slightly, after year-over-year rent growth of 2.1 percent from March-to-March. Occupancy remains above 95 percent. The paucity of new single-family construction and the still shrinking inventory of existing homes for sale are underpinning the demand for apartments. Further, multi-family is the sector of commercial real estate with the least problems for financing. National lenders for multi-family, like Fannie Mae, Freddie Mac, and life insurance companies, have all maintained or increased allocations for multi-family lending for 2023. There are approximately 3,500 new units entitled in the pipeline in metropolitan Pittsburgh as of spring 2023. That suggests that construction will exceed 2,200 units over the coming year, an increase of 30 percent.

Single-family residential construction continues to be held down by an under supply of buildable lots and mortgage rate concerns. Builders in the six-county Pittsburgh market received permits for 708 single-family units during the first three months of 2023, of which 404 were single-family detached homes. That was a significant 13.4 percent decline from the first quarter of 2022. Permits for detached homes were 23.2 percent lower than a year ago.

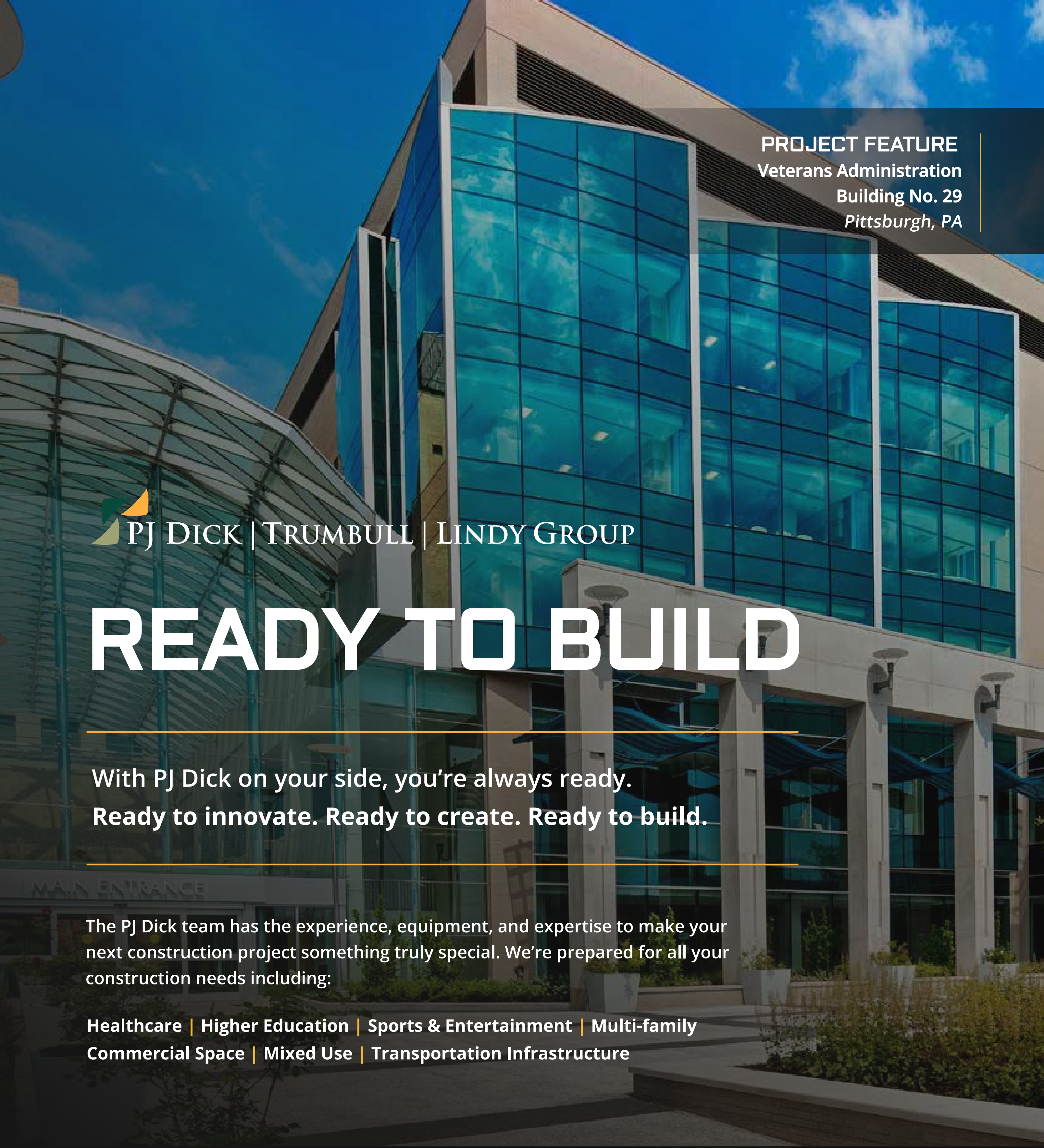
The slow start to 2023 does not necessarily portend as poorly for the full year. Nearly 45 percent of the permits for single-family homes during the quarter were issued in March. Builders reported a noticeable pickup in traffic in January, following a weak fourth quarter. A late fall spike in mortgage rates above seven percent squelched demand and set up a slow start to the year. New construction activity typically picks up in March, but the current jump in volume suggests there was pent-up demand that has materialized since January. Homebuilding is still limited by a shortage of lots and workers, and a supply chain that continues to add 30 to 60 days to completion times. Following a weak 2022, construction of new homes should pick up in 2023, especially if mortgage rates fall below six percent.

Pittsburgh's economy is tracking closely to the U.S. economy, with the exception of its labor market. With the seasonal loss of roughly 6,000 jobs from the end of 2022 to March, Pittsburgh's unemployment rate remained just over four percent. Job growth is limited by the decline in Pittsburgh's civilian workforce since the start of the pandemic. Most, if not all, of that decline is attributable to the pace of retirements that was forecasted in 2015's Inflection Point report. Absent a significant shift in population growth, most likely from an increase in immigration, total employment will not approach the pre-pandemic levels of 1.18 million jobs.



Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics

While booming regional economic growth would doubtless drive increased residential and commercial construction, the tepid job growth that is Pittsburgh's recent history should not dampen demand for the construction currently in the pipeline. The surge in demand from healthcare, higher education, industrial, and major public projects will keep construction elevated through 2025-2026. BG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MAIN ENTRANCE

NATIONAL MARKET UPDATE

March and April appeared to be an inflection point in the business cycle. The data on inflation reflected a deepening of the disinflation trend that began at the end of 2022. Reports on activity throughout the economy showed continued slowing. Several large banks faced liquidity crises and were absorbed by competitors, tightening access to credit system wide. Even the stubbornly strong labor market showed signs of softening for the first time since mid-2020.

In response to these signals, the Federal Reserve indicated a clear change in its imperatives in Chairman Jerome Powell's announcement of a 0.25 percent increase in the Fed Funds rate on May 3. While showing resolve in bringing inflation back to its pre-pandemic levels, the Fed acknowledged that the economy had shifted to a point where future hikes might not be necessary. In its meetings minutes, the Fed governors indicated that they expected a recession to begin in the third quarter of 2023 that would add roughly 1.5 million people to the unemployed. Its forecast for Fed Funds rate at the end of 2023 was 5.0 to 5.25 percent, indicating that the central bank might pause without further hikes or that another hike in May could be followed by a rate cut later this year.

Markets responded to the Fed's actions and analysis as a stronger forecast of recession this year, an about face from the sentiment 30 days earlier. In the month that followed the March Fed meeting, long-term rates settled in at lower levels and the bond markets indicated that another rate hike was expected in May, followed by rate cuts by September.

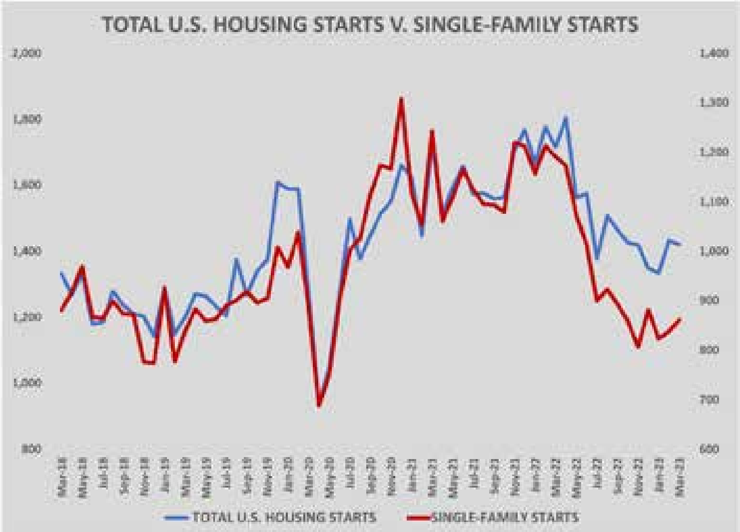
It is worth noting that market sentiment, as well as the sentiment of the Federal Reserve, remains volatile and highly reactive to monthly data. Markets traded in February as though a soft landing was likely for the economy. The tipping point in the market arrived when Silicon Valley Bank and Signature Bank simultaneously failed following a massive outflow of deposits. Data on manufacturing, consumer spending, and the March jobs report followed within 10 days. All pointed to an economic slowdown that was steepening. Those same indicators have proven volatile throughout 2022, however.

While leading economic indicators weakened during the first quarter, the data on first quarter activity suggests that growth was stronger than had been expected. Estimates of the gross domestic product (GDP) for the first quarter had been generally flat or barely negative coming into 2023; however, consumer spending and business investment has supported growth. The Bureau of Economic Analysis reported on April 27 that GDP growth was 1.1 percent during the January-to-March period. Beyond the first quarter, both consumer and business sentiment suggest that activity will slow.

What may be the deciding factor in the slide towards recession is the tightening of credit. While the mid-March banking crisis was one of liquidity instead of credit, lending conditions have tightened, and regulatory oversight of lending will tighten further into the third quarter. Consumers have largely spent the savings built during the pandemic and have been relying on credit for more than six months. Tighter conditions will limit the credit available to fuel future spending. Businesses had been paring back capital expenditures, including investment in buildings and equipment, in the face of borrowing costs that doubled during 2022. The anticipated credit crunch will limit investment further this year.

If recent history is an indicator, the impact of the tighter monetary policy, which began with a rate hike in March 2022, will begin to manifest during the second quarter. Going back to the extreme tightening cycle in 1981-1982, GDP decline lagged the first rate hikes by 12 months. Assuming that lead-lag relationship holds in 2023, the forecasts of a second-half 2023 recession are likely to play out.

Thus far, economic data shows a resilient, but slowing economy. The most resilient economic indicators have come from the employment sector, which cooled in March. The Employment Situation Summary on April 7 reported 236,000 new jobs in March. That was down from the 326,000 and 472,000 jobs created in February and January respectively. Weekly initial unemployment claims – an indication of layoffs – have grown steadily from roughly 200,000 in January to



Source: U.S. Census Bureau

Source: Census Bureau, Federal Reserve Bank of St. Louis

Source: Census Bureau, Federal Reserve Bank of St. Louis

245,000 in mid-April. The number of job openings fell below 10 million in March for the first time since May 2021. These are signs of a weaker job market, although not signs of a recessionary one.

Manufacturing activity slowed further in March. The U.S. Purchasing Managers Index (PMI) from the Institute for Supply Management fell to 46.3, down from 47.7 in February. March's reading was 18.9 percent lower than the PMI for March 2022. Orders for durable goods fell percent in March, following a five percent drop in February and a one percent decline in January. The indexes for current activity and backlog were also below 50.

Inflation cooled further in March, although the core consumer price index (CPI) inflation edged up to 5.6 percent year-over-year, after declining 10 basis points from January. Other measures of inflation fell. The broad CPI reading declined to 0.3 percent from February and 5.0 percent year-over-year. More encouraging was the steeper decline in producer prices, which are a leading indicator. The producer price index fell 0.1 percent from February to March and was only 2.7 percent higher compared to March 2022.

Lower gas prices and the first easing of housing costs contributed significantly to the cooling of CPI, although most of the core inflation factors remain higher. Producer prices are being cooled by lower energy costs and lower global demand for industrial metals and materials.

The news on inflation and the economy are two sides of a coin for construction. A slowing economy will slow demand for construction. In this unusual business cycle, however, a slowdown that brings inflation back in line with its historical 3.5 percent core rate will lead to predictable construction costs and borrowing costs that are no longer restrictive. A return to normalcy and predictability will benefit both residential and nonresidential construction.

The housing market continues to behave as expected in an environment where mortgage rates have doubled, supply is constrained, and inflation remains in double digits year-over-year. The April 18 report from the Census Bureau on March's new construction saw total housing starts slip 0.8 percent from February to an annualized 1,420,000 units. March's activity was 17.2 percent off the total from a year earlier. Permits for new construction, an indicator of future activity, were off 8.8 percent from February.

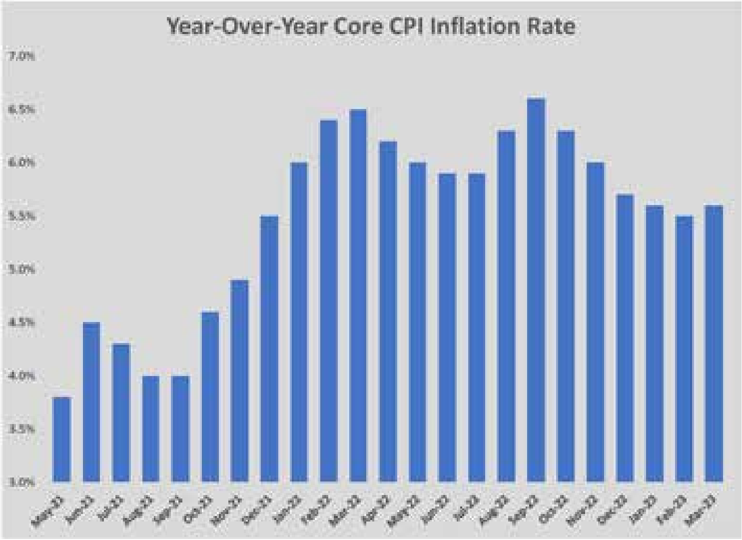
Construction of single-family units was up slightly in March from February, but the 861,000-unit annualized pace was off 27.7 percent from March 2022, and 29 percent from the February 2022 peak.

Residential construction continues to be buoyed by the development of multi-family projects. Rising home prices, scarce inventories of existing homes, and uncertainty about the economy all suppress demand for home ownership, keeping vacancy levels in apartments at five percent or less. That keeps rents high enough to support new construction. Even though the average rent for an apartment overall has fallen from $1,386 per month to $1,343 per month during the past eight months, rents are 19.8 percent higher than at the start of the pandemic in March 2020.

Nonresidential construction was essentially flat through February. The total nonresidential construction spending was $982 billion on an annual basis, an increase of 16.8 percent over February 2022 (roughly the same as the rate of inflation for nonresidential buildings). Private nonresidential construction was running about three percentage points higher than inflation, reaching $601 billion annualized in February.

Higher borrowing costs continue to slow commercial construction. A marked increase in manufacturing construction is more than offsetting the decline in commercial real estate development, however, with construction of major plants for semi-conductors and batteries driving private manufacturing construction to $140 billion in February. That marked an increase of 53.8 percent and increased the share of manufacturing to 23.3 percent of the overall nonresidential market.

The growth in manufacturing construction in the post-pandemic period has also been marked by a shift in geographic location of manufacturing. Hot spots for semiconductor manufacturing have developed in Utah, Texas, and upstate New York, and there has been a marked increase in new plants in the Great Lakes states, including Ohio.



Source: U.S. Bureau of Labor Statistics

The outlook for nonresidential construction for the remainder of 2023 is for growth that is below the level of inflation, or a slight decline. Economic activity that drives new construction will slow further as the year unfolds, even if that does not tip fully into recession. Expect the Federal Reserve to begin rolling back rates at the end of the year, if not sooner, and begin loosening the reins as inflation cools fully in 2024. If the arc of disinflation continues on its current pace, the Fed Funds rate should end 2024 at half its peak range of 5.0 to 5.25 percent. With long-term borrowing costs returning to the five percent range, commercial activity should begin a recovery cycle that fuels strong nonresidential growth through the latter half of the decade. BG


BOROUGH OF FOREST HILLS

WHAT'S IT **COST?**

The April 13 report on March's producer price inflation gave evidence that manufacturing costs were cooling at a faster rate than consumer prices. The producer price index (PPI) for final demand for all industries declined 0.1 percent from February to March and was 2.7 percent higher year-over-year. For the first time in three years, the construction industry is seeing broader glimpses disinflation of materials, although the overall construction inflation outlook is still mixed.

As of the April report, the PPI for new nonresidential buildings had fallen more than seven full percentage points from its September 2022 peak. At 16.5 percent, the year-over-year escalation was still extraordinarily high, but two key points offer optimism about future pricing in Pittsburgh. First, the month-to-month escalation fell to 0.2 percent, below a three-percent annual pace for the third consecutive month. Second, the larger share of the escalation is still in higher wages for skilled labor that is not governed by union contracts, which means the PPI for construction is lower in markets, like Pittsburgh, with a high share of union participation.

Getting into the weeds of the materials measured, the majority of year-over-year changes are still in double digits, but nearly as many are negative as positive changes. The biggest declines came in diesel fuel (-19.4 percent), steel and related products (-15.1 percent), cement (-17 percent), iron and steel scrap (-21.8 percent), asphalt (-23.4 percent), and lumber and plywood products (-38.5 percent). The price of diesel fuel was seven percent lower for the month and 3.3 percent lower for the past 90 days, a reversal of the usual spring trend. Lower diesel prices in March will lead to lower prices for related products, like asphalt, roofing materials, and plastics, in coming months; however, asphalt at the refinery remained 2.1 percent higher in March than February.

There were still double-digit cost increases for numerous materials compared to a year ago. Prices jumped 17.0 percent year-over-year for cement, 14.5 percent for both concrete products and architectural coatings, and 14.1 percent for paving mixtures and blocks. Prices climbed by 11.8 percent for drywall products, 10.6 percent for flat glass, and 10.5 percent for insulation materials.

Industry associations are expressing concerns that "Buy American" provisions in stimulus bills like the Bipartisan Infrastructure Law (BIL) and the American Recovery Plan (ARP) will keep many building products and materials inflated. U.S. manufacturing capacity is inadequate to meet demand for many construction materials and products. Requirements to use American-made products, if they artificially constrain supply, will keep prices high for U.S. construction, when global supply chains may be able to respond to lower demand with lower prices. Depending on the pace of the rollout of projects funded by BIL or ARP, prices may feel upward pressure that the rest of the market does not experience. BG

PERCENTAGE CHANGES IN COSTS	March 2023 compared to		
Consumer, Producer & Construction Prices	**1 mo.**	**3 mo.**	**1 yr.**
Consumer price index (CPI-U)	0.3	1.7	5.0
Producer price index (PPI) for final demand	(0.1)	0.8	2.7
PPI for final demand construction	0.2	2.1	15.6
PPI for new nonresidential buildings	0.2	2.1	16.5
Costs by Construction Types/Subcontractors			
New warehouse construction	(0.2)	(0.6)	12.3
New school construction	0.2	1.7	16.0
New office construction	0.3	4.4	18.2
New industrial building construction	0.4	1.5	17.2
New health care building construction	0.3	2.1	17.3
Concrete contractors, nonresidential	0.1	(0.6)	8.0
Roofing contractors, nonresidential	0.2	5.5	19.5
Electrical contractors, nonresidential	0.1	8.2	18.8
Plumbing contractors, nonresidential	0.8	1.9	12.5
Construction wages and benefits	N/A	0.8	4.3
Architectural services	0.2	0.3	1.5
Costs for Specific Construction Inputs			
#2 diesel fuel	(7.0)	(3.3)	(19.4)
Asphalt paving mixtures and blocks	(0.1)	9.4	14.1
Cement	0.3	7.8	17.0
Concrete products	0.8	3.3	14.5
Brick and structural clay tile	0.8	5.2	9.2
Plastic construction products	(0.1)	(0.8)	3.0
Flat glass	(0.1)	2.7	10.6
Gypsum products	(0.1)	0.3	11.8
Lumber and plywood	(0.1)	(1.1)	(38.5)
Architectural coatings	0.0	0.1	14.5
Steel mill products	1.2	1.3	(15.1)
Copper and brass mill shapes	0.1	4.4	(4.6)
Aluminum mill shapes	(0.6)	5.2	(13.0)
Fabricated structural metal	2.6	3.5	4.1
Iron and steel scrap	10.7	29.8	(21.8)

Source Bureau of Labor Statistics, Updated April 13, 2023
Compiled by Ken Simonson, AGC Chief Economist

Infrastruc
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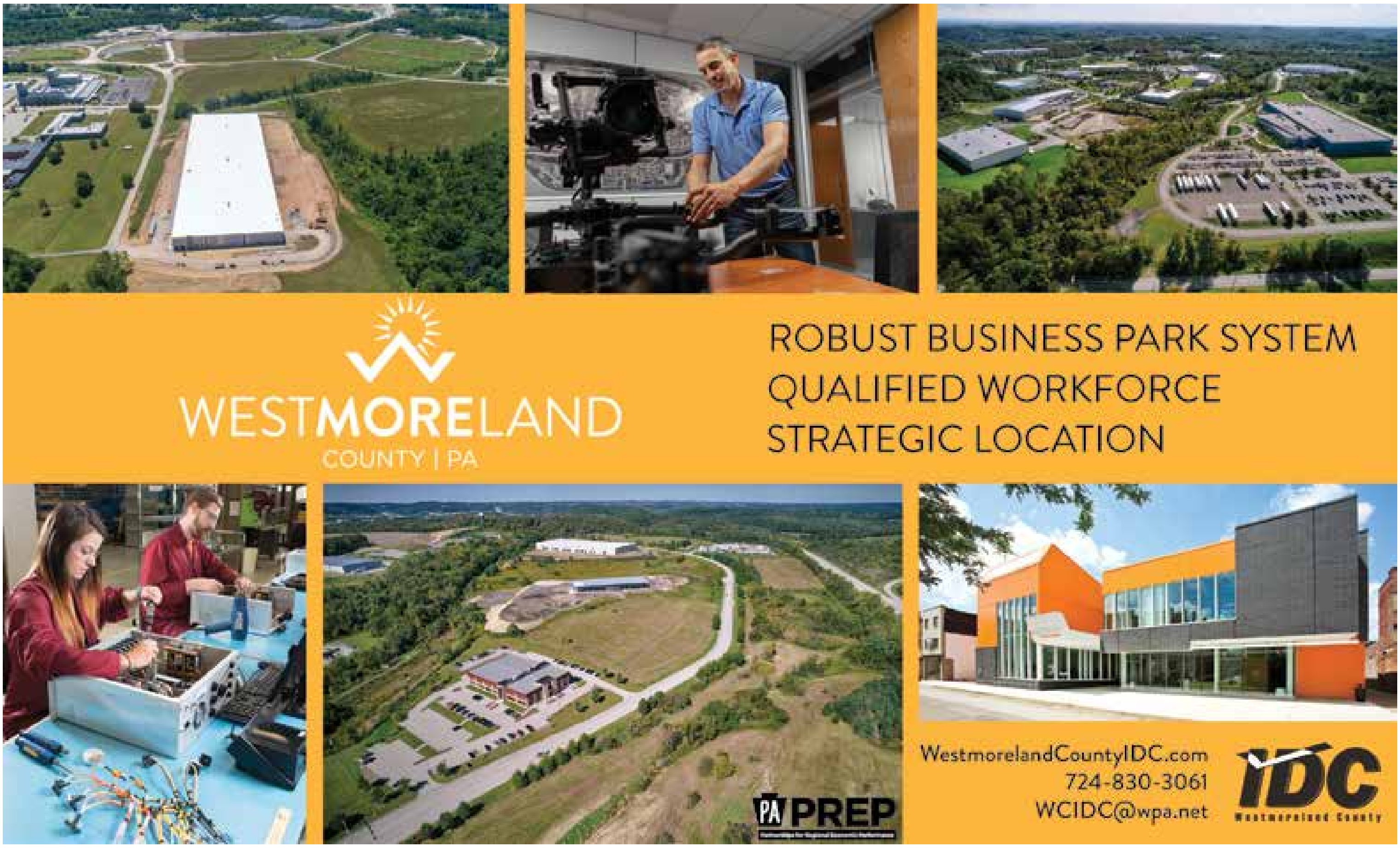
Update

TURE
ON

Construction is tougher in 2023 than in most years. It is not 1982 tough, or even 2009 tough for that matter; nonetheless, most sectors of the construction economy are more challenging today than 12 or 18 months ago. Construction of infrastructure projects is one of the exceptions to the market conditions of 2023. Heavy/highway and civil construction is not immune to higher inflation or labor shortages, but the demand for work is more robust in spite of those challenges.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The reason for the upbeat outlook is an improved commitment to investment in infrastructure by the state and federal government. The 117th Congress of the U.S. passed the Infrastructure Investment and Jobs Act (IIJA) in November 2021, the largest infrastructure funding bill passed in generations. The legislation, which also reauthorized the annual surface transportation funding for five years, seems to have motivated Pennsylvania's elected leaders to tackle several infrastructure funding headaches that previous administrations either created or avoided solving. Given the progress and bipartisan goodwill that Governor Shapiro has accomplished during his first 100 days in office, the cautious optimism seems warranted.

During the 1950s, President Eisenhower tapped into the national spirit of optimism that followed World War II to build the interstate highway system. Americans, who were already taxed at levels higher than today, accepted Eisenhower's challenge to build the infrastructure that would enable interstate commerce to boom, and the country to prosper. Since the interstate system was completed, however, it has been expanded to a degree that is a fraction of how much the population has grown. Moreover, the nation's tolerance for investing in its future has been weakened by the political atmosphere. That has left the U.S. with inadequate transportation systems, aging highways, and thousands of structurally deficient bridges.

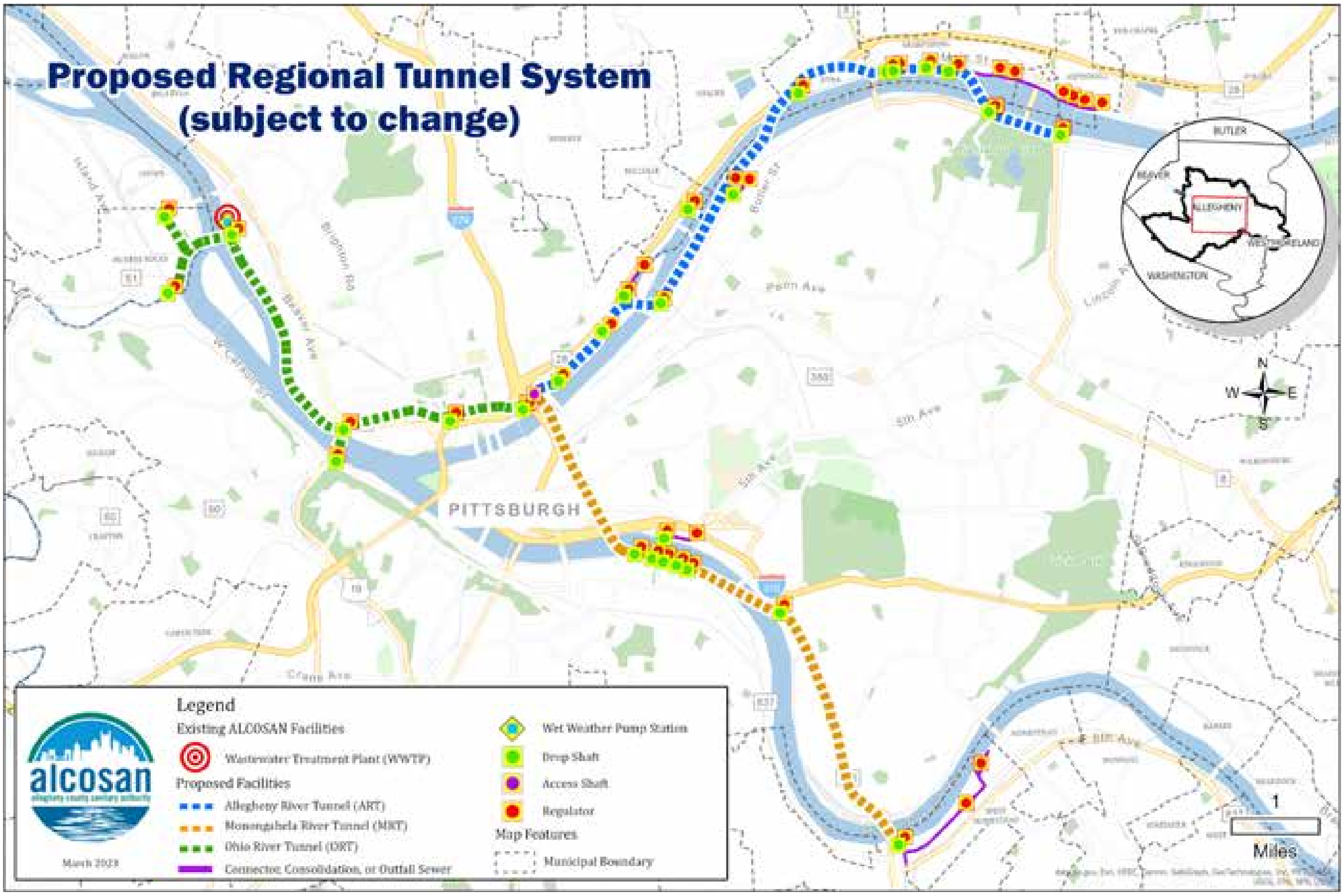
Infrastructure is vital to economic growth. It is a key to attracting development regionally. Good infrastructure and transit attract workers and tourists. It projects regional prosperity, while potholes, "bridges to nowhere," and inadequate public transportation suggests decline. Construction of highway, bridges, and the like brings immediate economic benefits, both directly and indirectly. Planned properly, infrastructure construction can also multiply the investment in highways and bridges by enhancing the climate in which business operates.

There is no shortage of demand for the additional funding that exists through 2026 to rebuild some of our aging infrastructure. For a variety of reasons, IIJA did not bring about an immediate increase in the number of projects in 2022. With more time to plan and a more stable environment, state and local transportation departments hope to implement the funds from the bipartisan infrastructure act more fully in 2023. The construction industry awaits with cautious optimism.

What is in the Pipeline?

The headline for IIJA was a $1.2 trillion bipartisan investment in infrastructure. That total, which provides funds for years 2022 through 2026, includes investments in "specialty" infrastructure, like electrical grid, railways, airports, and waterways, as well as other areas that are not traditionally considered physical infrastructure. The largest portion of the funding totals about half the headline $1.2 trillion. IIJA allocates an additional $110 billion (over and above the surface transportation funding) for roads and bridges each year, and $39 billion annually for public transportation. A sizable portion of that funding is designed to match state funding, providing an incentive for state and local government to increase infrastructure investment.

Passage of the IIJA ran into very difficult conditions. Passed roughly midway through the global pandemic, the bill had its impact diminished in 2022 by construction inflation of more than 20 percent compared to 2021. The workforce available in 2021 was smaller in 2022, as the accelerated retirement



The next major phase of ALCOSAN'S Wet Weather Program will begin in 2024 and will include the start of its proposed regional tunnel system. Image courtesy Allegheny County Sanitary Authority.

of Baby Boomers outpaced hiring. And the supply chain of materials was still disrupted to a large degree in 2022, lengthening construction schedules and limiting the amount of construction completed in a year.

That does not mean that there was no impact on Pennsylvania's or Pittsburgh's infrastructure spending in 2022. At minimum, the promise of increased funding helped green light several of the $100 million-plus projects that were in planning in 2021. Two of those projects, the $270 million Beaver River Bridge replacement on the Turnpike and the $214 million first leg of the Mon-Fayette Expressway, are getting under construction in the first quarter. And despite the challenging cost environment, the state agencies were able to reach their goals for allocations in 2022.

"There definitely has been an uptick. If I look at the way we're funded [which is based upon hours worked,] last year was better than the year before and the year before that," reports Rich Barcaskey, executive director of Constructors Association of Western PA. "My contractors are cautiously optimistic that work is coming, but they didn't all share in that in 2022.

"That act passed in November 2021, leading everyone to expect 2022 was going to be a great year. But last year was also filled with material price escalation. That ate into the dollars and projects that were let. I know PennDOT got to the $2.9 million amount that they wanted to let but didn't get as close to the number of projects because of the cost escalation. If that gets under control, or at least now contractors know what they are facing with cost escalation, there should be more work available. That is why they are cautiously optimistic."

The difference between cautious optimism and high expectations may just be the pace with which the projects have rolled out through the first quarter of 2023. Unlike with the American Recovery and Reinvestment Act of 2009, when as Pennsylvania governor Ed Rendell had advance knowledge of the stimulus bill and directed PennDOT to prepare to accelerate its schedule before the letting season started, departments of transportation had little reason to expect there would be a bipartisan agreement on spending in late 2021. The PennDOT process is not built to accelerate at a moment's notice.

"There are going to be more opportunities for infrastructure projects. I think it's taking a little longer because of the time for engineering," says Tim O'Brien, co-CEO of PJ Dick/Trumbull Corporation/Lindy Paving family of companies. "I suspect as we get towards the second half of the year, we'll see a more bust robust bid sheet for both Trumbull and Lindy."

"We haven't seen any more projects. Just looking at what's in front of us it's not like there's a wave of projects," says Bob Breisinger, vice president heavy/highway and industrial for Mascaro Construction. "During the Obama stimulus, there was a discernible wave of work that occurred. That's not happening now."

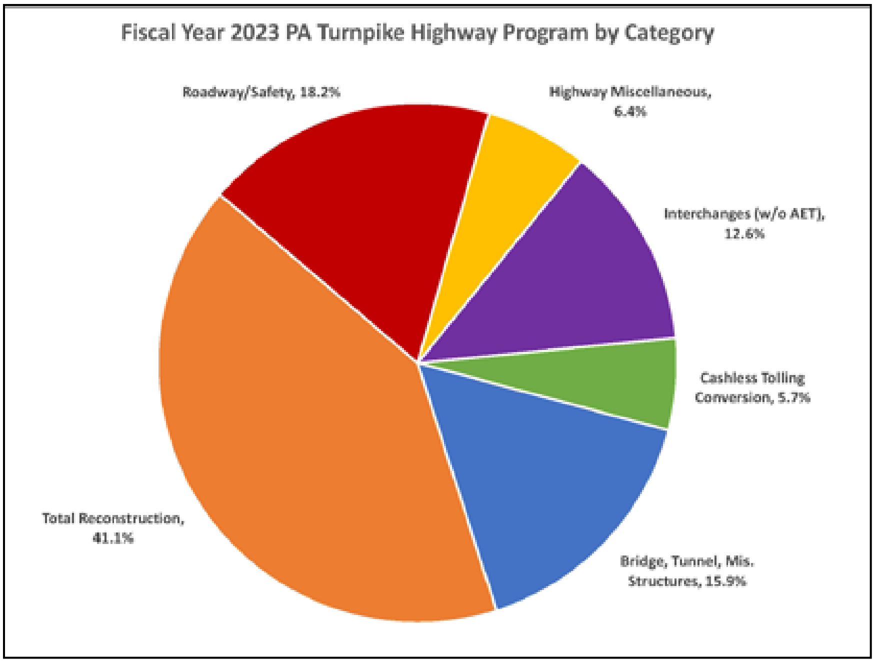
O'Brien acknowledged that there have been more paving opportunities. That is a function of the relative ease of pushing resurfacing projects through the PennDOT or PA Turnpike Commission processes and of the increase in local projects as a result of the American Recovery Plan (ARP), passed in January 2021. Municipal government has been strapped for revenue since the financial crisis. The flexibility ARP allows for the local use of funding has given an influx of capital for municipal investment in structures and infrastructure.

Barcaskey reports that there has also been movement on a couple of hot button issues that have limited the funding for infrastructure spending since the passage of Act 89 in 2013. The legislature diverted proceeds from Act 89 to the PA state police, which needed additional funding to support the significant increase in rural community policing it was doing. The political will to appropriate revenues from the general fund for state police work has not existed until now. Likewise, there was no move to address what share of highway maintenance electric vehicles should pay, since the principal source of revenue is a tax on gasoline purchases that electric vehicles avoid.

"The governor and leadership of both the Senate and House seem to be finally willing to address the issues. There's always been a push to bring down the share that goes to the state police but now there is talk of creating a fund in the general fund to make up for that difference," Barcaskey notes. "I think an incentive for that is because in the [IIJA] there is a lot of money that matches what is competitively bid at the state level. If the Commonwealth doesn't have the funds to match it, you can have anyone in the governor's seat, and it wouldn't matter.

"The other issue on which there's progress is electric vehicles and what share they should pay. Solutions have been proposed in the past to no avail, but that seems to be getting traction. I think it helps that there's a governor who is engaged in the negotiations."

From what is being planned, the pipeline of projects is there to meet the increased supply of funding. While the PA Turnpike Commission (PTC) is just finalizing its capital plans, the Commission has proposed spending slightly less than $1 billion, of which more than 40 percent will go to reconstruction of highway sections and about 16 percent to



bridge and tunnel work. Two of the region's largest projects were let by the PTC within the past few months.

Joseph B. Fay, a subsidiary of S&B USA, was awarded a $270 million contract to replace the Beaver River Bridge. Trumbull Corporation was awarded the first contract for the next leg of the Mon-Fayette Expressway. The $214 million Section 53A1 will connect the U.S. Route 43 intersection with Route 51 to Coal Valley Road in Jefferson Hills. The eight-mile highway is the first section of the next phase of the Mon-Fayette and will connect to Route 837 in Duquesne by the end of 2028.

PennDOT announced its plans to let nearly $3 billion in contracts before the season ends in October. In the immediate Pittsburgh area, PennDOT's District 11 plans to open bids on 55 projects budgeted at roughly $318 million. PennDOT officials estimate that the total is $65 million higher because of IIJA. Two of the region's larger multi-year bridge projects will see final work let this year. The final $47.3 million phase of Highland Park Bridge and $42.2 million Neville Island Bridge on I-79 will highlight the letting calendar. PennDOT also announced that $19 million will be used to improve McKnight Road between Venture Street and Perrymont Road.

The largest infrastructure project, ALCOSAN's $2 billion Wet Weather Plant Expansion, has seen several hundred million dollars bid in recent years. The next $100 million-plus project, the wet weather pump station, is being designed. Brown and Caldwell will begin final design in July 2023, with bidding scheduled for late next year.

ALCOSAN is also planning a system of tunnels to control combined sewer overflows, as part of the consent decree with the Environmental Protection Agency. Three major tunnels, one along each river, will total 16.5 miles and will take until 2036 to complete. The Ohio River Tunnel, which will be 4.9 miles long, is scheduled to bid in summer 2024.

"We don't have any other large projects bidding for construction this year. We are pre-purchasing some centrifuges and electrical equipment due to the long lead times, but that's about it," says Kimberly Kennedy, PE, director of engineering and construction engineering at ALCOSAN. "There will be a contractor and small business outreach event in August 2023 to go over specifics of the Ohio River Tunnel and Wet Weather Pump Station projects."

Pittsburgh Water and Sewer Authority (PWSA) has $425 million in major projects on the boards that should bid over the next three years. PWSA should be on the street soon with the $107 million Bruecken Pump Station, $54 million Aspinwall Pump Station, $137 million Lanpher Supply Lines, and the $33 million Mellon Terrace Pump Station projects. Plans are in place for $65.8 million in clear well improvements to bid in 2025.

Infrastructure and the Marketplace

The passage of IIJA is not without marketplace issues. The increased funding coincided with a spike in construction costs that has limited the number of projects bid and given public agencies headaches. During the past six months, costs for many commodities and materials have moderated, with several falling back to pre-pandemic levels. That is good news for the projects in the pipeline and for contractors seeking some certainty after struggling to build in 2021 and 2022 with prices that were generally going up between bid day and construction.

Barcaskey observes that CAWP member contractors seem to view the problem with less urgency now than two years ago. Contractors seem to have adapted to the conditions.

"PennDOT does have escalation written into their specs for fuel, concrete, and even steel escalation. That is different from the ALCOSAN project, which does not have the ability to write those into the contracts," he says. "A year ago, there was a lot of talk of meeting with PennDOT and the Turnpike Commission to talk about cost escalation, but that seems to have calmed down. It feels like the government has a better

The Allison Park Water Pollution Control Facility upgrade is one of a dozen or more waste and water projects over $25 million.

Photo by PA Turnpike Commission.

understanding of where prices are. And anecdotally I've heard from our contractors that there is some amount of stockpiling of materials at different places across the state, although that will be difficult to do unless you're a large contractor."

Another problem is of the provision of IIJA for "Buy American" that is causing higher costs and limiting the rollout of projects. The Buy American initiative has been around for several decades, but it has gained renewed attention since the passage of the BIL and other federal stimulus packages during the pandemic. The initiative requires that certain materials and products be sourced from American manufacturers. The goal of the initiative is to support American workers and businesses by promoting the use of domestically-produced goods. But the realities of the marketplace are such that buying American can limit the amount of construction. The rule may also be a violation of World Trade Organization rules against discriminating against countries of origin. Those are rules to which the U.S. has been an enthusiastic signatory.

Some of the products and materials used heavily in infrastructure projects are commodities that are exported from the U.S. in large quantities, making it difficult to procure unless there are no limitations on sourcing. Certain value-added products are almost unavailable from American manufacturers. Many have foreign-made subcomponents, complicating the compliance with the Buy American rules. And limitations on sourcing can leave contractors with so few vendors that tight supply brings much higher pricing.

The federal government's Office of Management and Budget (OMB) finally responded to numerous concerns raised about specific details of enabling legislations that were counterproductive. (See page 46.) Those rule revisions are being circulated nationally for comment and there is no timeline for when the rules would be put in place, nor clear guidance on whether they would be retroactive to when the legislation went into effect.

While the revised rules may ultimately alleviate the major concerns raised by the Associated General Contractors of America (AGC) and various manufacturing and construction associations, the delayed response has come as many of the projects are underway, including projects that are under construction. With federal funds being distributed so widely, down to the municipal level in many cases, it is very likely the updated rules will not be completely communicated or understood. The confusion will cost public agencies millions of dollars. In some cases, the potential exists for projects to be out of compliance with the legislation.

"AGC and various other construction-related trade associations that we work with do not feel as if OMB has taken into account many of the concerns raised in response to the initial guidance and has instead chosen to propose changes that would exacerbate the issues we raised concerns about initially," notes Deniz Mustafa, AGC's director of highway and transportation division.

One of the reasons why this infrastructure bill was easier to pass with bipartisan support is that construction creates a lot of jobs, and that creates a lot of votes. Infrastructure construction is mostly horizontal, and the most heavily traveled roads tend to see the most construction, which gives more of the public the chance to see the legislation at work. That is good politics, but job creation is good economics.

Construction has a multiplying effect on the economy. In addition to the economic support that one job provides a household, there are significant linkages to other jobs that construction creates. There are backward linkages to suppliers and manufacturers, and forward linkages to the places where the construction wages will go. There is also a high multiplier for the indirect impact of construction spending.

According to the Economic Policy Institute, construction creates 88 supplier jobs, 138 induced jobs, and 226 indirect jobs for every 100 construction jobs. For every $1 million spent on construction, 5.5 direct jobs are created and 22 induced or indirect jobs are created.

As important as the multiplying effect of job creation is for the regional economy, the effect on business may be greater. Businesses rely upon safe and efficient highways and bridges for productivity, whether that means workers commuting to jobs or delivering goods and services. For commercial real estate, good infrastructure is the mother's milk of development.

"Infrastructure is literally one of the key components for any kind of real estate development whether it's warehouse distribution, office park, retail, or multifamily," says Brian Goetz, executive vice president at the Buncher Company. "You're talking about the roads, the sanitary sewers and the water that makes the project viable. It's number one on the list."

Goetz points to the opening of I-279 as an example of how one relatively small infrastructure investment can cascade into development. The connection between Downtown and I-79 – and beyond to southern Butler County – sparked the construction of more than 10,000 new homes during the following 15 years and millions of square feet of commercial properties. It is possible that Cranberry Township and the Route 228 corridor would have developed without I-279 being built, but it is unlikely.

Lou Oliva, managing executive director for Newmark, looks to the west and east of Pittsburgh to point to highway projects that have changed the industrial landscape.

"If we did not have Route 576 from the airport to Route 22, there wouldn't be four-to-five million square feet of businesses located there, with more to follow," he says. "In Westmoreland County, those improvements at various interchanges on I-70 have created more buildings and pad-ready sites. Westmoreland County Industrial Development Corporation has done a great job of bringing them online."

Asked where the next key piece of highway or infrastructure might unlock new development, Oliva noted that a lack of water and sewer infrastructure was limiting more development in the I-79 corridor north of Zelienople. Goetz remarked that maintaining the current road system should not be overlooked, noting that one of the region's "newest" highway expansions, I-279, was nearing its 35th anniversary.

"I don't know that they need any new highways, but what they've done extending Route 576 to I-79 is certainly opening up more land and creating more access and sites to service Washington County," Oliva says.

A regional infrastructure system that is insufficient to handle demand or growth is the bane of business and business attraction. Pittsburgh and Pennsylvania are not experiencing population growth, but the Shapiro administration is aggressively trying to make the case that the state is open for business. The governor will need to change perceptions about a number of issues to change the negative impressions about Pennsylvania as a place to do business. Upgrading the state's infrastructure is one of them.

It has been almost 10 years since the surprising passage of Act 89. That bill was insufficient to accomplish what was needed to repair and improve Pennsylvania's roads, bridges, and transit systems. In 2023, some timely federal legislation and, perhaps, some unexpected bipartisan political leadership in Harrisburg could provide what Act 89 ultimately did not. At the least, it should provide more work and more jobs for the regional construction industry.

"The Infrastructure Investment and Jobs Act is once-in-a-generation funding from the federal government. Usually, it has been a one-year extension of old legislation, which is no way to fund a road program," says Barcaskey.

"At the end of the day, from PennDOT's perspective, it gets the funding back to a more reasonable, reliable amount of money it can let," says O'Brien. "If you look at our industry in our neck of the woods, we're just getting back to the letting schedule that we should have. We're not quite there yet but it's getting closer." BG

To maintain the flow of return activated sludge during construction, Kokosing built an above-ground 42-inch bypass pipe run. Photo by Kokosing Industrial.

PROJECT PROFILE

ALCOSAN RETURN ACTIVATED SLUDGE PIPING IMPROVEMENTS

Allegheny County Sanitary Authority's (ALCOSAN) massive $2 billion dollar solution to the region-wide combined sewer overflow problem involves dozens of projects. One of the main components is the expansion of its main treatment plant on Preble Avenue in the North Side. In a treatment plant processing 350 million gallons daily, ALCOSAN's expansion is anything but straightforward. The expanded capacity that will result from the new construction requires modernization of existing plant processes, many of which were already overstressed. One of the processes that required its own modernization and upgrade is the return activated sludge piping system.

Return activated sludge (RAS) is biomass that collects during the clarification process of wastewater treatment. RAS is pumped from the clarifiers to aeration tanks to be added to additional wastewater. At the Preble Avenue plant, the RAS piping system collected the sludge from wet wells at the clarifiers and piped the RAS to risers that split the material in half to feed the aeration tanks. According to Meredith Welle, associate vice president, water/wastewater section manager at HDR (one of the engineers designing the Wet Weather Plant Expansion), ALCOSAN's RAS system was inadequate and obsolete.

"ALCOSAN needed to increase their RAS capacity and its current RAS piping was leaking and spilling sludge in the tunnels. The open-top splitter boxes were too small for the current flow conditions," Welle explains. "As part of our original design we looked at how we could increase their RAS capacity and optimize the management of the flow. We examined several alternatives and ultimately landed on having individual piping connections to each of the aeration tanks as opposed to half the flow going into one splitter box, and the other half into another before overflowing into the tanks."

Welle says that meeting the design objectives for optimizing the RAS flow for a plant that was being expanded was the primary challenge HDR faced; however, that challenge was complicated by the reality that an overstressed treatment plant had to operate continuously during the construction.

"The other big piece of the puzzle was how we were going to keep the RAS pump stations in operation during construction. There were limitations on how much of the RAS flow we could have out of service at any time," says Welle. "We looked at several options for bypassing the flow. The specifications had one alternative, which we perceived as being the most cost-effective alternative, but we gave the contractors the option to do bypass pumping as well."

All material access to the project was through a single hatch cut into the plant. Photo by Kokosing Industrial.

When the $19 million project bid in July 2020, Kokosing Industrial saw potential problems in the specified solution for bypassing the existing system. The specs called for a temporary bypass for each of the 12 pumps that involved fabricating a piping bypass that would be extremely difficult, if not impossible, to do in the tight space available. The team estimating the project thought that the alternative option allowed in the design would be a better approach and based Kokosing's bid on that yet-to-be-approved approach.

"What they wanted us to do was to create temporary piping that we felt was not constructible in the field to get the sizes necessary to move the material from the larger pumps. You could do that with the existing piping, but once you made the pump and the piping bigger, you could not do it," says Tom Crawford, senior project manager for Kokosing Industrial. "One of our estimators had 25 years in the field and he recognized that the sizes wouldn't work."

The solution proposed by Kokosing in its bid (which was ultimately accepted) called for the construction of a temporary system of 42-inch high-density polyethylene (HDPE) pipe fabricated above ground on the deck of the plant. The HDPE piping connected the pump station wet wells to a riser that distributed the sludge between the aeration tanks. Kokosing bid its alternate only and assumed the risk of its success. Crawford says that the temporary piping streamlined the construction process and limited the downtime for the plant, although Kokosing's solution was not immediately embraced.

"The contract documents always required bypass piping on the ground. What we did different was to turn off all six pumps on one side and put all six on a bypass while we rebuilt the piping in the tunnels," he says. "The construction manager wasn't amenable to it initially, even though it was allowed in the contract. It was a steep battle to get approval. It took a fair amount of convincing."

Welle explains that approving the solution involved more than verifying calculations and design details. The construction manager had to account for the impact on the rest of the project and the plant.

"It was challenging to make sure we were looking at the problem from all angles," Welle recalls. "We had to make sure that what the contractor proposed was going to work and meshed with the operation and maintenance requirements of the plant."

Kokosing was awarded the $14.1 million general construction contract in August 2020, at the same time as separate prime contracts HVAC, electrical, and plumbing. As the teams mobilized for the start of work, the pandemic had been going on for six months and the accommodations for working during a pandemic had been established. The shutdown and erratic re-start disrupted the global supply chain. For Kokosing and the other team members, the RAS piping project was the first experience with the new supply realities.

"We had severe material delays in 2021 when the supply chain was really upside down," Crawford recalls. "The big issue was ductile iron pipe. It was one of the largest ductile iron pipe purchase orders I've ever been around. That caused the delay in the project of about a year."

Photo by Kokosing Industrial.

The scope of the project was fairly straightforward. Kokosing would construct the roughly 1,500 lineal foot bypass, take half the RAS piping system offline at a time, and replace the 36-inch ductile iron piping with 42-inch piping and new appurtenances. The pump stations were to be renovated with new pumps, building systems, and roofs. The work was hardly routine, however.

"Almost all the project was done in the tunnels between the aeration tanks and the clarifiers. The head room in the tunnel was very tight. It made it almost impossible to pick or lift the pipe from the ceiling because we were in a concrete tunnel. There was no overhead access," Crawford says.

"Our superintendent, John McIntosh, was integral in coming up with a solution," Crawford continues. "He figured out the fabricated custom pipe carts and lifting brackets and mechanisms that were used to pick and secure the pipe sections. We did all the lifting with electric forklifts. We were taking 36-inch pipes down and putting 42-inch pipes back up in their place."

Crawford says that access to the project was a challenge, from the standpoint of both logistics and sequencing.

"Coordinating access with ALCOSAN was a challenge. It's an operating plant, so we had 90-day shut down windows. That made things go very quickly," Crawford says.

"There was one only one access point to all the tunnels from above. To help save costs, and manage exposure and equipment, we used a 10-ton rolling gantry crane lift instead of a full-size construction crane," he continues. "Everything that went in and out of the 1,500 lineal foot tunnel went in and out of the one hatch using that gantry crane. Within the tunnels most everything was moved with electric walk-behind forklifts with custom lifting assemblies. Each 18-foot section was moved by hand with those forklifts."

In addition to the coordination with ALCOSAN's operations and the other trades on the project, Kokosing managed periodic coordination with the major North End Plant expansion, which was underway concurrent to the RAS piping upgrade. While the RAS project would wrap up well ahead of the North End expansion, there were shutdowns and connections to manage.

"We did the design for the North End too. That worked to our advantage because we were able to define more clearly what was in the contracts for RAS versus what was in the contract for North End," says Welle. "There were some interfaces we needed to plan for in the RAS project. The timing of some of the outages needed to align with the big secondary treatment outage that we had for the North End. We had to make sure we included the right milestones in our specifications to capture what needed to happen and when."

The RAS piping system was replaced, and the improved system was fully operational this past winter, although ALCOSAN must finalize a decision on how to complete construction on its wet well pump stations because of unforeseen conditions.

"We're still fighting through the challenge of the architectural structural issues with the four existing pump stations," Crawford says. "The contract called for us to modify the pump stations by patching the roof and repairing the HVAC and electrical. When

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Photo by Kokosing Industrial.

The bypass piping system is shown in the left center of the photo. Photo by Kokosing Industrial.

we started demolition, we discovered that the building structure was not concrete masonry units but speed tile, which is a glazed structural tile."

Speed tile is a structural tile that was mainly used in decorative applications. The cells in the glazed tile are horizontal, instead of vertical, as the cells are in standard concrete block units. That reduces the structural strength. In ALCOSAN's pump stations, the glazed tile walls were not grouted nor reinforced with steel bars.

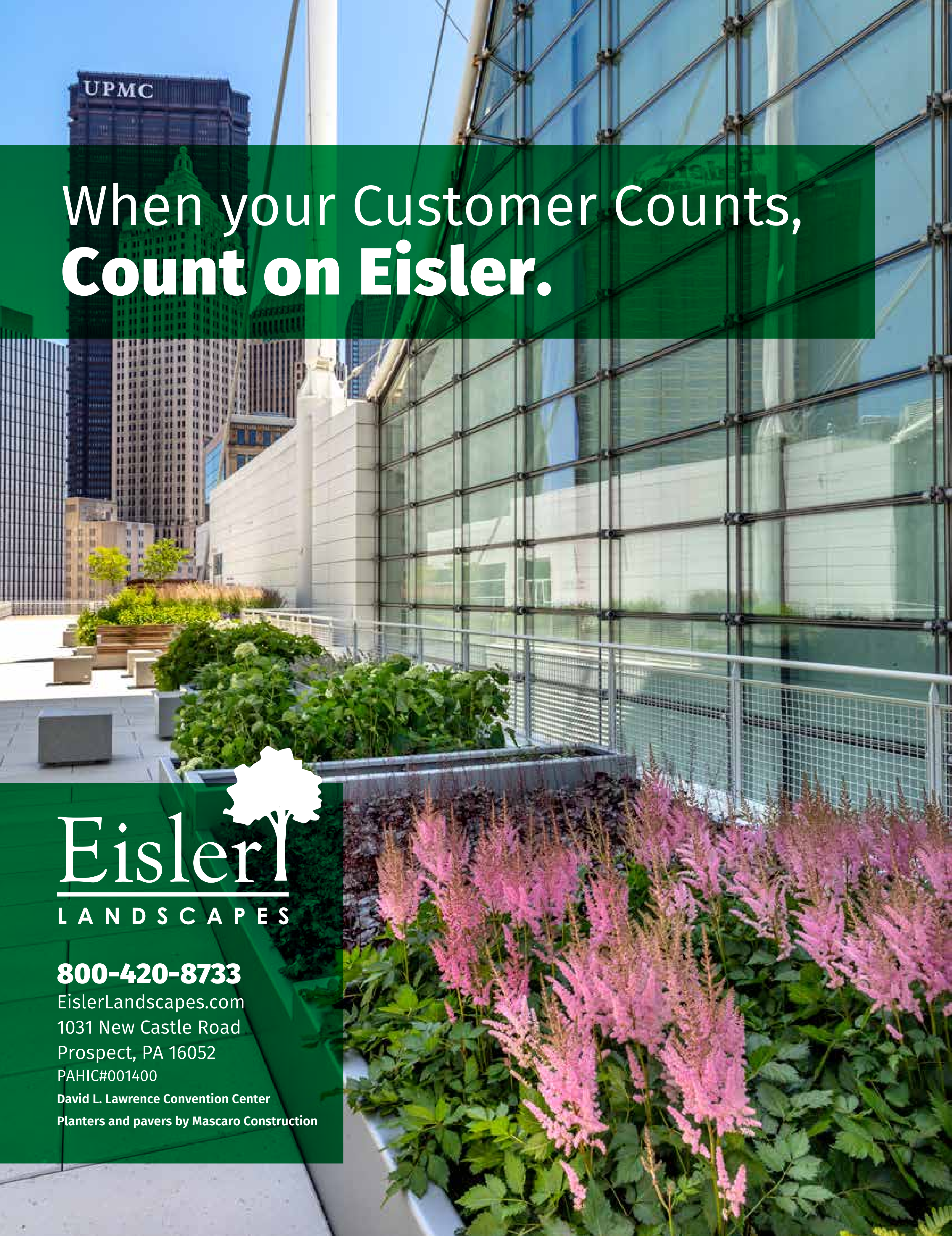
"We found out that the walls couldn't hold the weight of the new pumps and monorail. We couldn't cut the new doors in the way we were supposed to. There were numerous problems that we encountered the more we dug into it," Crawford says. "We recommended to ALCOSAN that they should demolish the buildings and rebuild them. We could build what they needed, make it taller to accommodate the pumps and crane, new doors, and windows. That got kicked around for some time. We got approval to do that on the east pump stations; however, we discovered that the west pump stations were so unstable that they could not support the roof. We're still working through what to do with those West Side pump stations."

Notwithstanding the final decisions on how to complete the structural repairs to the remaining pump stations, the project was successful. Kokosing battled through delivery delays of more than a year and accomplished the program's goals without interruption to a critical piece of regional infrastructure. Crawford credits the work of McIntosh and project manager Brian Skinner, and Kokosing's crews, which self-performed 80 percent of the work. He points out that there was only one reportable safety incident – a worker had dust debris in his eye – in 47,000 hours worked.

"It was a very successful project. There were a lot of collaboration meetings between the contractor, engineer, construction manager and the owner and their operations and maintenance staff to really understand what was needed during the bypass conditions and to help everyone understand the timeline for when key things needed to happen," says Welle. "It was very meeting intense, but I think it went well because everyone took the time to make sure we were on the same page." BG

PROJECT TEAM

Kokosing Industrial Inc.	General Prime Contractor
Allegheny County Sanitary Authority	Owner
HDR Inc.	Engineer
Michael Baker International	Construction Manager-Agency
Guy's Mechanical Systems Inc.	HVAC Prime Contractor
First American Industries	Plumbing Prime Contractor
Wellington Power Co.	Electrical Prime Contractor
Carl Walker Construction	Concrete Repair
Kusler Masonry Inc.	Masonry
Ocotillo Inc.	Painting
Concrete Cutting Systems	Concrete Cutting
Phoenix Roofing Co. Inc.	Roofing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PREPARING FOR YOUR 2023 CONSTRUCTION PROJECT PIPELINE: STREAMLINE YOUR CONTRACT MANAGEMENT

BY MICHAEL KLEIN AND AMANDA KRAFT

With spring upon us, the construction industry is buzzing. As your company looks at upcoming construction projects in the pipeline, now is a great time to consider optimizing processes for efficient and effective contract management. With some planning, organization and collaboration with your project team, the process for reviewing, drafting, and negotiating contracts can be a critical component to project risk control. In this article, McNees highlights a few best practices and key considerations to help make your contracts process smoother for 2023.

Determining Who Drafts the Contract

The first consideration is which party will draft the baseline contract – a design professional (architect or engineer), general contractor or the business owner? Although there will be negotiation of certain terms in the contract, your time is best spent negotiating from a starting point that was drafted with your company's interests in mind. When beginning negotiations from a contract supplied by an opposing party, the proposed terms may be far from what is agreeable to you and may also place more liability on your organization. Producing the initial form of the proposed agreement will put your business in a more advantageous position in the vast majority of scenarios.

Whether you are initiating the contract or responding, you must determine whether the requisite expertise exists within your own company to handle what are typically rather lengthy and complicated contracts. If not, it is essential to consult with outside counsel who has expertise in commercial construction contracts to obtain a draft of a suitable contract quickly and efficiently.

One Size Does Not fit All

In the world of commercial construction contracts, there is a vast array of different types of contracts intended to address different project scenarios. For instance, a contract that is appropriate for the new construction of a $100 million urban high-rise is not appropriate for a small conference room renovation at a company's headquarters. With that in mind, some considerations when selecting the appropriate construction contract format include:

- What is the status of the project design? Will the project be bid on full construction documents or incomplete drawings requiring multiple amendments upon completion of drawings?
- What will the project's delivery method be – traditional design-bid-build, design-build, or integrated project delivery?
- Will the design professional be hired by the owner (typical of the traditional delivery method) or by the contractor (common for the design-build delivery method)?
- What is the method by which the contractor or design professional will be compensated – fixed-fee, cost plus fee, cost plus fee with a guaranteed maximum price, time, and materials, etc.?
- Is the project subject to public procurement requirements – competitive bidding, multi-prime requirements, prevailing wage or bonding?
- Are there sustainable (aka "green building") aspirations for this project, such as LEED accreditation?
- Are all the project contracts (site civil, architectural and construction) coordinated?

Additional special consideration should be given to the following:

- Global dispute resolution to allow for all project participants in a single dispute resolution proceeding
- Mutual Indemnities from owner, contractor, and design professional
- Waiver of consequential damages
- Compliance with mechanic's lien laws
- Damages for delay – liquidated damages
- Force Majeure
- Supply chain delays and material price escalation

This list is by no means comprehensive. Your legal counsel can help you work through relevant project-specific considerations when selecting an appropriate construction contract to suit the needs of your company.

Form Contracts vs. Drafting from Scratch

The next consideration is whether a custom contract is required or whether a template-based contract is suitable. Perhaps the most common template-based construction contracts are promulgated by the American Institute of Architects (known as AIA Contracts). There are other template-based contracts that are also frequently seen in the market, including those from the Engineer's Joint Contract Documents Committee (EJCDC), ConsensusDocs and others.

Note that the term "form contract" or "template-based contract" is overly general because the "form" or "template" is merely a framework. Representatives of both parties almost always modify the provisions therein, sometimes heavily, before the contract is executed. Very often, the resulting contract differs significantly from the default language in the "form" which provides starting point language.

The decision to utilize a template-based construction contract versus a custom one is typically a function of the controlling party's preference. Recently, there has been an emerging trend where more owners prefer to forgo "form" contracts in favor of customized construction contracts. Your legal counsel can help you decide which option is best for your company or project.

Maintaining Your Contracts

Periodically reviewing and revising construction contracts is always a sound business practice and an effective risk-management technique. Doing so has three major benefits:

1. Permitting the evolution of construction industry practices, which are often shaped by recent case law developments or socio-political impacts.
2. Reflecting the preferences and risk tolerances of your business, which evolve over time.
3. Updating for compliance with changes in applicable law.

The issuers of template-based construction contracts overhaul their documents incrementally, sometimes as infrequently as once every 10 years. From a legal standpoint, this is inadequate and it is recommended that companies review their contracts at least every other year.

Three Tips for Efficient Contract Administration

Selecting an appropriate contract is just one element of your role in navigating the construction contract process. Because of time and budgetary constraints, it is crucial to find the right balance between protecting your company and efficiently managing contract review and issuance. Best practices include the following:

1. Create templates. It is rarely advisable to start a new construction project contract from the stock language in a completely unedited industry template. Instead, determine base- and project-specific contract terms required to properly address the apportionment of risk for the project, and create a template containing those terms. This should be the starting point from which your project team begins to formalize the contract for a new construction project.

Maintain a library of contract templates for the various types of construction projects your company typically undertakes. Consider categorizing your projects into small and large designations and establish the parameters of scope or dollar value appropriate for each. By categorizing your projects and maintaining preapproved contract templates within each category, you can greatly optimize the time required to negotiate and issue a contract.

2. Develop repeatable work. Very often, an organization will have similar types of construction needs on a recurring basis. For these types of projects, consider entering a master agreement with a few preferred contractors and design professionals. The master agreement is a delivery system in which the owner and the contractor or design professional negotiate virtually all the boilerplate-type provisions at one time and the parties agree that those terms will be effective for a prescribed term.

Upon execution of the master agreement, a contract is not formed until the subsequent execution of a work order, which typically contains the bare essential terms of the project. These include, among other things, the specific work to be done, the name of the design professional, the cost, the time for completion and an enumeration of the contract documents. All other contract terms are contained in the master agreement. This format allows the company to contract for new projects quickly and efficiently without having to duplicate performance.

3. Educate your team. Help your team understand the primary risk and pain points that are essential to your company's assessment of construction contracting and successful project management and completion. The terms included in your company's standard agreement, or which are negotiated for an individual project, will only work to your company's advantage if your team understands how to build within those terms. Comprehensive project risk training for your team is critical on issues related to project delivery systems, project documentation, mechanics' lien liability, insurance requirements, supply chain and other issues that are important to your company's risk profile. Without training your team in a focused and consistent manner, the terms that you worked so hard to develop will be underutilized in connection with the execution of the work of the project.

Partner with Legal Counsel

An experienced construction law attorney, whether in-house or outside counsel, can help you plan, manage your contracts, and train your team. With some front-end work, the selection and issuance of suitable construction contracts does not need to be a daunting task. The most important thing to remember is that one size does not fit all and the key to success is pairing the contract terms with the unique aspects of the project. BG

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HOW REAL ESTATE AND CONSTRUCTION COMPANIES CAN CURB GROWING CYBERSECURITY THREATS .

BY HEATH WINSHEIMER, CPA AND JANELLE MERLO, CPA

In the last few years, Pittsburgh's real estate and construction leaders have made great strides to implement new technologies into their regular practices. While these advances have uncovered additional efficiencies, their adoption has created a critical vulnerability: data security.

Cyberattacks are on the rise, with a 22% increase in major attacks year over year, according to the Verizon Mobile Security Index 2022. In Pennsylvania, cybersecurity threats have been especially strong with the state being ranked the second worst when handling cyber-attacks in 2021. Given the wealth of personal information they hold, Pittsburgh real estate and construction companies are particularly attractive targets for these attacks and should take steps to safeguard their data. Whether training its workforce to follow data management and cybersecurity best practices, improving security software or establishing data backup plans, each measure assists in building a more secure digital environment for a company's data and may help safeguard their reputation and the safety of their customers, employees and residents.

Cybercriminals Threaten an Industry's Safety and Success

Construction companies have been particularly susceptible to cyberattacks, in large part because cybercriminals are aware the industry is under protected. This is supported by a 2022 study by KnowBe4, which used simulated phishing techniques to demonstrate that wide-net cyberattacks like email phishing scams have been particularly effective in targeting the construction industry. As a whole, construction views cybersecurity as a lesser business priority: just 64% say it's a high priority versus 77% of businesses overall, according to the KnowBe4 study.

The real estate and construction industries are not unlike others in that the COVID-19 pandemic forced them to replace in-person tasks with their virtual equivalents. Unlike other industries, however, construction has had more ground to cover to catch up - it is widely understood to be a laggard in terms of digital transformation. The adoption of new technologies has helped companies achieve higher productivity by automating time consuming administrative processes, simplifying communications, and streamlining data management. To remain competitive, real estate and construction companies will need to continue to utilize these technological advances.

However, these new advances often come with more interconnectivity. Unfortunately, the more connected devices and software a company relies on, the more access points hackers can use to infiltrate that company's cybersecurity system. Many industry leaders are concerned that mounting attacks are not being met with adequate security measures. According to a study by Venafi, 82% of CIOs believe that their software chains are vulnerable to cyberattacks.

In addition to potential vulnerabilities arising from software interconnectivity, external vendors or third parties may add new cyber risks. Whether hiring a contractor, a new vendor or working with a new client, companies should thoroughly assess each third party's own cybersecurity measures, as they could by extension be inadvertently exposed to vulnerabilities.

Don't Dismiss Due Diligence for Your Third Parties

In addition to potential vulnerabilities arising from software interconnectivity, external vendors or third parties may add new cyber risks. Whether hiring a contractor, a new vendor or working with a new client, companies should thoroughly assess each third party's own cybersecurity measures, as they could by extension be inadvertently exposed to vulnerabilities. Some considerations include:

- Requesting an Internal Report - Determine whether a third party has undertaken its own cyber security measures by requesting it produce an internal report. For example, the third party can undergo audits regarding the secure management of data by producing an SOC2 report, which assesses five "trust service principles": security, availability, processing integrity, confidentiality and privacy.
- Assessing Cybersecurity Measures - Determine whether a third party independently tests its operations, holds insurance against cyberattacks and follows best security practices, such as multifactor verification and unique login identification.

When working with a third-party cybersecurity provider, having established roles and responsibilities is paramount. If an organization is a victim of cybercrime, for instance, determining whether data backup will be performed in-house or outsourced to a security provider can speed up the recovery process.

Protecting Your Organization Against "Cyber Threats"

Many cybercriminals develop attacks by testing for weaknesses in software programs designed to protect against cyberattacks. The more outdated cybersecurity software is, the more time cybercriminals have had to find vulnerabilities. Having a dedicated IT team to help regularly monitor and update cybersecurity software systems can help organizations stay ahead of cybercriminals. If an in-house IT team is not feasible, having a dedicated vendor can also help facilitate and maintain a company's cybersecurity program.

Simple measures — including two- or multi-factor authentication, unique login identifications or virtual private networks (VPNs) — can protect companies substantially against cybercriminals. Once such practices have been established, it is important to prepare an incident response and backup plan. By having professionals simulate attacks to test for vulnerabilities, penetration and vulnerability testing can help strengthen these plans. When developing a backup plan, it is important to:

- Have a dedicated professional available to determine what kind of breach occurred and the extent of the damage.
- Make sure the legal team is involved and frequently consulted.
- Establish who should be notified of a cyberattack and in which cases.
- Prepare for additional monitoring of possible cybersecurity breaches to identify ongoing, unusual activity.

Having cyber insurance as part of the overall incident response and backup plan is a consideration, as well. While insurance does not cover all possible costs, it can help an organization bridge the gap should a cyber event occur.

A robust cybersecurity program is essential for the long-term viability of Pittsburgh's real estate and construction companies. As technology evolves, companies should be prepared to handle increasingly sophisticated cyberattacks by keeping high security standards for themselves and others. Training employees in cybersecurity practices, investing in reliable software and building and testing backup plans can help maintain an organization's data, reputation, and safety. BG

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OFFICE OF MANAGEMENT AND BUDGET PROPOSES MAJOR CHANGES TO BUY AMERICA REQUIREMENTS

On February 9, the (OMB) released a new proposed rule to provide additional guidance, expand and implement the requirements of the Build America, Buy America Act (BABAA) on federally assisted construction projects. The proposal seeks to increase the list of materials classified as "construction materials," expand manufacturing requirements for construction materials, and broaden the definition of "manufactured products," among other things.

The changes from the initial preliminary guidance to the new proposed rule are wide-sweeping. OMB proposes new definitions for categories of "construction materials" and "manufactured products" and altering specific manufacturing requirements. This document provides a high-level understanding of the changes presented by the proposed rule and how it could impact construction contractors.

Construction Materials

Definition of Construction Materials: The initial preliminary guidance definition of "construction materials" includes materials that consist primarily of non-ferrous metals, plastic, and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables), glass (including optic glass), lumber, or drywall.

On February 9, the (OMB) released a new proposed rule to provide additional guidance, expand and implement the requirements of the Build America, Buy America Act (BABAA) on federally assisted construction projects. The proposal seeks to increase the list of materials classified as "construction materials," expand manufacturing requirements for construction materials, and broaden the definition of "manufactured products," among other things.

- The proposed rule definition of construction "material"—in addition to those mentioned above—explicitly adds fiber optic cable and optical fiber as separate and distinct categories of construction materials and states that binding agents will be disregarded when one or more of the listed materials are combined together.
- The agency is also seeking feedback and exploring whether they should add bricks, coatings (such as paint and stain), and engineered wood products to the list of construction materials.

The proposed rule remains in line with the initial preliminary guidance in providing that the definition of "construction materials" does not include "an item of primarily iron or steel, or a manufactured product.

- Nevertheless, OMB is seeking information on to what degree to include cement and cementitious materials, aggregates such as stone, sand, or gravel, or aggregate binding agents or additives—materials explicitly exempted from the definition of construction materials— to be covered in some way under BABAA requirements. There could be an attempt to include BABAA requirements—in some form—on "processed" raw aggregates, the combination of these raw materials with other exempted materials, and precast concrete, for example.

Manufacturing Processes Requirements for Construction Materials: The initial preliminary guidance defines the domestic "manufacturing processes" requirement for "construction materials" as the final manufacturing process and the immediately preceding manufacturing stage for all listed materials need to occur in the United States.

The proposed rule changes the initial preliminary guidance by listing out every single manufacturing step required to occur in the United States by specific construction material category. They are as follows:

- Non-ferrous metals - From initial smelting or melting through final shaping, coating, and assembly.
- Plastic and polymer-based products - From initial combination of constituent, plastic or polymer- based inputs until the item is in a form in which it is delivered to the work site and incorporated into the project.
- Composite building materials - From initial combination of constituent materials until the composite material is in a form in which it is delivered to the work site and incorporated into the project.
- Glass - From initial batching and melting of raw materials

through annealing, cooling, and cutting.

- Fiber optic cable - From the initial preform fabrication stage through fiber stranding and jacketing.
- Optical fiber - From the initial preform fabrication stage through fiber stranding.
- Lumber - From initial debarking through treatment and planing.
- Drywall - From initial blending of mined or synthetic gypsum plaster and additives through cutting and drying of sandwiched panels.

Manufactured Products

Definition of Manufactured Products: The initial preliminary guidance defined manufactured products as items that consist of two or more of the listed construction materials (and are not primarily made of iron or steel) that have been combined through a manufacturing process and items that include at least one of the listed construction materials combined with a material that is not listed through a manufacturing process.

- The proposed rule definition broadens the applicability of this term to mean any materials that are permanently incorporated into an infrastructure project that are not already classified in the iron/steel and construction material categories.

Cost of Components Definition for Manufactured Products: Under the initial preliminary guidance the cost of the components of manufactured products that are mined, produced, or manufactured in the United States must be greater than 55 percent of the total cost of all components of the manufactured product, unless another standard for determining the minimum amount of domestic content of the manufactured product has been established under applicable law or regulation.

- The proposed rule changes clarify how the cost of components should be calculated as required by BABAA using definitions under the Federal Acquisition Regulation. Specifically:
- For components purchased by the manufacturer - The acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued).
- For components manufactured by the manufacturer - All costs associated with the manufacture of the component, including transportation costs as described previously for purchased products, plus allocable overhead costs, but excluding profit. Cost of components

does not include any costs associated with the manufacture of the end product.

As the definition of "manufactured products" is broadened to match the Federal Acquisition Regulation (FAR), the proposed rules highlight another contradiction of BABAA implementation. The FAR definition is intended to guide direct acquisitions by federal government agencies (e.g., Army Corps of Engineers, General Services Administration, National Parks Service, etc.) under the Buy American Act. However, federal agencies under the Buy American Act can acquire materials incorporated into their projects from a multitude of nations worldwide in order to respect the federal government's international trade obligations and agreements. Meanwhile, state, local, and private entities—which do not have international trade agreements—are forced under BABAA to source their materials only domestically. As a result, the use of the same definition for two different domestic manufacturing sourcing laws will likely incur widely different results.

The Consequences of Writing the Rules as You Go: Mass Confusion

As federal agencies and their local partners have been using the previous initial preliminary guidance for their agency-specific implementation of BABAA, the new proposed rule changes risk additional confusion and inconsistency to a process already characterized as such. If no grace period is given to allow all stakeholders time to adapt to these changes, the new requirements threaten to jeopardize delivery of infrastructure projects. Sudden and abrupt changes in requirements in the middle of a project will only lead to additional delays and problems in delivering on the promises of the Infrastructure Investment and Jobs Act.

Similarly, federal agencies will need additional time to reevaluate their existing policies to adhere to the finalized rules. For example, a week prior to the release of OMB's proposed rules, the Federal Highway Administration (FHWA) released a Q&A document to address some of the confusion that their state and local partners have been experiencing with BABAA implementation. As the proposed changes, however, are already published and accepting comments, will the FHWA Q&A document be relevant or need revisions just a week after it is already published? BG

For more information or to provide insights on BABAA related issues on your bids/projects, contact Deniz Mustafa at Deniz.Mustafa@agc.org

PITT'S MENTOR-PROTEGE PROGRAM IS GROWING BUSINESS OPPORTUNITIES FOR MINORITY FIRMS

BY DONOVAN HARRELL

Darrell Williams has worked in the construction industry for more than three decades. And in that time, he's seen many companies start up and fail.

"I see why they came and went — without the knowledge of how to run a construction company properly, and not reaching out and not having a mentor, I can see why a lot of them fail," said Williams, owner of Wilco Construction.

Despite his experience, Williams said the mentorship he received through Pitt's Mentor-Protege Program was critical in making sure his company didn't join that list of failed business.

"I was kind of self-taught in this business coming through," Williams said. "And I developed a lot of bad habits. Through this mentorship program, I've gotten rid of a lot."

Part of the Facilities Management Diversity Initiatives in the Office of Facilities Management, the program brings together large construction companies to collaborate with smaller, minority-owned construction companies. The program provides incentives for contractors who are committed to developing additional minority-owned construction firms in the area. All general, mechanical, plumbing, and electrical contractors are encouraged to provide developmental assistance to minority businesses to help them effectively bid on and complete university construction projects.

The partnership entails the larger companies providing training and business assistance to the smaller firms, encouraging the smaller firms to grow. The Mentor-Protégé Program is intentional about helping to fill the gaps in expertise and experience that Williams cited as stumbling blocks for small businesses in the past. Specifically, the university is measuring the effectiveness of the Mentor-Protégé Program along three major metrics:

- Increase in the quality of the protégé's technical capabilities by completing the scheduled time working with the mentor on the areas that project construction requires, such as bid preparation, scope reviews, accounting, project management, and safety management.
- Increase opportunities available to the protégé by documenting how the mentor assisted the protégé in networking and competing for new work and documenting the increase in the number of invitations to bid.
- An increase in the number, dollar value, and percentage of contracts awarded to protégés since the date of entry into the program.

The program launched in December 2020 when the Office of Facilities Management called for proposals from 40 companies in the region. Since then, 10 mentor-protege teams have formed, adding more competitive minority-owned firms to the region's construction marketplace, said Scott Bernotas, vice chancellor of facilities management.

One of the office's main goals was to create a program focused on growing the smaller businesses, making them more competitive and resilient in the region's construction firm marketplace, Bernotas said.

As part of the program, the mentor companies must describe the training they will provide, meet with Bernotas and other representatives from the Office of Facilities Management quarterly and provide annual reports. The office then makes sure the companies have the opportunity to make a strong, competitive bid on Pitt construction projects. General contractors will still be required to be competitive to win work at the university but, according to Bernotas, the firms with the best MBE/WBE plans have been successful nine out of ten times.

In addition to fostering the program and providing oversight, Pitt is doing its part by setting – and meeting – aggressive goals for minority- and women-owned business participation in its major capital projects. For example, the $100 million Chilled Water Plant has 39 percent MBE/WBE firm participation and is forecasting a 10 percent minority workforce participation. The latter is a building block for the development of more minority-owned construction businesses for the future.

Bernotas said thanks to the program, in the fiscal year 2022, the university spent a record $13.2 million on minority-owned construction firms. And during the first quarter of the fiscal year 2023, "we're almost at that number already," he said.

Active Mentor-Protégé partners for Pitt include some of the region's largest and most well-established contractors. These companies include the construction managers for the university's largest projects and have the capability to devote resources to mentoring the proteges.

"That is one of the reasons we structured the Mentor/Protégé Program the way we did. Our belief is that the best ones to help and strengthen the protégé contractors' performance capabilities are the well-established, successful major contractors in the region," said Bernotas. "We consistently hear feedback from protégés that this is the greatest value of the program. A common example we hear is that mentors are working with the protégés to help them refine real-life bids they are working to win actual projects from Pitt or others."

The current Mentor-Protégé teams are:

- Turner Construction and ImbuTec
- Mosites Construction and Waller Corporation
- Mascaro Construction and Wilco Construction and Aaron Reed Supply

- PJ Dick Inc. and Omicelo Construction Group
- EMCOR/Scalise and Emerald Electric
- Dick Building Corp. and Triple 3 Construction
- Rycon Construction and RWIV Construction
- A. Martini & Co. and Russell General Contracting

Ron Cortes, vice president of building operations for Mascaro Construction, and his staff are mentoring Williams and Aaron Reed, president of Reed Building Supply. Through the partnership, they developed a series of training sessions covering topics such as how Mascaro operates, how to find construction projects and how to manage staff health concerns during the COVID-19 pandemic.

Through this partnership, the companies have worked together on 10 projects, one of the first being the construction of a new restaurant, Cafe on the Corner. Williams and Reed's companies managed the project while Mascaro oversaw and provided extra ideas and support.

In the two years since joining the program, both protege companies have doubled their revenue and been able to hire more staff.

And those are just a few of the benefits from the Mentor-Protege Program, they said.

Williams said mentorship can help smaller companies endure the hardships that come with the construction industry.

"Just by talking and calling and talking to the estimators at Mascaro, it helps you push along and get through those tough times when you don't know how to bid or you don't know how to manage a project wisely or, do your accounting, your books," he said, adding that his company would not be where it is today without mentorship from Mascaro Construction company.

"It's been everything to us," Reed said. "I couldn't ask for anything more from this program."

Mentors also benefit from these partnerships, Cortes said. The mentors and proteges build strong relationships that help them expand their networks and, ultimately, find more construction opportunities.

Richard Taylor, CEO of ImbuTec, said mentorship from Turner Construction helped his firm secure work on the upcoming 200,000 to 250,000-square-foot Pitt BioForge facility.

Taylor said he appreciates how the university uses its market power to promote diversity, equity, and inclusion in the region's construction businesses.

"It's taken their influence as a major construction owner to drive change within the industry, and economic activity and inclusion in our community," Taylor said. "That's just so phenomenal and so gratifying to see an institution use its power thoughtfully and strategically." BG

Donovan Harrell is a communications specialist at the University of Pittsburgh. This article was originally published in PittTweet and updated with the permission of the University of Pittsburgh.


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INDUSTRY & COMMUNITY NEWS

Michael Mascaro, from Mascaro Construction, hosted the 2023 Gentlemen's Night Out on the North Shore at the PNC Champions Club at ACRISURE Stadium. The evening was attended by more than 200, and raised a record-breaking $206,000 in support of the National Aviary. Pictured are Michael Mascaro and Cheryl Tracy, executive director of the National Aviary.

(From left) Tom McIntyre from IBEW Local 5, Kevin Kinross from The Carey Group, Highmark's Dan Onorato, IBEW's William Garner, State Sen. Wayne Fontana, Allegheny County Executive Rich Fitzgerald, IBEW's Jim Ryan and Michael Varholla at the Gentlemen's Night Out.

The PJ Dick/Trumbull/Lindy family of companies sponsor Rebuild Better Together (RBT), a non-profit organization that exists to help people in Pittsburgh and Baltimore areas who have suffered traumatic spinal cord injuries. Pictured (from left) are Christopher Watson, the executive director/co-founder of RBT, PJ Dick's Tim O'Brien and Brett Pitcairn, RBT board member Jared Quinteros (with check), RBT co-founder Cindy Fox, and Jake Ploeger from PJ Dick.

(From left) Evan Sargo from the PA Builders Exchange (PBX), Jim Hyland from Specified Systems, PBX's Del Walker, Adam Harris from Harris Masonry, PBX's Kenton Porter, and Rycon's J.R. Bittner at the ASA Top Golf Outing.

(From left) CannonDesign's Jeff Murray, PJ Dick's John Robinson, and Sophia Ogiso from CannonDesign at the NAIOP Pittsburgh Developing Leaders tour of The Assembly.

Representing Rycon Construction at the Young Constructors kickoff event on March 30 were (back row, from left): Brent McElrath, Jeff Redman, Toni Pietz, Emily Taormina, Haley Loesch, Samantha Lambie, and Mike Klena. Front row (from left): Olivia Williams, Kim Cleckley, Madison Blazer, Allison Earley, and Miranda Anderson.

Jamison Vernallis from Landau Building Co. and Jamie Kusevich with Stephany Associates.

Brooke Waterkotte from Easley & Rivers, and Dom Matarazzo from PJ Dick.

(From left) PJ dick's Jon Revtai, Drishika Dugar, and Sophia Melocchi.

(From left) Lindsey Smith of GDI Facility Services, Jenn Miller, and Zorica Bojanovic of Excellence Cleaning at the CREW Pittsburgh Luncheon Panel at the Duquesne Club on March 21.

The Master Builders' Association and Construction Advancement Program presented a check for the endowment of the MBA Scholarship at Penn State University on April 24. This award will go annually to a 4th or 5th year student from southwest Pennsylvania focusing on construction in Penn State's Architectural Engineering program. Picture from left are Acting Dean for the College of Engineering, Anthony Atchley, MBA Director Dave Meuschke of Burchick Construction Company, the MBA'sDave Daquelente and Bob McCall, and the Interim Head of the Department of Architectural Engineering, Jim Freihaut.

Newmark's Jessica McKinney (left) and Kyra Sarver from TEDCO Construction at the April NAIOP chapter meeting on green building.

(From left) Massaro's Matt Dean and Nate DiPietro, with Alex Moxie from PJ Dick.

Naley McKamish (left) and PJ Dick's Eric Pascucci at the MBA YC kickoff.

(From left) Cameron Watters from Dick Building Co., SMPS Pittsburgh president Rachel Sweetland from AE Works, and Monica Senger from DRS at the SMPS 30th Anniversary celebration on April 27.

(From left) Tyler Niedzwicki from LGA Partners, Providence Engineering's Nate Babyak, Matt Kaufman from Atlantic Engineering, and Dylan Jenkins from Liberty Insurance.

AWARDS & CONTRACTS

Uhl Construction is the general contractor for the $2.2 million renovations to Ron Lewis Chrysler Dodge Ram Fiat + Jeep in Cranberry Township, PA. The architect is Oba Design LLC.

Turner Construction is the general contractor for the buildout of University of Pittsburgh's 23,000 square foot lease for its School of Health and Rehabilitation Sciences Department of Physical Therapy at The Box Office at South Side Works. LGA Partners is the architect.

Turner Construction was awarded the UPMC Presbyterian/ University of Pittsburgh MRI Suite. The project involves renovations on the eighth floor of UPMC Presbyterian Hospital to create a suite to house a new 7T MRI to be utilized by the University of Pittsburgh. Perkins + Will is the architect.

Caliber Contracting Services was awarded a $2,067,000 contract by the Monongalia County Board of Education for North Elementary School Connector in Morgantown, WV. The architect is Alpha Associates.

Allegheny County Sanitary Authority awarded a $598,000 contract to **Caliber Contracting Services** for the Operations and Maintenance Building Fourth Floor Window Replacement and Parapet Repairs. The project engineer is Whitman Requardt & Associates.

Volpatt Construction is the general contractor for Duquesne University's $1.1 million Rockwell Hall 2nd and 5th Floor Renovation. LGA Partners is the architect.

Carnegie Mellon University selected **Volpatt Construction** as contractor for Hamerschlag Hall Windows. Perfido Weiskopf Wagstaff Goettel is the architect for the $2.8 million renovation.

Volpatt Construction was also selected by Carnegie Mellon University for the Highmark Center for Health Wellness and Athletics Windows, a $1.1 million renovation designed by Bohlin Cywinski Jackson.

Shadyside Presbyterian Church selected **Volpatt Construction** as general contractor for its roof and storm drain replacement project. The architect is MCF Architects.

#1 Cochran Motors selected **Uhl Construction** as general contractor for its $2.2 million addition to #1 Cochran Mazda in Monroeville, PA. Nudell Architects is the architect.

Massaro Corporation is the successful contractor for Vitalant's $3 million buildout at Sterling Plaza in the Oakland neighborhood of Pittsburgh. The architect is IKM Inc.

Massaro Corporation is the construction manager for Conemaugh-LifePoint Healthcare's new $35 million Rehabilitation Facility in Youngstown, OH. ESa Architects is the architect.

Centre County Commissioners hired **Massaro CM Services** to oversee major structural wall repairs at the Centre County Courthouse in State College, PA.

Facility Support Services is currently doing exterior and interior renovations to Workhouses W13 and W15 for Fairfax County in Lorton, VA. The $4.1 million project involves preparations of 10,000 square feet for future tenant fit out at the Historic Workhouse Campus.

Pittsburgh Regional Transit awarded **Independence Excavating Inc.** a $28 million contract for construction of the Bus Rapid Transit (BRT) system's Downtown Loop, the first phase of the $291 million connection between Downtown, Oakland, and the East End. The project design is led by AECOM.

Shannon Construction was the successful contractor on Slippery Rock University's President's House Kitchen Renovation project. Kimmel Bogrette Architecture + Site is the architect.

Mascaro Construction LP installed the 35-foot fiberglass Heinz ketchup bottle at the entrance of Gate C of Acrisure Stadium for the Pittsburgh Steelers.

Mascaro is the recipient of the 2023 Mental Health America Bell Seal award. The Bell Seal for Workplace Mental Health national certification program recognizes employers committed to creating mentally healthy workplaces. Employers that receive MHA's Bell Seal are nationally recognized as meeting or exceeding workplace practices and standards that promote positive worker mental health and well-being.

PJ Dick is the general contractor for alterations to the carriage house at the Watson Institute. The renovated area will house classrooms and support space to expand the educational capabilities of the Sewickley campus. The scope of work includes renovation of approximately 4,520 square feet of existing space on the first floor, along with limited building exterior improvements and work at the existing courtyard to implement fencing and a gate.

PJ Dick is providing general construction services for Williamson College of the Trades' new Howley Dormitory, a 72-bed, 22,000 square foot, three-story and partial basement, wood-framed building.

PJ Dick Mid-Atlantic has been awarded work at Widner University for renovation of the Kapelski Learning Center.

PJ Dick is providing CM at risk services for two tenant fit-out projects at Bakery Office Three. The first project is the 3,500 square foot MVP tenant fit-out of existing core/shell space. The project includes elevator lobby and corridor finishes for future tenants. The second project is a 12,250 square foot fit-out of existing core/shell space on the second floor, including three separate speculative buildouts for future tenants.

PJ Dick is providing general contractor services for upgrades to Duquesne University Gumberg Library's existing HVAC systems on levels two, four, and five. The project includes replacement of exterior louvers and minor cut/patch of interior ceilings and walls for access to mechanical work.

The Regional Industrial Development Corporation awarded **PJ Dick** the Carrie Furnace Tech Flex project at Hazelwood Green. The project is a 60,000 square foot core/shell tech flex/office space, including parking lots, hardscaping, landscaping, and site lighting. The building construction is a single-story/high bay structural steel/joist construction with perimeter load bearing insulated precast panel walls.

PJ Dick is the construction manager at risk for renovations at the PPG Paints Arena's service level to create three ice-level suites, upgrade the player tunnel, upgrade finishes in three corridors, complete event level club modifications, and revise retractable seating.

RIDC selected **A.M. Higley Co**. as general contractor to build a $5.3 million, 30,000 square-foot tech/flex building in the newly re-branded RIDC Armstrong Innovation Park in North Buffalo Township, Armstrong County. The architect is CPL Architecture.

The design-build contract for the $2.2 million renovation of the Evoqua Tech Forge Lab, which will support their new pilot lab program, is being handled by **Rycon's** Special Projects Group.

In Warrendale, PA **Rycon's** Special Project's Group is the general contractor for Havtech's 21,000 square foot, $1.4 million first generation office and warehouse fit out.

Rycon's Special Projects Group is responsible for two Dick's Sporting Goods footwear department renovations in El Paso and Beaumont, Texas, which will be completed while stores remain open for business.

Landau Building Company has begun work on the first phase renovations to the Thornburg Community Center. The project architect is The Design Alliance.

Landau Building Company was selected as the general contractor by Carnegie Mellon University to fit out the Mezzanine at Mill 19. The space will be used for collaboration by robotics teams who focus on manufacturing systems. The design professional is GBBN.

Carnegie Mellon University selected **Landau Building Company** to complete the AHU & Controls Replacement project in Hamburg Hall. H. F. Lenz is the engineer.

Landau Building Company will be the general contractor overseeing the First Floor Renovations to the Administration Building at Duquesne University. IKM is the architect.

Over the summer, **Landau Building Company** will be replacing the shower and vanities on the fourth-floor


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dormitory suites at Duquesne University's Vickroy Hall.

Grove City College has partnered with **Landau Building Company** and SmithGroup for the complete renovation to the iconic Rockwell Hall. As the construction manager, Landau will oversee the 52,000 square foot renovation to create new classrooms, laboratories, offices, student collaboration spaces, while also upgrading the MEP Infrastructure. The project also involves new construction of a 14,000 square foot piece from Rockwell Hall to the adjacent STEM Hall to create new labs and workshop space.

Over the summer, **Landau Building Company** will be renovating the Breen Student Union Building to make room for a new Chick-fil-A at Grove City College.

Shannon Construction is the general contractor for the Ogletree Deakins office refresh on the 19th floor of PPG Place. The architect is ASDlSKY.

Highwoods Properties selected **Shannon Construction** as contractor for the $2.3 million construction of its new fitness center at One PPG Place. The architect is qkArchitecture.

M & J Wilkow awarded a contract to **Shannon Construction** for the tenant improvements for AES at 11 Stanwix Street. Strada Architecture LLC is the architect.

The General Services Administration awarded a contract to **Burchick Construction Corporation** for the renovations to the Joseph F. Weis Federal Courthouse in downtown Pittsburgh. The $20 million project involves renovations to multiple courtrooms, U.S. Marshall's offices, and general office renovations. DLR Group is the architect.

Mascaro Construction is the construction manager for the $31 million redevelopment of the former ALCOA manufacturing facilities for Re:Build Manufacturing. The project involves renovations of 175,000 square feet in five buildings that RIDC and Westmoreland County IDC are cooperatively developing as part of the future New Kensington Advanced Manufacturing Park. The architect is Renaissance 3 Architects.

Action Housing Inc. selected **Mosites Construction** as general contractor for its $15 million Bethlehem Haven 1410 Fifth Avenue/Uptown Lofts development in the Hill District. Construction is underway on the first phase, which involves renovations to 1410 Fifth Avenue. Work will start later this year on the Uptown Lofts, a 34-unit new residential building. The architect is LGA Partners.

Hertz Gateway awarded a contract to **F. J. Busse Co.** for the tenant improvements for Wade Trim on the third floor of 4 Gateway Center. **F. J. Busse Co.** is also renovating the 14th floor of 1 Gateway Center for Totum Realty Advisors.

A. Martini & Co. is building out 12,000 square foot new offices for Allegheny Family Network in the Cardello Building on Reedsdale Avenue. The space was designed by Virginia Weida Designs.

A. Martini & Co. was selected to build a new pedestrian bridge for Vitro Glass at its Harmar Township plant on Guys Run Road. The architect is NEXT Architecture.

South Allegheny School District awarded G.E.M. Building Contractors, an **E & G Development**, Inc. company, a $1.7 million contract for the general construction portion of the $4.86 million renovations to South Allegheny Elementary School in Port Vue, PA. The architect is DRAW Collective.

AIMS Construction was selected as general contractor for the $4.5 million renovations to UPMC St Margaret Urology. The architect is MCF Architects.

The University of Pittsburgh selected **AIMS Construction** to manage the construction of the $1.8 million Forbes Hall green roof. WJE Architects is the architect.

Allegheny Health Network awarded a contract to **AIMS Construction** for AHN Sewickley Dexa and Mammo replacement. The architect is RM Creative.

AIMS Construction was the successful contractor on Duquesne University's COM Laboratories. MCF Architects is the architect for the $750,000 renovation.

VA Pittsburgh Healthcare System awarded a $6.117 million contract to **Rocky Bleier Construction Group** for the University Drive Campus Boiler Controls Phase II. Miller-Remick LLC is the engineer of record.

VA Butler Healthcare System selected **Rocky Bleier Construction Group** (RBCG) for a $1.7 million design-build repair to the facility's heating system. The RBCG team included levelHEADS architects and HEAPY Engineers.

Massaro Corporation was selected as general contractor by St. Vincent College for the renovations to its basilica. The project was designed by CJL.

TEDCO Construction is the general contractor for the $2 million Apple Store Refresh at Ross Park Mall. The project was designed by Jacobs.

Brentwood Bank selected **TEDCO Construction** to renovate a former bank office into its North Hills banking and financial center. NEXT Architecture is the architect for the $4 million renovation.

TEDCO Construction has started construction on $2.1 million in renovations to Duquesne University's Duquesne Towers. The architect is Stantec.

The University of Pittsburgh awarded a $3 million contract to **TEDCO Construction** for a new athletic field at its Pitt-Bradford campus.

FACES & NEW PLACES

Natasha Vaccaro joined **Caliber Contracting Services** as vice president of construction. Vaccaro has 17 years' experience in project management for general contractors, property owners and managers. She is a graduate of University of Pittsburgh with a B.S. in Civil and Environmental Engineering.

Geoffrey Scott joined **TEDCO Construction Corporation** as senior project manager in February. He earned his bachelor's degree in civil engineering from Penn State and comes to TEDCO with 20-plus years of commercial construction experience, primarily in healthcare and higher education.

Volpatt Construction welcomed **Allison Sachs** as a senior project manager. Prior to joining Volpatt, Allison was a project manager for Oxford Development Company. She has also worked as project manager for FedEx Ground and Whiting-Turner Contracting. She graduated from the University of Pittsburgh with a Bachelor of Science in Civil and Environmental Engineering and a certificate in construction management.

Jendoco Construction Corporation welcomed **Tim Carlon** as senior project manager. Tim brings with him significant experience relative to project management and MEP coordination.

Randy Hartsock was promoted to executive vice president at **Massaro Corporation**. Hartsock has been a manager and executive at Massaro since 1995. He is a graduate of Penn State University with a Bachelor of Architectural Engineering degree, and he earned a Masters in Business Administration from The Tepper School of Carnegie Mellon University.

Independence Excavating Inc. announces that after multiple co-ops, **Jake Furlong** accepted a full-time position as a project engineer. Jake starts in June and will continue to work on the UPMC Presbyterian project in Oakland.

Carter Houseknecht joined **Independence Excavating Inc.** after serving our country in the Army Reserves in the Middle East. Carter earned a degree in mechanical engineering from Penn State University. He joins Independence Excavating Inc. as a project engineer on the PennDOT Three Degree Road Intersection project.

Cullen Miller will be starting full-time with **Independence Excavating Inc.** as a Project Engineer in May. Cullen is a graduate of Slippery Rock University where he completed course work in civil engineering.

Independence Excavating Inc. announced that **Dean Gill Jr.** joined its team as a utility pipe foreman. Dean brings 30-plus years' experience to Independence Excavating.

Jason Stitt started as foreman with **Independence Excavating Inc.** Jason will be working on the State Route 228 Balls Bend project.

Don Bramer joined **Mascaro** as a superintendent on February 27. He will be working on the NCWVA New Terminal Building in Bridgeport, WV.

On March 13, **Kelly LaBrasca** joined **Mascaro** as client services project manager.

Joshua Eckenrode joined **Mascaro** as an MEP estimator on April 17.

Assistant Project Engineer **Ryan McManness** joined **PJ Dick**'s Mid-Atlantic office. Prior to joining PJ Dick, Ryan started a landscaping company that now has a team of employees and several commercial contracts.

Brock Godzin joins **PJ Dick** as a project engineer at the West Virginia University Medicine Ruby Hospital Renovations project. He is a recent graduate of WVU, earning his BS in mechanical engineering in 2022.

Riti Talreja joined **PJ Dick**'s Special Projects Group as a project engineer. Riti pursued her bachelor's in architecture and practiced as an architect in India in residential and commercial construction for two years prior to pursuing a master's degree in construction management. While attending graduate school at Carnegie Mellon University, she was a project management intern at CMU's Campus Design and Facility Development for eight months.

Wade Firaben joined **PJ Dick** as a project engineer on the 3500 Forbes team. His experience includes an internship with Upright Sprinkler Design Co., and he served as a designer for Preferred Fire Protection. He received his BS in mechanical engineering from Robert Morris University in 2017.

John Konzier joined **PJ Dick**'s Construction Services Group - Metalfab after spending the past 15 years in the industry as a project manager in miscellaneous metals.

Adam Dupont joined **PJ Dick**'s Special Projects Group as a project manager. Adam has been a union carpenter at Carpenters Local 432 since 2011, working from an apprentice to superintendent in the field, and then into the office as the need arose. Adam has an associate's degree from Community College of Allegheny County in construction supervision and general studies.

Christopher Buskey joined **PJ Dick**'s Saratoga Springs office as a project superintendent.

PJ Dick welcomed **Tyler Mains** as assistant project manager. He is a 2016 civil engineering graduate of University of Pittsburgh - Johnstown.

AM Higley's Pittsburgh office welcomed **Stephen McAfee** as senior project engineer.


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Rycon's Pittsburgh office welcomed **David Colarusso**, University of Maryland alumnus, as project engineer assistant with the Building Group.

Willow Kentzel, West Virginia University alumna, joins **Rycon** Pittsburgh's Special Projects Group as project coordinator.

Rycon Pittsburgh welcomed **Samantha Lambie** as payroll/human resources administrator.

The **Rycon** Casework & Millwork Division welcomed **Dave McGeehan** as preconstruction manager.

In **Rycon** Pittsburgh's Special Project's Group, recent promotions include **Armand Tortorice** to project executive and **Corinne Meinert** to assistant project engineer.

Dylan King was promoted to project lead within **Rycon** Pittsburgh's Service Division.

Turner Construction hired **Jim Buccilli** as estimator. Buccilli has over 20 years of experience and is a Certified Professional Estimator.

Kevin Taylor has rejoined **Landau Building Company** as safety director. Kevin previously spent over 10 years as superintendent at Landau.

MBA MEMBERSHIP

2023 MBA OFFICERS

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Raymond A. Volpatt, Jr., P.E.
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Vice President and Treasurer
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Mascaro Construction Company, LP

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WNA Engineering, Inc.
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CALENDAR OF EVENTS 2023

JULY 14 — **CLAY SHOOT**
SEVEN SPRINGS

SEPT 8 — **MEMBERS GOLF OUTING**
LAUREL VALLEY

OCT 19 — **AXE THROWING**
LUMBERJAXES

NOV 17 — **SAFETY BANQUET**
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CLOSING OUT

HOW COMMONSENSE STRATEGY CAN UNLOCK PENNSYLVANIA'S POTENTIAL TO BECOME A TRUE ECONOMIC LEADER

BY GOVERNOR JOSH SHAPIRO

Pennsylvania companies are changing the world.

EMD Electronics has become a global leader in semiconductor and electronics manufacturing and is building the largest integrated specialty gases facility in the world in Schuylkill County.

Spark Therapeutics in Philadelphia is revolutionizing gene therapy and medical treatment for genetic disease.

This summer, Astrobotic in Pittsburgh will help lead our nation back to the moon when their lunar lander – made in the Steel City – touches down on the moon.

Three distinct regions of our Commonwealth, and three very different companies – but one story of Pennsylvania ingenuity and innovation that demonstrates how our Commonwealth has the opportunity to drive innovation on a global scale.

We have the best, most skilled workers in the country, world-class universities and research institutions, and a growing reputation as a hub for robotics, tech, and advanced manufacturing.

What we need now is collaborative leadership that puts aside partisan games to do what's best for the good people of Pennsylvania, and a commonsense strategy that enables us to unlock our Commonwealth's potential.

I want to plant a flag here in Pennsylvania and show the country that this is the best place to build a business, raise a family, and live a productive, successful life.

That's why I created the Office of Transformation and Opportunity – a one-stop shop to help businesses grow and thrive right here in Pennsylvania.

Led by business leader and successful entrepreneur Ben Kirshner, this new office will be a partner to businesses and workers – and will help connect the dots and bring to the table the best that Pennsylvania's businesses and world-class research institutions have to offer give innovative companies the resources and support they need to get out there and get the job done.

My inaugural budget continues this work and makes a significant down payment on economic development and innovation with proposals that are good for business, good for workers, and good for Pennsylvania.

First, my budget increases funding for the Manufacturing Innovation Program by 50 percent. That means more resources to connect our universities with our businesses to spur innovation through cutting edge research done by Pennsylvania students.

Second, my budget also invests $23.8 million dollars in apprenticeship programs, expand vo-tech, and bring career and technical education back into our classrooms.

Our students will be the next generation of innovators and leaders, and we need to prepare students for the future and give them the freedom to chart their own course.

Third, I want to invest another $12 million in the Pennsylvania First grant initiative, so our businesses have resources to both expand operations and provide crucial career training to Pennsylvania workers.

We will connect the dots between our schools, our trade unions, our companies, and the public sector. We'll believe and invest in our businesses – big and small.

And fourth, I want to increase support for our Main Streets. One thing I've always loved about Pennsylvania is that no matter where you are, nearly every place has a Main Street – and those main streets matter.

There is so much potential all across the Commonwealth to develop robust main streets in forgotten communities and jumpstart a new chapter for local economies – to help our small businesses and small towns get back in the game. That's why my budget significantly increases funding for the Keystone Communities Program.

We're raising the level of support we offer to Pennsylvania businesses and communities to match what other states are already doing, so our Commonwealth can get back in the game.

With all of this, my Administration is sending a clear message: Pennsylvania is open for business. But this isn't a job I can do alone – I need lawmakers and business leaders to believe like I do in our businesses and workers and work with me to develop smart policies that benefit everyone.

I'm competitive as hell – and I'm sick and tired of losing out to other states. Now, we are taking steps to win again.

We need to take action now to entice and retain businesses and lead Pennsylvania into one of its greatest periods of economic growth.

I will be Pennsylvania's biggest cheerleader, and together, we will innovate, compete, and – through our dedicated workforce and extraordinary businesses – we will be more prosperous and create more possibilities across our Commonwealth.

Governor Shapiro