Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA
MARCH/APRIL 2021

PUBLIC EDUCATION CONSTRUCTION OUTLOOK

MBA

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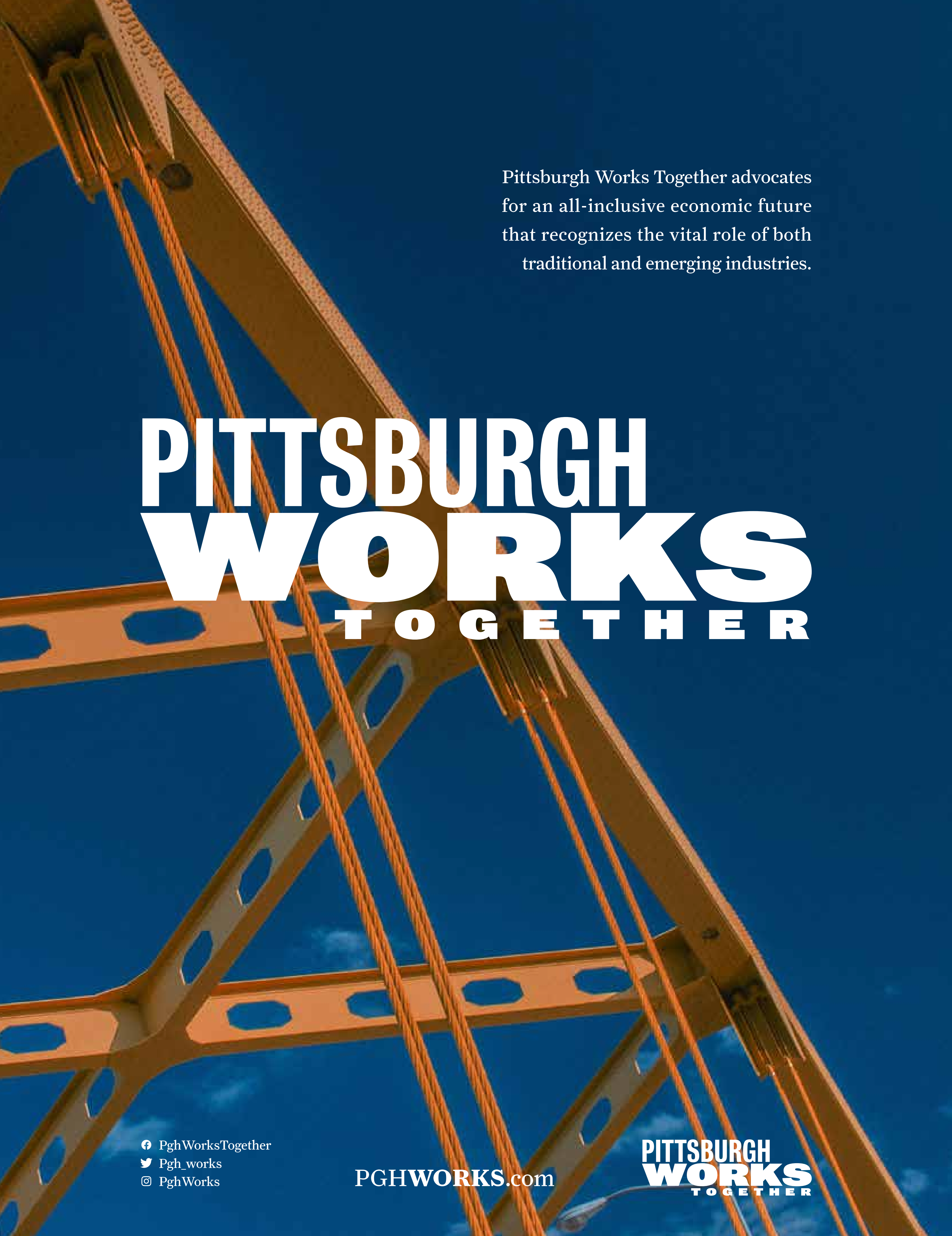
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BreakingGround™ is published by Tall Timber Group for the Master Builders' Association of Western Pennsylvania, 412-922-3912 or www.mbawpa.org

Archive copies of BreakingGround™ can be viewed at www.mbawpa.org

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On the cover: Thomas Jefferson High School. Photo by Halkin Mason Photography

PUBLISHER'S NOTE

I haven't seen most of you for a year now. That the anniversary of the first shutdowns due to the outbreak of the novel coronavirus occurred right after the two largest networking events our industry holds only magnifies that reality. One of the joys of how I make my living is that I spend many nights at events like the MBA's Evening of Excellence and NAIOP's Annual Awards banquet. I've discovered not attending them means that I've gained a lot of time back in my life, but it also means that I have a lot of catching up to do.

It is beginning to look like we'll be able to do some of that catching up sooner than we feared. The lessons learned from last summer tell us that we can probably gather outdoors without fear of risking a super spreader event. The increasing rate of vaccination suggests that, with a little more self-control and mitigation, we'll be able to keep gathering when the weather makes it uncomfortable to be outside. Another couple months of cooperation could mean reducing the levels of infection to the point where the virus is no longer spreading in our communities.

That last part is what concerns me. We haven't been very good at cooperating as a nation of late. It would be a shame to take one step back when the next two steps forward might get us out of the woods at last.

Just 90 days ago, I was still skeptical that the U.S. economy would come roaring back in 2021. As March begins, I've moved firmly to the side of optimism. I'm betting we'll have another surge in hospitalizations and deaths in April as a result of the loosening of safety measures, but the progress on public health will win the day before spring ends. I pray I'm wrong about April. But I'm confident I'm not wrong about June.

So, assuming that there are no surprises that will derail the return to normal public health, what can we learn from the awful experience of the past year that might benefit us as a society in the future? There are obviously lots of things we can do to be prepared for the inevitable next virus. There are changes to how we live that will help prevent a pandemic from occurring (and will make flu season a lot easier to endure). We can generate lengthy lists of do's and don'ts, rules and policies. I'd settle for one lesson learned: let's remember how to cooperate again.

America as a concept has succeeded because it was built upon cooperation rather than individual freedom. That's contrary to the mythology but true to the history. Ours is a nation dedicated to "life, liberty, and the pursuit of happiness" but our founders understood that these were mutually exclusive concepts without the overriding glue of cooperation. The classical concept of individual liberty includes the idea that individual liberty ends when it infringes upon the liberty of another individual, let alone the liberty of the community. Those that overlook this when quoting from the Constitution (which does not include the phrase "life, liberty, and the pursuit of happiness," by the way) or the Federalist Papers are cherry picking the texts to suit their purposes. Too often today, we seem to be confusing freedom and selfishness.

Our history books tell us repeatedly how well subjugating our individual liberties to the betterment of the community has served America, even before we were America. The Pilgrims survived by using an economic system that looked a lot more like communism than capitalism. The American west was unviable until the rule of law settled disputes and drew boundaries instead of a pistol. Young Pennsylvanians, among others, were willing to die to free slaves and restore the Union. Those that we revere as the Greatest Generation sacrificed mightily to help win World War II, and then willingly paid twice what we pay in taxes to support President Eisenhower's call to build the nation's infrastructure. Today, we routinely subjugate our individual liberties to benefit the community. We stop at red lights. We don't smoke in public places. We don't drink and drive. We adjust to these minor inconveniences. If you don't see these (or wearing a mask) as minor inconveniences, you need a civics lesson.

Today's civics lesson is about public education. We examine the public education construction market in this edition. Here's a spoiler alert: it's not pretty. Our public education system may be the greatest triumph of American cooperation. From the time of America's founding, our communities have come together to educate our children. Public education is the foundation of the middle class in our country. It's also the source of most of the innovation and entrepreneurship that has led the U.S. to prosperity.

Individual liberty and initiative have always led America. That shouldn't change. Individuals are better leaders when they are informed, instead of ignorant. Public education has served America well by making more of its citizens informed. Public education is enduring a rough patch. COVID-19 made that much worse. We've been asked to help out a lot since March 2020. As our economy recovers, we'll be asked to help out more. Consider supporting public education. There will be a lot of resources applied to rebuilding this year. Tell your representatives, your friends, and your neighbors to make sure our schools get the resources they need to bounce back.

I can't think of a downside to having a better-educated community. Smart people have made my life easier in more ways than I can count. I want there to be more of them in the U.S. and public education makes that more likely. Education lifts people out of poverty. Education creates opportunity. I can't think of anything that supports individual liberty better.

Jeff Burd

REGIONAL MARKET UPDATE

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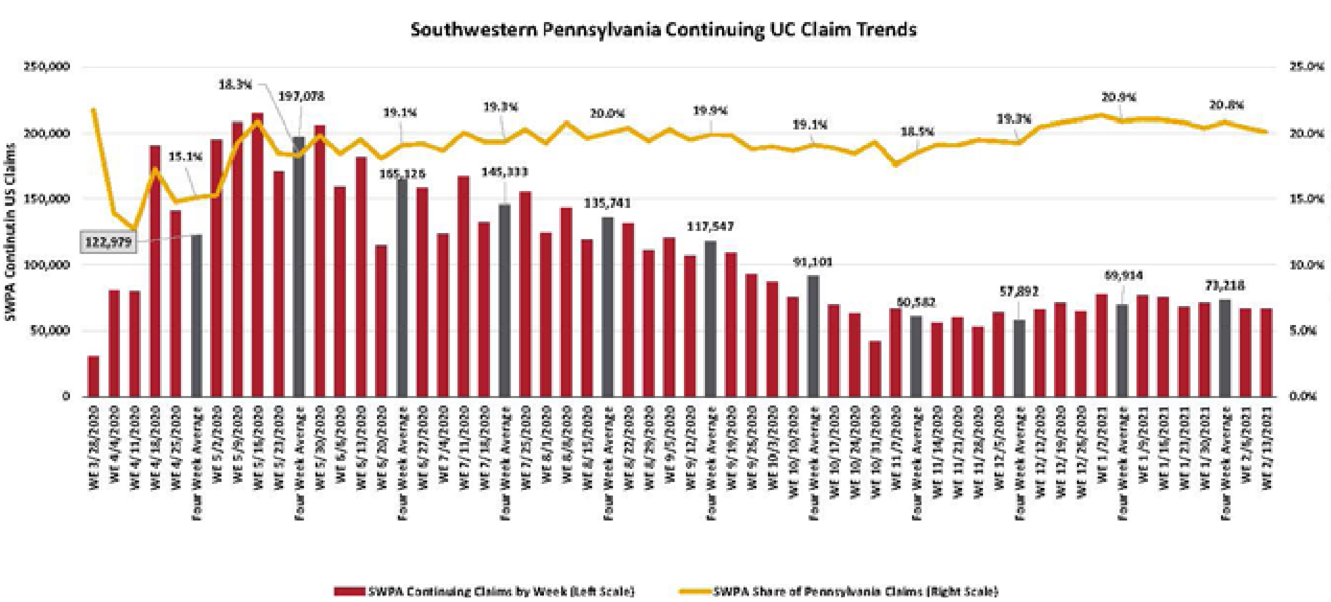
Data on the Pittsburgh economy at year's end showed that re-hiring of laid off employees had slowed, keeping the unemployment rate slightly above that of the U.S. and Pennsylvania. The 6.9 percent unemployment rate also masks a problem of greater concern, the 4.6 percent decline in labor force. At the end of December, there were 58,600 fewer people in the workforce in metropolitan Pittsburgh than at the start of 2020.

Continuing unemployment claims in Pittsburgh rose in early 2021 because of the slowdown in hiring that accompanied the surge in hospitalizations and infections at the holiday season. Those getting unemployment compensation on December 5, 2020 totaled 57,892. The four-week average in January was 73,218. The increase in unemployment claims was partly due to seasonal layoffs in industries like construction, which saw unemployment rise above 20 percent.

Despite the weakening labor situation, owners of construction projects have responded to the year-end approvals of two vaccines (and a third by March 1) by re-starting projects that had been put on hold during the pandemic. These include major projects, like Pittsburgh International Airport's modernization, and projects in the bread-and-butter segments of the regional construction industry, such as hospital and university work. There was less optimism about the troubled commercial real estate property types, like hospitality, retail, and multi-tenant office; however, construction of industrial and multi-family projects is on the upswing. And regional developers expressed an upbeat outlook towards 2022, when projects currently in the pipeline would become available for occupancy.

Optimism about the economy isn't confined to the construction industry, according to the Federal Reserve Bank's latest Beige Book, which includes responses from business owners within the Pittsburgh district. The Beige Book is a bi-monthly survey of owners to determine a wide range of factors impacting their businesses in the current period and looking forward. One of those questions checks how customer demand has changed in the previous two months. The March 2021 survey, which was conducted in mid-February, produced a surprising change.

Nearly half the businesses responded that demand had improved, compared to 38 percent in January. Another 43 percent replied that demand was unchanged. Perhaps most encouraging was the fact that only nine percent reported that customer demand had weakened. That compares favorably to the 26 percent who saw demand as worse from November to January. According to Mekael Teshome, vice president and senior regional officer for the Pittsburgh branch of the Federal Reserve Bank of Cleveland, businesses in January expected that customer demand would not improve in the



Source: PA Department of Labor and Industry, Allegheny Conference on Community Development.

	Better	No Change	Worse
Mar-21	48%	43%	9%
Jan-21	38%	36%	26%

Business owners' expectations about demand have improved dramatically since January.

coming months. The fact that expectations improved so significantly by the March survey is a good sign.

"The business owners expectations tend to be predictive of the business conditions that follow, so that bears watching," Teshome says.

Activity levels will likely return as demand in the varying sectors return. For commercial real estate, demand will be simple to predict. Leasing requirements will lead lease signings, which will trigger the construction. Developers and property owners will observe when leasing demand picks up. In the institutional and public sectors, demand tends to be a calculation of usage and deferred maintenance. Hospital demand comes from emergency room and bed utilization, universities from enrollment. Demand for public institutions tends to come from how much the institutions are used, regardless of the revenues generated by the institutions. Public school systems, for example, will need construction if demographics change significantly, even though there may not be a corresponding change in the tax revenues.

Construction trends in the latter categories are moving in opposite directions. Aside from the airport's Terminal Modernization Program, public construction remains in the doldrums. COVID-19 resulted in dramatic declines in public revenues or dramatic increases in costs. The situation for states and municipalities will be less dire over the long haul than it was in 2009, for example, but the losses of income taxes and usage fees (like gasoline taxes, highway tolls, or parking fees) have burdened municipal budgets for the next 12-to-24 months. Public education suffered fewer revenue declines but saw big increases in expenses related to cleaning facilities and maintaining safe distancing between students and occupants. In Pennsylvania, the hardships of COVID-19 mitigation came at a cyclical low point for public education. (See Feature p. 30.) Pandemic-related hardship will deepen that cyclical trough.

Not surprisingly, the project pipeline for public construction is fairly empty. There are a handful of major K-12 programs in design or study in Western PA and fewer major projects being proposed by public universities over the next few years. Major municipal projects are even more limited in number, with the largest projects primarily advancing in the waste and water segment.

Public investment in horizontal infrastructure has also slowed. Taxes that support construction have been sapped by lack of use or have been siphoned off by legislative or executive priorities other than construction. The outlook for infrastructure construction is much brighter than for other public categories. For one thing, the revenue losses from lower levels of travel and gasoline consumption will be reversed to a significant degree in 2021 and 2022. Political will and support for an economic stimulus tied to infrastructure investment is higher than at any time in the past decade, increasing the likelihood of increased funding for heavy/highway construction.

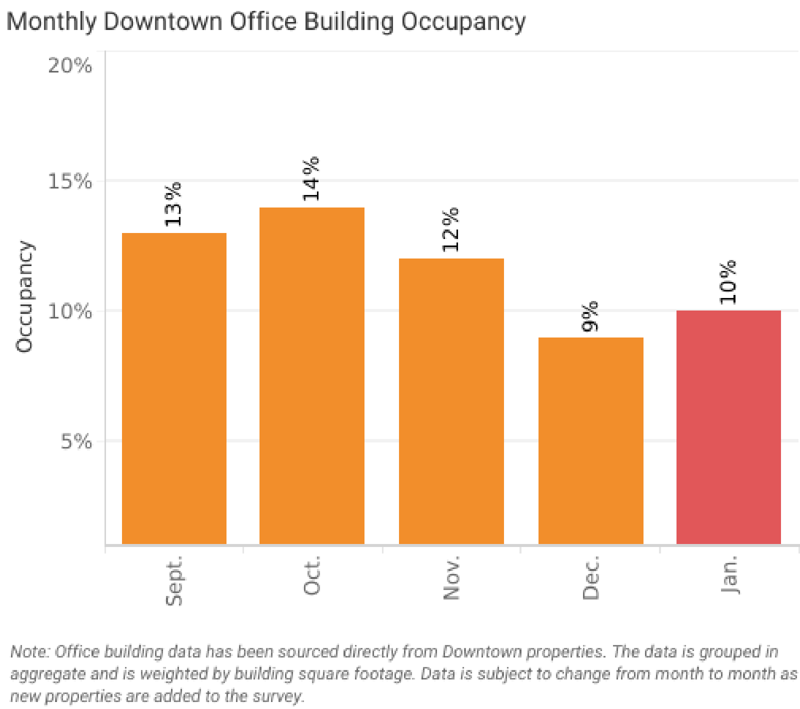
Construction in the commercial real estate will be bifurcated between properties in demand (industrial and multi-family) and those with an uncertain level of demand (offices, retail, and hotels).

In the latter category, retail construction defied the trend in 2020. Retail construction totaled more than $160 million in the seven-county metro Pittsburgh market last year, an increase of 22 percent over 2019. While most of the work was infill and tenant turnover work, the square footage of new retail construction in 2020 was almost triple that of the previous year. The outlook for 2021 is for continued infill retail, with less new construction. By contrast, 2019 and 2020 saw only one new hotel start work, which was the Marriott at Southpointe begun in February 2019. The hotel market will continue to unwind in 2021, but the delayed Landing Hotel at Rivers Casino is set to re-start construction by April.

The office market remains marked by more questions than answers. Uncertainty about future office utilization is the biggest unanswered question but, in Pittsburgh, cyclical problems unrelated to COVID-19 and work-from-home are having a significant impact on supply and demand.

Cushman & Wakefield/Grant Street Associates noted in its year-end review of the office market that the two long-term trends – new construction and growing sublease space – were main contributors to a negative absorption rate of 1.3 million square feet that was at record levels for 2020. The negative absorption trend is expected to last for several more quarters. CBRE reported positive absorption for the fourth quarter, but the gains were due to build-to-suit of almost 520,000 square feet at Bakery Office Three and Boardwalk I and II. Cushman & Wakefield noted that average rents still increased, with Class A rates jumping nine percent to $26.19 per square foot. Absent a sudden reversal in demand, however, rent growth is unlikely to continue.

Despite the surge in sublease space available, a wave of speculative office construction is underway. More than one million square feet of new office is underway at Innovation Research Tower in Oakland, Liberty East in East Liberty, 5051 Centre Avenue in Shadyside, and Hopper Place and The Vision



Downtown office occupancy fell in December and January. Source: Pittsburgh Downtown Partnership.

on 15th in the Strip District. All of these offices are being built to the perceived demand for life science and IT research. Two of the projects, Innovation Research Tower and 5051 Centre Avenue, are specifically designed as partially or fully available as wet lab buildings. Likewise, a third product type – the tech flex office – is also filling the pipeline. Factory 26, an adaptive re-use of a 56,000 square foot former warehouse by Oxford Development, and $47.5 million Elmhurst Innovation Center, expect to meet the needs of early-stage tech companies. Only the 150,000 square foot first building at Burns Scalo's Diamond Ridge development in Moon Township is advancing as a traditional multi-tenant office building.

Conditions are weakest in the Central Business District. Downtown has seen a wave of sublease space and faces the most post-COVID occupancy uncertainty. According to the Pittsburgh Downtown Partnership's annual report, occupancy during the pandemic has been at or below 15 percent, with levels falling again to ten percent at the beginning of 2021. Little long-term leasing is occurring. Construction needed to modify pre-COVID layouts that are no longer viewed as safe for occupants will be on the rise in 2021 and 2022, but the driver of construction in the CBD – growing absorption – will be absent from the market for the next few years.

Industrial construction conditions are 180 degrees from the office market. Ecommerce was the driving force behind a strong distribution and fulfillment market before the COVID-19 outbreak discouraged in-person shopping. The share of online shopping went from 14.3 percent in 2018 to 15.8 percent in 2019, and then jumped to 21.3 percent last year. The same dynamics are driving fulfillment distribution in business-to-business shopping. Industrial construction in Pittsburgh has also been given a big boost by life science and manufacturing.

Some 2.5 million square feet of new industrial construction got underway in 2020. More than one-third of that started in the fourth quarter. It's unlikely that the volume of new construction will match that in 2021; however, the immediate pipeline includes nearly that much, including 850,000 square feet of distribution space at the former Westinghouse site in Churchill. It's also expected that there will be announcements later in the year from the first of companies that will follow the opening of the Shell petrochemical plant, which could be operational in 2022.

COVID-19 created a number of problems for multi-family property owners and developers. Rent delinquency climbed and rental rates declined. Several fundamental factors have helped support the multi-family market and are boosting development already in 2021. Federal government relief is being funneled into rent payments. An improving economy is helping to push rents higher. And a booming housing market is proving to be supportive of new multi-family, as a severe shortage of homes for sale is keeping apartment demand high. The favorable turn in conditions boosted rents in Pittsburgh by 0.9 percent in January, according to Apartment List.

Little multi-family development advanced in Pittsburgh during 2020. The slowdown in new construction last year will mean fewer units to absorb later in 2021, another factor supporting rent growth. The fundamentals of the Pittsburgh apartment market appear to be largely unchanged by COVID-19, which should mean that most of the 3,000-plus units in the pipeline will move forward. After falling below 1,000 units in 2020, construction of new multi-family units will rebound above 2,000 units again in 2021.

The outlook for college construction has improved since the fourth quarter. Enrollments have largely held up to 2019 levels, despite the uncertainty about public health conditions. Operating costs for most universities are higher than in 2019 because of the measures taken to navigate the pandemic, but the outlook is brighter for conditions closer to normal in fall of 2021.

Higher education is unfortunately facing long-term structural changes that were dampening the need for construction. Pittsburgh's two largest university construction consumers, the University of Pittsburgh and Carnegie Mellon University, were running counter to the prevailing trend prior to the pandemic. CMU paused construction in 2020 but has resumed progress on the three major projects in its pipeline, including the $45 million Forbes Beeler Residence Hall, which will be built by Mosites Construction. PJ Dick has started work on the $75 million Scaife Hall replacement. The $100 million Skibo Hall/Highmark Wellness Center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expansion, to be built by Mascaro Construction, is set to get underway in the third quarter.

Pitt's pause in its billion dollar-plus capital plan was more jarring. After selecting design/construction management teams for several $100 million-plus projects, the university placed its major plans on hold to re-assess its needs. While little of the new construction will begin before the end of 2021, preconstruction has resumed on four of the projects. The $95 million Chilled Water Plant, to be built by Turner/Mosites, is the furthest along, with work to start this fall. The $160 million Human Performance Center, to be built by Massaro/Gilbane, should start in fall 2022. The $320 million Student Recreation Center and Hillside Residence Hall, which Mascaro/Barton Malow will build, is scheduled to begin in October 2021.

Duquesne University has moved forward with its new College of Osteopathic Medicine, but construction on the $53.6 million building is not expected to begin until 2022.

The bright spot for the regional construction industry will be the healthcare market. The major hospital systems in Pittsburgh emerged from 2020 in better financial condition than might have been expected in July 2020. Construction on the Vision and Rehabilitation Hospital at UPMC Mercy and the Allegheny Health Network Wexford Hospital continued mostly unabated throughout 2020 and both AHN and UPMC are moving forward with capital plans and normal levels of construction.

AHN is continuing with planning for its $300 million tower at Allegheny General Hospital and has budgeted a similar amount for ongoing renovation projects at its facilities. UPMC is likewise advancing its flagship capital project, the $900 million Heart and Transplant Hospital at UPMC Presbyterian, which could see early bid packages out by the end of 2021.

Hospital construction fell off dramatically in the recovery from the financial crisis, as the Affordable Care Act created uncertainty about how healthcare services would be reimbursed. The lean healthcare construction market was a factor in the Pittsburgh market's slow recovery in the early 2010s. It's fortunate that neither election politics nor a pandemic has created a similar dip in the outlook for healthcare work, particularly since major capital programs are being planned long-term for West Penn Hospital, Western Psychiatric Institute and Clinic, and Montefiore Hospital, in addition to the expansions at UPMC Shadyside and UPMC Children's Hospital that were already in the pipeline. The commercial real estate and education sectors will face hurdles to regain momentum over the next few years. Strong healthcare and medical research sectors will provide opportunities while the rest of the economy shifts out of low gear. BG

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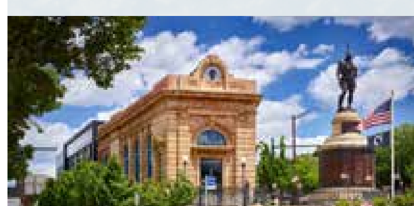
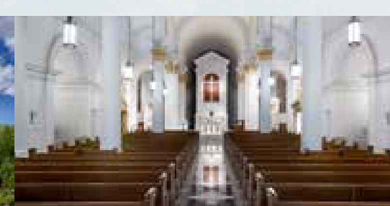
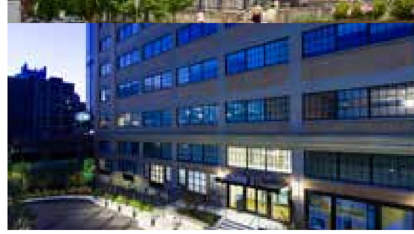
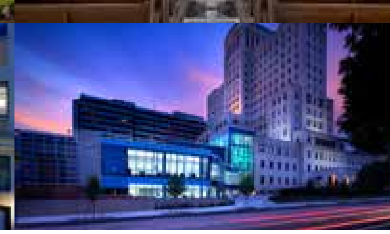








NEW CONSTRUCTION OVER $25 MILLION

ED MASSERY PHOTOGRAPHY, INC.

PROJECT:
AHN Allegheny General Hospital Academic Cancer Center

CONTRACTOR:
Massaro Corporation

OWNER:
Allegheny Health Network

ARCHITECT:
IKM Incorporated

MBA SUBCONTRACTORS:
A. Folino Construction, Inc.
A.C. Dellovade, Inc.
Amelie Construction & Supply, LLC
Century Steel Erectors Co., LP
D-M Products, Inc.
Giffin Interior & Fixture, Inc.
Lisanti Painting Company
Marsa, Inc.
Massaro Industries, Inc.
Matcon Diamond, Inc.
Maxim Crane Works, LP
McKamish, Inc.
Noralco Corporation
Phoenix Roofing, Inc.
T. D. Patrinos Painting & Contracting Company

NEW CONSTRUCTION BETWEEN $10 AND $25 MILLION

DENMARSH STUDIOS

PROJECT:
Buchanan Ingersoll & Rooney

CONTRACTOR:
A. Martini & Co.

OWNER:
Buchanan Ingersoll & Rooney

ARCHITECTS:
Stantec
Brigette Pavlik Interior Design, LLC

MBA SUBCONTRACTORS:
A. J. Vater & Company, Inc.
Easley & Rivers, Inc.
Flooring Contractors of Pittsburgh
Wayne Crouse, Inc.
Wyatt, Incorporated

NEW CONSTRUCTION UNDER $10 MILLION

ED MASSERY PHOTOGRAPHY, INC.

PROJECT:
Two Doughboy Square

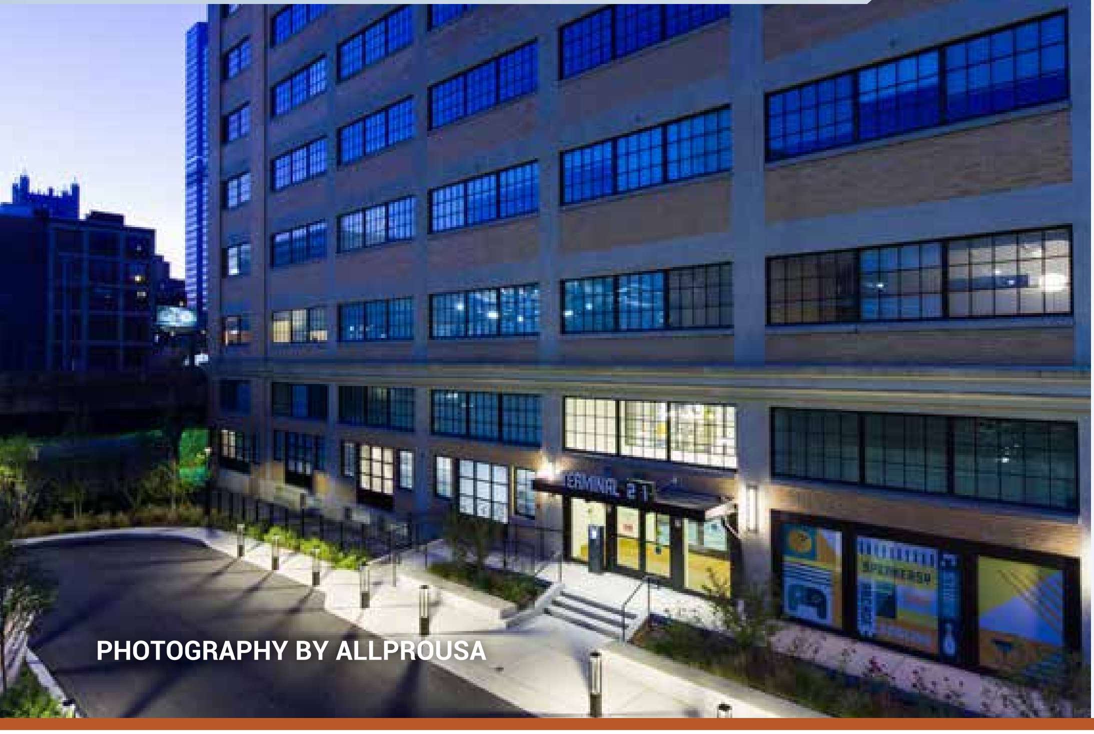
CONTRACTOR:
Jendoco Construction Corporation

OWNER:
Desmone Architects

ARCHITECT:
Desmone Architects

MBA SUBCONTRACTORS:
Costa Contracting, Inc.
JLJI Enterprises, Inc.
Marsa, Inc.
Massaro Industries, Inc.
Redstone Flooring, LLC
Schindler Elevator

RENOVATION CONSTRUCTION OVER $10 MILLION



PHOTOGRAPHY BY ALLPROUSA

PROJECT:
Terminal 21 Apartments

CONTRACTOR:
Shannon Construction Company

OWNER:
The Davis Companies

ARCHITECT:
Strada Architecture, LLC

MBA SUBCONTRACTOR:
A Crane Rental, LLC

RENOVATION CONSTRUCTION BETWEEN $5 AND $10 MILLION


CRAIG THOMPSON PHOTOGRAPHY

PROJECT:
Pittsburgh Theological Seminary
Clifford E. Barbour Library

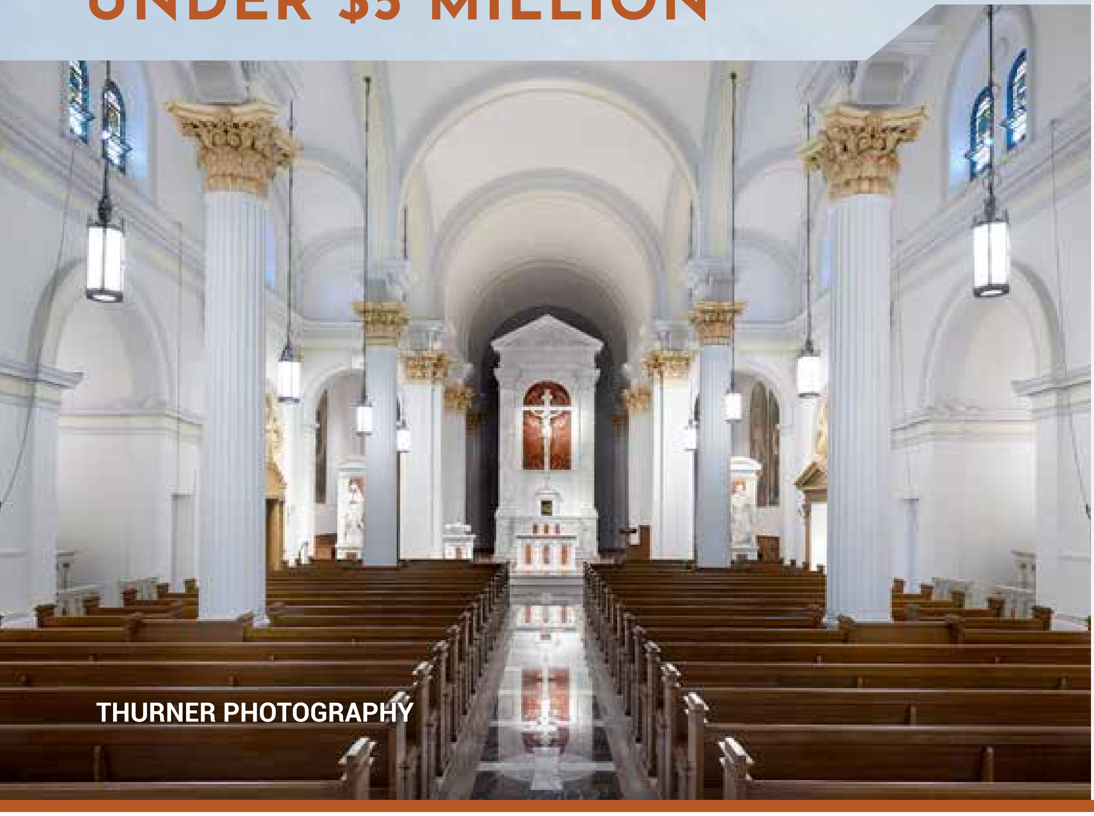
CONTRACTOR:
PJ Dick Incorporated

OWNER:
Pittsburgh Theological Seminary

ARCHITECT:
LGA Partners, LP

MBA SUBCONTRACTORS:
All Crane Rental of Pennsylvania, LLC
Flooring Contractors of Pittsburgh
Marsa, Inc.
Massaro Industries, Inc.
McKamish, Inc.
Phoenix Roofing, Inc.
Pittsburgh Interior Systems, Inc.
Specified Systems, Inc.
Swank Construction Company, LLC
Wyatt, Incorporated

RENOVATION CONSTRUCTION UNDER $5 MILLION



THURNER PHOTOGRAPHY

PROJECT:
St. Paul of the Cross Monastery Church

CONTRACTOR:
Mascaro Construction Company, LP

OWNER:
St. Paul of the Cross Monastery

ARCHITECT:
O'Brien & Keane

MBA SUBCONTRACTORS:
Ferry Electric Company
Lisanti Painting Company

EXCELLENCE IN CRAFTSMANSHIP

CRAIG THOMPSON PHOTOGRAPHY

PROJECT:
Produce Terminal Exterior Work

CONTRACTOR:
PJ Dick Incorporated

OWNER:
McCaffery

ARCHITECT:
Antunovich Associates

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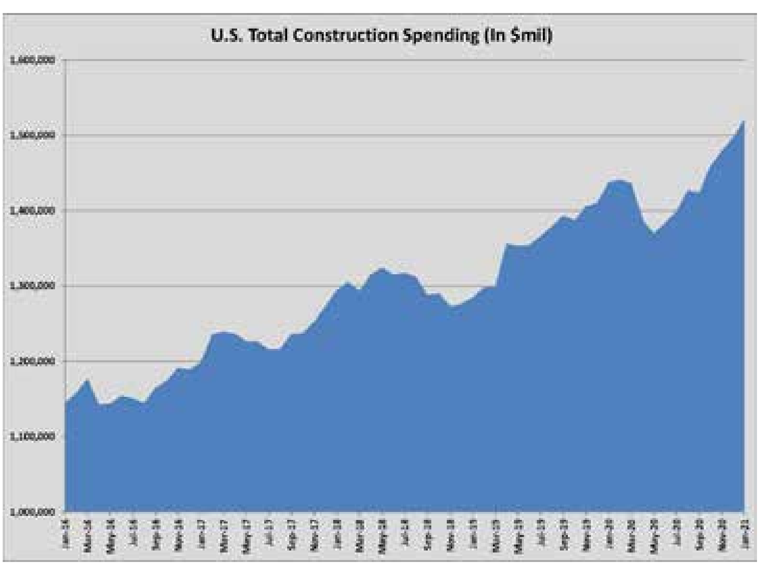
NATIONAL MARKET UPDATE

As metrics of economic activity continue to improve at the end of Winter 2021, the most important trend for the U.S. economy is the steeply downward bending of the daily hospitalization rate and the upward trend of daily vaccinations.

By March, more than two million vaccinations were occurring daily in the U.S. Vaccine manufacturers were taking measures to increase production and distribution capacity. And the federal COVID-19 response accelerated, with the government purchasing sufficient doses of the three approved vaccines so that 330 million people could be immunized by mid-year. That target would give the U.S. herd immunity and encourage economic activity that approximated what was normal prior to the pandemic. From a purely economic standpoint, the goal of mass vaccination is herd immunity, not individual protection. The failure or delay in reaching herd immunity ranks highest as a risk to the economy in March 2021.

Businesses have begun looking towards the latter half of 2021 for steadily improving conditions. Owners and developers have indicated a return to pre-pandemic levels of investment by the end of 2021, and projects with completions at the end of 2021 or later have been given green lights with increasing frequency. Most economists have upped their forecasts for 2021 growth in gross domestic product (GDP) because of the vaccination rollout, year-end COVID-19 relief package passed by Congress, and the commitment to maintain supportive policies by the Biden administration. The passage of the $1.9 trillion supplemental relief package has been hailed by economists and corporate leaders as a stopgap measure to prevent falling back into recession.



Unusually high residential spending boosted construction spending overall in January. Source: U.S. Bureau of Census

Early data on consumer spending suggests that the $600 payments to individuals that was included in the December relief bill contributed to an increase in spending by middle- and lower-income consumers. The Commerce Department reported on February 17 that retail sales jumped 5.3 percent in January, more than five times what was expected.

Financial institutions that have raised their outlook for 2021 see the COVID relief and declining infections as keys to demand returning. The expectation for fiscal policy assumes that interest rates will remain untouched through 2021, with market responses impacting neither short-term nor long-term debt more than 50 basis points. The late February run-up in the 10-year Treasury bond yield has rattled investors slightly, although that yield has proven to be volatile within a wider range in recent years. Low rates will decrease the borrowing costs for private development and public bond issuance, both good for the construction industry. Among the notable GDP forecast changes were Wells Fargo Securities revision from 5.1 percent to 5.3 percent, Goldman Sachs' prediction of 6.3 percent growth, and PNC's prediction of 3.4 percent GDP growth in 2021. The latter's forecast was in line with the consensus forecast of the National Association of Business Economists.

Concerns about inflation because of the accommodative fiscal policy seem largely overblown, according to the data available. Severe winter weather in much of the nation's energy-producing regions drove a temporary spike in prices for oil and gas. No permanent changes to the supply and demand dynamics have followed but it is worth noting that inflationary cycles have begun with similar events in the past.

Inflation should not present any sort of problem to the economy until the labor market moves much closer to full employment. The increase in infections following the holiday season stopped the hiring momentum built through the fall. December saw the labor market shrink by 227,000 jobs. First-time claims for unemployment remain elevated, averaging more than 800,000 since the start of 2021. Continuing claims for unemployment compensation have fallen considerably since the late spring but remain stubbornly high, at 4.5 million at the end of February.

As the potential for a robust recovery grows, economists have been looking more closely at various measures of unemployment to gauge the strength of the labor market. The most commonly reported measure of unemployment, the U3 rate, gauges unemployment among those seeking a job. That excludes those discouraged or not currently

Source: U.S. Bureau of Census

seeking work, which are counted in the U6 unemployment rate. The U3 rate is currently 6.3 percent but the Bureau of Labor Statistics also knows that the workforce participation rate has plummeted by more than two points since COVID-19 hit. Most observers do not peg real unemployment as high as the 12.2 percent U6 rate but are clear that the number of workers unemployed is likely at 10 percent.

February's jobs report was better than expected and underscored how crucial the vaccination effort is to restarting the economy. Employers added 379,000 jobs in February, boosted by a gain of 355,000 jobs in leisure and hospitality hiring and the decline in infections. That bodes well for a strong recovery mid-year if recent loosening of mitigation measures does not trigger another surge in infections in spring. Among the nuggets of information below the headline: the number of people working from home due to the virus outbreak declined by 0.6 points; labor force participation remained weak at 61.4 percent; and the number of people reported not working because their employer closed due to the pandemic fell by 1.5 million to 13.3 million. Hiring in skilled labor positions has improved markedly, another of the bright spots in the employment situation.

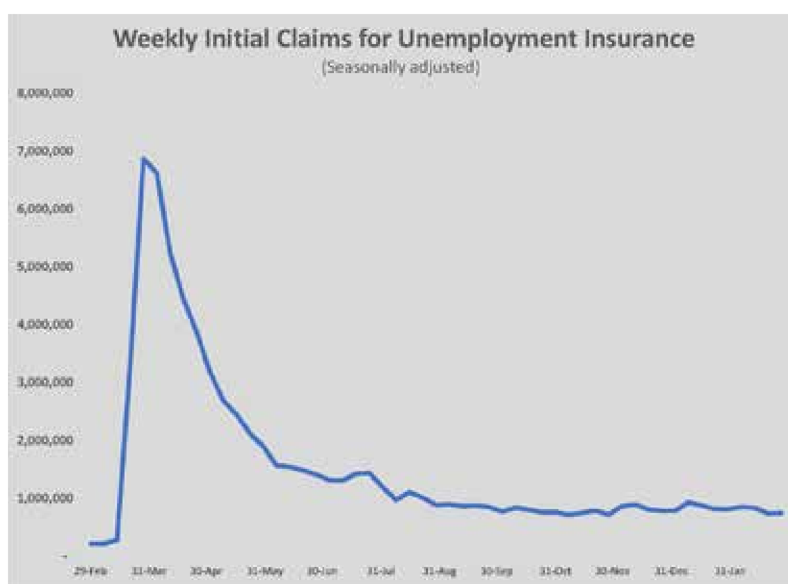
The pace of re-hiring will lag the pace of businesses re-starting, which will depend largely on the sector of the economy those businesses serve and the time it takes to resume normal activities. For office-using employment, it's expected that full recovery to February 2020 levels will occur by the fourth quarter of 2021 or first quarter 2022. For non-office-using employment, the outlook is more pessimistic. According to JLL's chief economist, Ryan Severino, the problems for non-office-using employment stem from conditions that preexisted the pandemic.

"For the non-office using segment of the labor market, we foresee a longer, more tenuous recovery. Although many of those jobs will return as the economy accelerates, many have been lost permanently due to business failures or downsizing of businesses," Severino explains. "Although some businesses could return or replace those lost, many services businesses, such as restaurants and hotels, suffered from excess capacity in many markets in the U.S. before the downturn. Entrepreneurs seem unlikely to rush back to such an oversupply situation, intimating slower growth ahead for jobs in these industries."

Slower growth is likely to be reflected in construction as the year unfolds, but the impact on nonresidential construction is apparent in the early data for 2021. Construction starts for January were $1.52 trillion, 5.8 percent higher than a year earlier. Strength in the residential construction spending, which was 21 percent higher than in January 2020, offset the $41.8 billion, or five percent, decline in nonresidential spending. Investment in private nonresidential construction was off 10.1 percent year-over-year.

A leading indicator for nonresidential construction, the American Institute of Architects' (AIA) Architectural Billings Index, is pointing towards more durable improvement in the market in late 2021. The January reading on billings was still in negative territory; however, the upward trend of inquiries and steady billings share closer to 50 are indicators that decline has stopped. AIA firms responding to the January survey overwhelmingly reported that more than one project that stalled in 2020 was still on hold, rather than cancelled. That backlog offers potential for a shorter lag time between increased billings and construction.

The strongest part of the construction market, if not the entire economy, remains residential construction. New residential starts for the full year of 2020 came in at 1.38 million units,



Initial claims for unemployment insurance remained stubbornly high through February. Source: U.S. Department of Labor, Federal Reserve Bank of St. Louis.

an increase of 7 percent over 2019. Single-family construction was particularly robust, rising 14.5 percent year-over-year to 977,863 new homes. A variety of pressures related to COVID-19, ranging from unpaid rents to investor/lender uncertainty, slowed construction of new multi-family projects. Developers nonetheless started 473,716 units as of December 2020, a decrease of 8.2 percent.

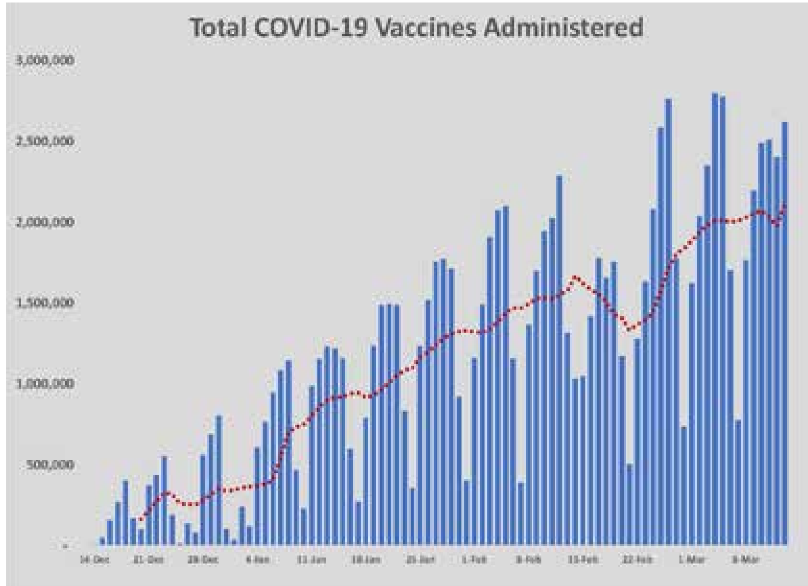
Data from the Census Bureau on January 2021 starts suggests that the growth in housing construction will continue into 2021. New home starts fell in January by six percent, with single-family starts falling 12.2 percent. Permits for new homes soared in January, jumping to a 1.881-million-unit pace. That marks the highest level since May 2006. Permits for multi-family units rose to 612,000 units. Building permits are a leading indicator for housing starts, as measured by the government. Usually lagged 30-to-60 days behind permits, new home starts can be delayed by severe weather or factors like a shortage of materials. There was some feedback from homebuilders in February that starts were being delayed by the renewed spike in lumber prices, which reached 52-week highs several times during February. New construction projects under sales contracts will be obligated to start regardless of material prices; however, a sustained spike in the price of lumber or other material crucial to home building could result in delays or cancellations, particularly in the multi-family sector.

The multi-family sector has seen the smallest increase in vacancy rate among the commercial real estate category. According to CoStar, 6.9 percent of apartment units were vacant in February across the U.S. That is only slightly higher than one year ago and about one point lower than in 2010. The commercial sector with the lowest vacancy rate is retail, which has 5.1 percent of space empty. Industrial property was 5.6 percent vacant (and higher than one year ago). Vacancy increased the most year-over-year in offices, although the 10.1 percent rate is 200 basis points lower than at the low point of the last recession.

Relatively mild vacancy increases, and low interest rates provided support for property values. Although transactions fell only 4.4 percent from 2019 to 2020, boosted by an all-time record December that accounted for more than 17 percent of the year's total. Real Capital Analytics' Commercial Property Price Index rose 7.2 percent for commercial properties as a whole in 2020.

Commercial properties in the hospitality and office sectors will face challenges beyond the recovery to normal in 2021 or 2022, but the commercial real estate market should not be a source of stress for the economy or financial system in 2021.

For those looking for a "glass half empty" interpretation of where the economy is heading, there is a reasonable case to be made for optimism overshooting the market. One supportive factor for the economy has been the performance of stocks and private equity. Unlike previous recessions, investors, retirees, long-term savers, and financial companies saw their balances hold steady or grow at solid rates during 2020. The downside of that strength is that it suggests little room for any bumps in the road, which are a solid possibility when dealing with a public health crisis. Most, if not all, measures of investor sentiment and volatility are at levels seen before the pandemic. The VIX Index, a measure of stock volatility, fell below 20 in February. That signaled higher risk investors, like hedge funds, to increase leverage. That kind of investment shift has led to much higher returns in the past. It has also led to steep corrections.



Source: Center for Disease Control

Even a significant correction in the stock market is not likely to make a dramatic dent in the dry powder waiting to be deployed in business investment and real estate. As vaccination builds momentum globally, the greater risk to the economy remains an unexpected reversal in the fight to stop COVID-19 from spreading. If, as predicted, vaccines are available to the general public in May and most Americans can be vaccinated by the end of August, recovery for the industries that were hurt most by the outbreak can begin before fall of 2021. That would set the stage for the more optimistic forecast for 2021-2022 growth to come to pass. BG

WHAT'S IT **COST?**

Conservative economists have been raising concerns about the potential for higher inflation as prices jumped in several key materials. Consumer inflation and the producer price index (PPI) remain below the two percent target, but overheating prices in several categories important to construction have contractors concerned. While the magnitude of some of the increases is alarming – lumber and steel scrap are both up 50 percent – the spikes aren't unexpected as the global economy lurches back to more normal activity levels.

Producer prices saw higher inflation The steep decline in activity during the second quarter of 2020 depressed demand for materials that are involved in nonresidential construction throughout the year. Many of these products are still priced at or below the levels experienced last winter. With global politics and trade policy putting pressure on China, the world's second largest economy made policy decisions that turned Chinese production inward. With China exporting fewer commodities, global supply waned for the first time in years. That policy shift, along with punitive tariffs imposed by the U.S., helped push steel prices higher, despite the excess capacity worldwide.

A red-hot housing market has been the catalyst for rising inflation among materials, like plywood, gypsum board, and lumber, which are used in residential construction. Lumber, which sold for $260 on April 1, 2020, was quoted above $1,020 on February 22, 2021 and remains near that mark in mid-March. The commodity previously peaked at $831 on August 21, 2020, before falling below $480 at the end of September, when the decline in springtime demand and reopened supply chains were the dominant market forces.

Associated General Contractors' chief economist, Kenneth Simonson, referred to the price changes in the lumber market as an "N turn." In early December, the U.S. Commerce Department lowered the tariff on Canadian-imported lumber from 20 percent to 9 percent, which should impact pricing going forward. Increasing demand from the residential sector will continue to provide upward pressure, however, and a resurgent economy could create higher demand from nonresidential construction, among other sectors of the market.

These temporary imbalances resulting from early-stage recovery have been a boon to virtually all industrial commodities. Steel rose 5.2 percent in February, driven by a 25.8 percent jump in iron and steel scrap. Other industrial metals saw higher inflation, which is common at the beginning of an economic recovery. Aluminum rose five percent; tin was up 15 percent; and copper was eight percent higher. Crude oil was up 23 percent, natural gas fourteen percent, and gasoline was nearly 20 percent higher.

Local contractors have received notice of price increases from suppliers across a broad spectrum of materials and products since January 1. Many of these are market tests. Proposed hikes in drywall, for example, will require a more robust recovery than forecasted for nonresidential construction. High single-digit or double-digit increases were attempted during the early 2010s as the economy struggled to regain its footing. Each time, market conditions forced prices back down. It's likely that the slow start to 2021 will have that same effect on current price increases. Increases based upon global supply and demand imbalances, like lumber, oil, and steel, will be more durable, although the current overheating should cool off by the third quarter of 2021 BG

PERCENTAGE CHANGES IN COSTS	Jan 2021 compared to		
Consumer, Producer & Construction Prices	**1 mo.**	**3 mo.**	**1 yr.**
Consumer price index (CPI-U)	0.4	0.5	1.4
Producer price index (PPI) for final demand	1.4	1.3	1.7
PPI for final demand construction	0.2	0.3	0.8
PPI for new nonresidential buildings	0.2	0.3	0.9
Costs by Construction Types/Subcontractors			
New warehouse construction	0.2	0.6	(0.2)
New school construction	0.0	0.2	0.6
New office construction	0.5	0.8	1.3
New industrial building construction	0.1	0.3	1.7
New health care building construction	(0.4)	(0.4)	0.3
Concrete contractors, nonresidential	1.1	1.1	1.2
Roofing contractors, nonresidential	0.3	0.6	2.9
Electrical contractors, nonresidential	(0.4)	(0.2)	1.2
Plumbing contractors, nonresidential	0.0	(0.2)	(0.9)
Construction wages and benefits	N/A	0.6	2.6
Architectural services	0.4	0.2	0.8
Costs for Specific Construction Inputs			
#2 diesel fuel	4.2	24.6	9.2
Asphalt paving mixtures and blocks	10.5	9.6	(0.4)
Cement	0.3	0.4	2.6
Concrete products	0.4	0.2	1.7
Brick and structural clay tile	0.4	0.4	3.2
Plastic construction products	0.8	2.5	6.7
Flat glass	(0.6)	2.1	2.9
Gypsum products	2.8	7.0	3.6
Lumber and plywood	9.8	3.4	49.6
Architectural coatings	(0.1)	0.1	2.6
Steel mill products	5.2	2.2	7.4
Copper and brass mill shapes	3.1	12.1	21.7
Aluminum mill shapes	3.8	7.7	1.5
Fabricated structural metal	0.4	0.8	1.1
Iron and steel scrap	25.8	53.0	50.8
Source Bureau of Labor Statistics, Updated February 17, 2021			
Compiled by Ken Simonson, AGC Chief Economist			

The main staircase at Thomas Jefferson High School has a view to most aspects of learning and student engagement. Photo by Halkin Mason Photography

Public Education Construction Outlook

For those firms that serve the K-12 and public higher education systems in Pennsylvania, COVID-19 was insult to injury. Pennsylvania's public education market is a mess. There are doubtless more elegant ways to articulate the state of the public education construction market, but none would be more accurate.

Plagued by political disagreements, Pennsylvania's public-school districts have been struggling to fund capital programs since the Great Recession. Philosophical differences between the Republican-led legislature and the Democratic minority or governor kept K-12 funding stagnant throughout the 2010s. Districts wishing to do major capital improvements or expansion were told to do so without help from Harrisburg.

Public universities, represented primarily by the PA State System of Higher Education, (PASSHE) faced similar problems with funding allocations from the legislature. That austerity is compounded by the ongoing decline in enrollments, first from competing private colleges and universities, and then from the demographic decline of college-aged students. That demographic hole is expected to continue to exacerbate enrollment challenges through the end of this decade.

To these long-term cyclical issues an outbreak of a novel coronavirus made a bad situation worse. A school is a facility that is designed to bring its occupants together, not to separate them physically. School students, particularly the youngest and oldest, were expected to either be oblivious (the youngest) or unwilling (the oldest) to taking mitigation measures. Knowledge about the virus was limited and ever-changing, making it difficult to judge the risks of conducting normal education. As the understanding of the virus and its spread increased throughout 2020, schools and colleges evolved from being perceived as being human-scale Petrie dishes to places where community spread was limited.

In the process of taking that journey of better understanding, public institutions understandably exercised an abundance of caution. That caution manifested itself first in evacuating the facilities in favor of learning remotely, and later by incurring significant expense to make the facilities as safe as possible. While it appears the safety measures were highly effective, public education providers saw expenses climb while revenues fell. Moreover, the politicization of the public health crisis put public educators in positions that were often unpopular with the taxpayers who supported and utilized public education. An atmosphere exists in public education that will be more resistant to taking on big ticket construction projects.

Most public-school systems, including PASSHE, have been underinvesting in facilities for more than a decade. For those hoping to see a reversal in that trend towards austerity, COVID-19 provided a disincentive to increased investment. Pennsylvania's public education systems face long-term cyclical and political problems that have been worsened by the cost of recovering from the pandemic. It's a situation that will not get better quickly.

The Background

A variety of factors converged to create a slow construction market for public education by the time Tom Corbett was elected governor. Not least of these was the fact that the previous two decades had seen a boom in K-12 and public university construction. Demographics drove the 1990s boom. Improved economic fortunes, and a hefty state income tax a decade before, provided increased revenues. Governor

Work is wrapping up on the new Peters Township High School. Photo by Hayes Design Group.

Ridge's "Operation Jump Start" was a catalyst for a wave of PASSHE projects through the mid-2000s. A number of large school districts hit the reimbursement cycle at the same time. By 2011, you could make the argument that there weren't many school districts left to have construction programs.

Gov. Corbett rode a backlash against Ed Rendell's loose fiscal policies into the governor's mansion and found a Republican majority in the legislature. A fiscal conservative, Corbett had signed Grover Norquist's Taxpayer Protection Pledge and his administration took actions to cut spending and deficits. Some of those cuts were in education. Moreover, Corbett and the legislature sought to streamline or reduce the role of state government. As part of that effort, the Commonwealth's PlanCon process was earmarked for reform. Corbett included a moratorium on new projects applying to PlanCon in the 2012-2013 budget.

PlanCon, which is short for Planning and Construction Workbook, is a set of rules, forms, and procedures school districts must follow to qualify for reimbursement. The clumsy 11-step process was hardly beloved and was ripe for streamlining; however, subsequent legislative efforts to do just that have not produced a replacement. While the 2012 moratorium was meant to be temporary, and was technically lifted in 2015, the moratorium effectively remains in place today. A PlanCon Advisory Committee was empaneled and filed a report in May 2018 that has not sparked action. Act 70 of 2019 addressed the planning and construction process but it extended the moratorium without reforming PlanCon, although the process was refined to organize the 11 steps into three main reporting steps.

Gov. Wolf's proposed 2021-2022 budget includes funding that can be used to support expanded infrastructure – especially for broadband – and remediation of lead and asbestos. Getting the budget through the General Assembly has yet to be accomplished.

The issues with PlanCon reimbursement are most impactful in rural and poorer school districts. These districts tend to have smaller, mostly residential, tax bases. In rural counties, the costs of operating over large geographical areas have risen disproportionately over the years compared to urban or denser suburban districts. Overall, however, the problems with PlanCon are a secondary constraint on K-12 construction. Financial and demographic issues are holding back the kind of construction market that primary and secondary public education normally affords.

Schools are funded almost entirely through taxes, either directly at the local level, or through disbursement from the Commonwealth. The local funding mechanism is property tax. While that should be good news in the kind of housing market currently being experienced, in practice there have been legislative restraints placed upon school districts and assessing bodies that keep revenues from rising at the same pace as values. Property taxes tend to be disproportionally higher for senior citizens and taxpayers on fixed incomes. In older communities, many residents live in homes that they have owned for decades. Those


Spaces that allow for small group engagement are being included in elementary schools. Photo by Massery Photography. Photo courtesy VABH Architects.

homes will have older assessments for the most part, meaning that the taxes generated will be well below what the market rate would generate.

There's a fairness, if not an equality, in that reality, because a community's oldest residents generally have fixed incomes and frequently pay more in taxes than their mortgage payments of 25 or 30 years ago. Senior citizens also tend to vote in higher proportions than younger cohorts, making the political will to raise taxes that much weaker. As a result, school boards are faced with the unpleasant choice of raising millage or cutting costs. More times than not, the latter wins the day.

The Pennsylvania School Board Association (PSBA), which represents the 4,500 directors from Pennsylvania's 500 school boards, has endorsed the governor's legislative initiative to reform the Pennsylvania Charter School Law. PSBA advocates for a recalculation of the per capita contribution that public school districts make.

"Cyber charter schools do not have buildings. Tuition for which they are being compensated is calculated as though there are those expenses associated with a building. A public school district that has physical buildings incurs expenses for transportation, building maintenance, meals, and things that cyber schools do not," says Annette Stevenson, PSBA's chief communications officer. "We would like to see the funding equation reformed appropriately so that charter schools are reimbursed according to their expenses are per student."

Demographics had been something of a zero-sum game in Western PA since the 1970s, when Pittsburgh's population began to decline. For every school district gaining students there was one (or more) losing them. For reasons best left to describe in another article, Americans (including Western Pennsylvanians) of child-rearing years are having fewer babies. The birth rate has fallen again to 1.6. That's bad news for school districts. For greater Pittsburgh, which is seeing healthy growth in population of people under the age of 35, a declining birth rate means that having more young parents doesn't mean more school-aged children will follow.

Kevin Hayes, founding principal of Hayes Design Group, says that one of his firm's clients has engaged them to deal with the new demographic realities.

"Bethel Park School District is realizing that their demographics have been changing over almost two decades. The pandemic forced certain realizations upon them and that included acknowledging that the school district is not the size it once was, and it doesn't appear to be going back," Hayes says. "Bethel Park had 6,000 students in the district two decades ago and now they are at 4,000. Birth rates and other general demographic trends have shrunk the district. Right now, we are doing a demographic study that shows that, at least in the next 10 years, they might go back up to 4,500, but they will not go to 5,000 and certainly they are not going back to 6,000. It's taken the pandemic for the community to realize that."

The COVID-19 pandemic was another challenge for this already challenging environment for construction. Many

Western PA school districts were able to return to a hybrid form of in-person and virtual learning during the fall, with some districts returning to full-time in-person in outlying areas. The costs of dealing with the pandemic, whether because of increased cleaning or heightened investment in technology, added hundreds of thousands or millions of dollars to budgets that were stretched before COVID-19 arrived. That accelerated what was the prevailing trend in K-12 construction: austerity.

Like many businesses, school districts discovered that the mitigation measures taken throughout 2020 also resulted in lower expenses. Virtual learning meant lower operating costs for the buildings, much lower expenses for cafeteria and food services, and few costs associated with extracurricular activities. While many school districts found the impact of COVID-19 may have been somewhat neutral to the budget, the pandemic certainly didn't improve finances, and school boards often responded by curtailing capital spending.

"School districts are playing it very close to the vest because they don't know where their budgets will shake out," says John Taormina, vice president at PJ Dick Inc. "The pandemic has made things worse because of hybrid learning and not knowing how much space they will need. Districts are just being more cautious until they understand the economic impacts to the taxpayers and families in their district."

"South Fayette Township School District is good example. They had a big program in planning but have scaled it back for now. Like other districts South Fayette is taking care of buildings that are costing them money to maintain," Taormina continues. "Hampton Township is another example of a district that had a $40 million-dollar program that will now be a $15 million-dollar first phase, which will be the high priority projects that will save them money. School districts can sell that to their taxpayers."

Hayes Design Group is also South Fayette's architect. Kevin Hayes explains that the combination of not knowing how the pandemic was going to hit their budgets and the challenge that COVID presented to in-person teaching forced school boards to hit the pause button.

"In South Fayette, they still have general trends of population growth, but they hit the pause button too. South Fayette is very dependent upon residential properties for their tax base and were concerned about how many people might lose jobs and be forced to move," Hayes says. "They still need a new elementary center but are concerned about the impact the pandemic had on travel because a number of South Fayette residents are dependent upon the airport for jobs and business. They were worried all year and are still not quite sure where things are going to go."

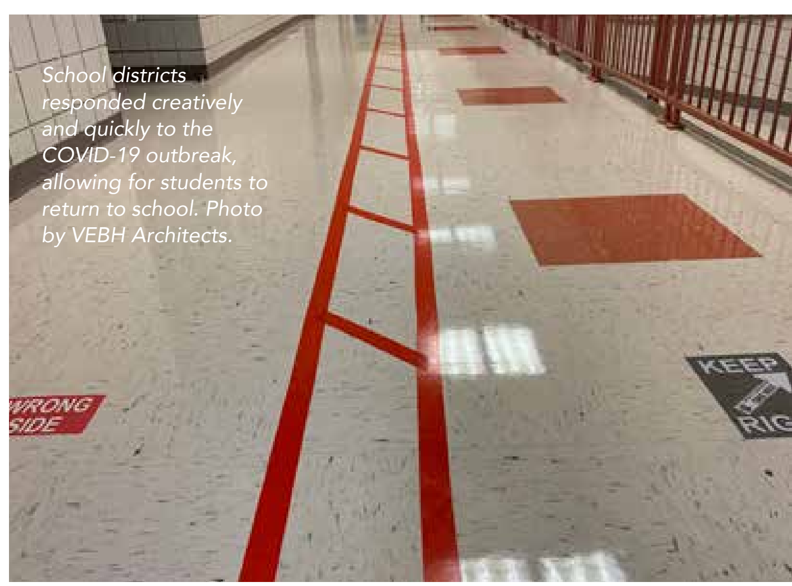
Dan Engen, partner at VEBH Architects, is the architect for Hampton Township School District's program. He notes that a program like Hampton's, which includes another $25 million or more in renovations to the high school, is the exception.

"The work we are doing at Riverview School District is typical of what's out there," he says. "Riverview will round out their $7.5 million bond issue this year. They are doing capital improvements only. They have three buildings and are spreading the money around the district, trying to keep their roofs and windows repaired and fix their security issues. I go into many buildings that are clearly out of date and need infrastructure, but we are barely touching them. Districts aren't doing that right but it's not their fault. They don't have any funding support."

More typical are projects like Engen described his firm was doing at Riverside, where the school board recently awarded $3.7 million in miscellaneous renovations, or at Brentwood Borough School District, which awarded $3.2 million in repairs at its middle and high schools. In past cycles, districts that needed to do major repairs on a building might leverage that into a larger programmatic renovation or addition. In 2021, needed programmatic changes are deferred in favor of fixing what is broken.

Major K-12 projects have been dwindling in number each year. Following the start of the new $82 million Peters Township High School in 2018, only two projects over $40 million have begun, the $52 million Canon McMillan Middle School and the $49 Evan City Elementary School, both of which started last year. With Hampton Township School District's decision to break its project into multi-year phases, there will be no such projects in 2021. Looking to the school districts with masterplans and feasibility studies underway, including Norwin, Hempfield, Bethel Park, South Fayette, and Quaker Valley, only the $90 million high school at the latter district will involve a $40 million-plus project.

The trend away from large-scale capital programs has not been helped by COVID-19 but it has existed for a decade. For the trend to continue through 2030 would be highly unusual, considering historical trends. Given the demographics and politics of funding, however, a forecast of a healthy K-12 construction market in the coming decade seems farfetched.



School districts responded creatively and quickly to the COVID-19 outbreak, allowing for students to return to school. Photo by VEBH Architects.

Pennsylvania's State System of Higher Education
New Freshmen Enrollment Fall 2010-2019

University	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019
Bloomsburg	2,140	1,981	1,924	2,218	2,171	2,110	1,902	1,860	1,848	1,982
California	1,361	1,281	952	1,083	1,026	929	896	984	992	954
Cheyney	484	204	316	346	231	101	181	214	102	213
Clarion	1,366	1,230	1,132	996	893	942	941	875	726	755
East Stroudsburg	1,158	1,412	1,273	1,212	1,287	1,307	1,305	1,292	1,137	1,127
Edinboro	1,575	1,512	1,235	1,086	1,238	1,219	1,034	846	598	706
Indiana	2,995	2,922	2,934	2,657	2,733	2,481	2,200	2,329	1,986	1,779
Kutztown	2,013	2,037	1,997	1,814	1,781	1,863	1,693	1,605	1,641	1,398
Lock Haven	1,194	1,236	1,155	1,086	935	884	828	790	692	598
Mansfield	640	624	587	628	550	417	450	379	327	450
Millersville	1,322	1,304	1,318	1,299	1,358	1,336	1,327	1,351	1,367	1,334
Shippensburg	1,712	1,752	1,485	1,522	1,474	1,391	1,381	1,219	1,357	1,301
Slippery Rock	1,574	1,536	1,546	1,408	1,586	1,524	1,564	1,597	1,554	1,580
West Chester	2,067	2,292	2,334	2,296	2,351	2,395	2,454	2,630	2,777	2,871
System Total	21,601	21,323	20,188	19,653	19,614	18,899	18,156	17,971	17,104	17,048

Freshmen enrollment fell by more than 21 percent from 2010 to 2019 at the 14 PASSHE universities. Source: Data Warehouse, Student Data Submission.

Public Higher Education

The secular trend in higher education is being driven by factors – demographic declines, high costs, and shifting sentiment about the value of a college degree – that could prove to be ruinous for some private institutions. Public higher education institutions are not immune to these influences; however, public higher education can be positioned as an alternative that sits in opposition to those negative factors. In many states, the cost of education for residents is a fraction of what the universities charge for non-residents. In Pennsylvania, the discount is not so steep.

For one sector of the public education market, the secular trend has been a boost. Community colleges have seen enrollments grow and programs expand. Awareness of a growing shortage of skilled workers gave community colleges an opening to expand technical vocational education, a trend that was also enhanced by a growing desire to make post-secondary education more affordable.

Construction at community colleges in Western PA is normally limited to ongoing renovations and upgrades to existing facilities. In 2021, there is a mini-boom in community college construction. The region's largest community college is Community College of Allegheny County, which has two significant projects underway. Nello Construction is renovating Chalfont Hall for the $7 million Faculty Center for Innovation and Rycon Construction is building the new $24 million Workforce Training and Development Center. DiMarco Construction recently completed the second of two new buildings at Butler County Community College (BC3) South Campus and BC3 is planning a new $4.5 million investment in a campus in Ford City, including a 12,500 square foot new building. Westmoreland County Community College invested more than $25 million in upgrades to its Founders Hall within the past year. And Community College of Beaver County spent $3 million creating its Center for Process Technology Education.

Pennsylvania's public universities have not benefitted from the trends across the board. The Commonwealth's biggest public university, Penn State, also benefits from having one of the nation's largest active alumni giving bases. Its seemingly perpetual multi-billion capital program will see a handful of $100 million-plus projects under construction moving forward in 2021. The $167 million College of Engineering West 1 is currently out to bid. Design is underway on the $112 million Liberal Arts Research & Technology Building and the $146 million Physics/Osmond Building, both of which should be underway in 2022.

The statewide public university system has not seen the same benefits from the secular trend. Enrollment trends vary from university to university in the PASSHE system but only West Chester has seen an increase since 2010 (up 22 percent from 2010-2019). Total enrollment fell from just under 120,000 in 2010 to 95,802 in 2019. Several universities, including Mansfield, Lock Haven, Edinboro, Clarion, and Cheyney, saw enrollments fall 30 percent or more. Enrollment at Mansfield and Cheney fell by more than half.

A boom in the construction of student-centered facilities 15-to-20 years ago, much of which was done under the auspices of the university foundations' ability to issue bonds, has most PASSHE schools with debts and insufficient fees to repay them as planned. As a result, there are few major projects in the pipeline for Pennsylvania's public universities.

"There's definitely a downward trend in births and folks being able to attend a higher ed," says Warren Bulseco, senior vice president at WTW Architects. "The PASSHE system has been fighting that for quite a while. They have had to tighten their belts."

There are two major limitations on construction in the PASSHE system. The first – limited budget – is a lingering problem that goes back to austerity measures put in place by Gov. Corbett. As a reaction to his predecessor's doubling of the $65 million annual capital budget for PASSHE, Corbett froze spending at a reduced level for most of his term before restoring capital spending to $65 million. That same budget is in place in 2021, a time when construction costs are 40-to-60 percent higher.

The second limitation is structural. Changing demographics and heightened competition led to falling enrollment for the PASSHE schools overall during the 2010s. Concerns about the viability were driving discussions about the system's makeup, including talk of closing some of the universities. COVID-19 became an accelerant to the trend. Shifting to online classes cost PASSHE about $90 million, much of which will never be recovered by any government reimbursement. In July, Gov. Wolf signed Act 50 of 2020 into law, requiring a detailed, transparent, and broadly consultative review, planning and implementation process towards integrating PASSHE universities.

As first recommended, PASSHE was to consider the integration of six universities into three. Following a planning process that involved 19 working groups and 216 subgroups, the recommendation was revised to integrating California, Clarion, and Edinboro universities and Bloomsburg, Lock Haven, and Mansfield universities into two multi-campus institutions. Implementation plans will be presented to the PASSHE board at its April meeting. If approved, the integration plans will be subject to public review for 60 days, after which the board will consider final integration recommendations. Given the current progress, that would mean the first cohort of students to enroll in an integrated university is the Fall Semester of 2022.

Each of the two integrated entities would have a single administration, faculty cohort, enrollment management strategy, academic program array, and budget while also maintaining local institutional identity, athletics, student housing, campus life, and critical student supports at all three campuses.

As it stands today, the operating savings to the state system from integration has not been quantified. It's anticipated that the streamlining of educational offerings will minimize any negative impact on the small communities that are home to the six universities. Moreover, the integration is also intended to support growth in alternative offerings.

"Integrations are about growth as much as it is about leveraging scale for the sake of cost efficiencies," says Dave Pidgeon, director of public relations for PASSHE. "We're looking, for example, in the Western Pennsylvania integration to create a fully online academic program to operate alongside of traditional in-person instruction. Right now, about 50,000 Pennsylvanians pursue post-secondary online programs outside of the Commonwealth."

For those institutions that are educating students in their facilities, there are trends creating the need for construction. Some of those are curricular, while others are being driven by a desire to create a more sustainable learning environment. That desire has been accelerated by COVID-19.

"A heavy focus we are seeing is towards science, technology, engineering, and health sciences. The pandemic has fast-

Kopchick Hall at Indiana University of PA is the only new major construction project in the PASSHE system in Western PA. Rendering by PWWG Architects.

forwarded a focus on sustainability, especially energy conservation and utilization," says Bulseco. "Universities are focused on inclusion and accessibility, which goes beyond meeting ADA requirements. They want to provide students and professors with enabling technology and respond to student mobility. There's an open question as to whether or not the students will return to campus to the same degree. Colleges and universities need to address not only providing a healthy and safe environment, but also recognize students are more mobile."

There are a handful of major capital projects underway or in the pipeline at PASSHE universities in the region. At IUP, the $72 million John and Char Kopchick Hall got underway in late 2020. California University is planning to hire an architect for a $65 million new science building by early 2022. The $75 million Franklin Science Center renovation is being designed at Shippensburg University. At the same time, programs for demolition of obsolete or underutilized buildings are planned for Indiana, Clarion, and Edinboro universities range in size from $2 million to $12 million.

Public education systems in neighboring states are facing similar challenges, although the response has had differing consequences for construction. State University of New York added almost $74 million to its budget in 2020, before the pandemic hit, but that budget also cut nearly $300 million in capital spending. In Ohio, construction opportunities have increased, although there are few new buildings.

"Ohio seems to be releasing a lot of new work. They have had a lot of projects coming through, running the gamut from very small maintenance type work to larger renovations," observes Lisa Carver, principal at Perfido Weiskopf Wagstaff + Goettel Architects. "There haven't been any new buildings go through that system. New construction projects seem to be rarer, even on the private side. What we see is everyone is trying to figure out what is next. Things that went on hold this time last year have gone ahead, but everyone is being conservative about larger projects."

Bulseco sees opportunities in helping university clients optimize their physical plant. The higher ed landscape will not be full of new student centers, residence halls, and arenas, like in the go-go 1990s, but architects will still have opportunities to help public universities solve problems.

"As higher education moves to repurpose and reconfigure, every space counts. We are seeing our clients work to optimize space," Bulseco says. "Our clients are asking us to eliminate hallways unless they are collaborative zones. They want to use the spaces in between buildings. They want to know how we can work with what they have." BG

Photo by Tom Pierce.

PROJECT PROFILE

UNIVERSITY COLLEGE AT INDIANA UNIVERSITY OF PENNSYLVANIA

As more students have gone on to undergraduate studies from high school over the past few decades, there have been more students attending universities who may not have been prepared for the experience. Universities have responded to this need by segments of the student body by developing programs that support the transition from high school to higher education. One of those programs at Indiana University of Pennsylvania (IUP) is called the University College.

University College was designed to help students who need support in adjusting to the demands of college courses. University College also supports a bigger slice of the student pie, the student ready for college work but unsure about their major. The latter type of support involves what IUP calls Investigatory Studies, which allows undecided students to take classes towards graduation while evaluating a path to study. Hundreds of students are engaged with University College for two semesters on their way to settling on a major. University College has a staff of four, in addition to the faculty. What University College didn't have was an updated home.

In spring 2018, IUP advertised for bids for renovation of a portion of one of its libraries to become the new location for University College. MacLachlan Cornelius & Filoni Architects (MCF) designed the project, which would be in the basement of Stabley Library. In summer of 2018, IUP awarded separate prime contracts to Darr Construction for HVAC and plumbing, Westmoreland Electric, and to Fred L. Burns Inc. as the general contractor.

The Stabley Library was constructed in the 1950s. An addition, the Stapleton Library, in the late 1980s was roughly double the size of the Stabley Library footprint. As libraries have evolved with the increasing use of digital technology, the physical plant for book collection storage and research, among other uses, has become unnecessary. In the case of the Stabley Library, the university was using the basement of the building for storage of collections that had not been viewed in years. Consolidation of space permitted the basement to be adapted for re-use as the University College.

Tom Pierce, project architect for MCF, explains that the evolution of libraries, because of technology, created an opportunity for the new program.

"This was the creation of a whole new college that was designed to help acclimate students to a college curriculum," Pierce says. "There are huge transitions in libraries today because of electronic data. The University College was part of the transition of the Stabley Library. The library was built sometime in the 1950s and a large addition was put on in the late 1980s. The basement had been used for storage and there were book collections stored in high density storage units that hadn't been viewed in years."

To create the new space for University College, the basement would be converted to office use. That was the simple part of the scope of work. It was decided that access to the new space would not be through the library. New exterior entrances would be added, which necessitated a significant change to the adjacent exterior area.

"We excavated a new courtyard and put a new entrance façade on the building. It was a challenge to gracefully develop this lower entrance. Ben Wetmore was the project manager for our firm, and he designed a beautiful plaza," Pierce says. "The plaza was a grassy knoll adjacent to the building. About half of the basement area was infilled with about 10 offices, a conference room, and a lobby. The lunch area was updated, and we created two new accessible lavatories."

In September 2018, IUP released the successful bidders on the project to begin construction.

Joe Burns, owner of Fred L. Burns Inc., jokes that he is certain he was awarded the project because of what he overlooked. He says that most of the challenges of the University College related to the fact that there was a full scope of work required in a very small space.

"There was limited space for the excavation and concrete pour. We had to back our way out of the site. The schedule was very tight. It's one of the more difficult jobs we've done," Burns says.

"There was no access to the job site through the library. The only access was through the exterior. We eliminated a row of ribbon windows at each of the two locations where entrances were built and renovated the space behind it into office space. We converted it from library stacks. It was a complete gut and rebuild from ceilings to the floor."


Photo by Fred L. Burns Inc.

Burns notes that the construction of the two new entrances were complicated by the fact that each had a small footprint but needed to be fully accessible. Something as mundane as the office ceilings presented an outsized challenge, Pierce recalls, as interpretations of codes dictated that there be fire-rated ceilings where the need hadn't been anticipated.

"The greatest challenge was those exterior vestibules. For a small space, the vestibule was very busy," says Burns. "When I say busy, the vestibules are not big, but they are complicated. We did not have column reference locations to match up to the existing building. The mullions had to align vertically with the exterior wall panels. There are two-tiered soffit panels. There is a vertical panel, a soffit A and soffit B that are wrapped to the vertical planes. It was a pain in the neck."

Within the new entrance vestibules, the confined space available forced the design of the stairways to be more complex than the architect or contractor would have preferred.

"We had radius concrete pours on the steps. The railings were also radiused," Burns says. "The glass is segmented and just to put the wood railing on that short radius rail was difficult. There are

Photo by Tom Pierce.

Photo by Tom Pierce.

compression fittings that held the glass in place, and it had to be at a precise angle to work. It looks nice and functions well day-to-day, but it's difficult to put together."

The buildout for the University College was more straightforward once the team was able to move fully to the interior. In addition to the work of the specialty contractors on the interior, some of the finishes were provided by an Indiana University faculty member.

"We were delighted it turned out as well as it did. Joe's workmanship was exceptional. It was just a delight to work with him," says Pierce. "The client was terrific. The university is very enthusiastic about the end product."

Burns says that the University College project was notable for the way it compressed activity and schedule into a tight space. He says that the conditions created more change orders than normal, but that Indiana University got a pretty good bang for its buck on the $2.5 million project.

"I give kudos to Tom Pierce. He really helped us with these little headaches. I think it was a rough project for him with all the changes that popped up. He worked his tail off," Burns recalls. "Jason Mackovyak [former vice president of engineering at IUP who managed the project] was a great project manager for IUP. A difficult job can become easy when you have great team members. The owner, MCF, and our subcontractors made the project work.

"I enjoyed the project. This was one of those jobs that you just can't wait to get away from while you're doing it but, when I reflect back, I savor those projects." BG

PROJECT TEAM

Fred L. Burns, Inc	General Contractor
Indiana University of Pennsylvania	Owner
MacLachlan Cornelius & Filoni	Architect
Division Seven	Exterior Panels
A. J. Vater & Sons	Painting
Butler Floor & Carpet	Flooring
Quattrone Masonry	Masonry

FIRM PROFILE

ACE LIGHTNING PROTECTION INC.

ACE LIGHTNING PROTECTION INC.
U/L LISTED, LPI MASTER DESIGNERS/INSTALLERS
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John D. Rockefeller once said that a friendship founded on business is better than a business founded on friendship.

That philosophy has been a foundation of Ace Lightning Protection since its beginnings in 1964. After all, says owner and president Robert Zafaras, Sr., "I don't want my customers to just be customers; I want them to be friends, and most of them are."

Talking to Bob Zafaras, you quickly come to understand that he takes running the business he's been involved with since he was a teenager very personally. It's a philosophy that he shared with his father, William "Ace" Zafaras, who founded the company that has become Ace Lightning Protection.

Bill Zafaras had a fascination with motors, electronics, and a sense of adventure. After graduating from Turtle Creek High School, Bill enlisted in the Army Air Corps. During World War II, he was a sergeant stationed in London and worked as an Airframe & Powerplant Mechanic on the B-17s. He returned to the States with a fascination with the new medium, television, which was just getting started.

Bill took advantage of the great opportunities for higher education that the G. I. Bill afforded and attended the American Television Institute in Chicago. While there, Bill studied under Lee DeForest, the inventor of the three-element, or triode, vacuum tube, the first practical amplification device. Bill earned a degree in Television Engineering and, while in Chicago, met his wife. The couple moved back to Turtle Creek and began work in television as a camera man for the Dumont Television Network.

Bill was an entrepreneur and founded Ace Television Co. in 1952. Television sales and service in those days were mom-and-pop operations; there were no national chains or big box stores. Being your TV man was very personal in those days. That's the way Bill liked it and Ace became well-known in the east suburbs for television service, including antenna installation. In 1963, he began to research lightning effects and protection methods. His search led him to Thompson Lightning Protection of St. Paul, MN, which was the world's largest maker of lightning protection equipment. Thompson's salesman, Curt Ramin, visited Ace Television in Monroeville in 1964.

Bob Zafaras remembers Ramin and the connection that he made. "I still remember Curt had that flat-top haircut and a real Midwestern gentlemanly style. From the start Curt and Dad were fast friends," he recalls. "We also had a connection with Thompson as my mother was from Watkins, MN and we had family in and around the Twin Cities."

Thompson Lightning Protection awarded a franchise to the newly formed Ace Lightning Protection in 1964. Ace still represents Thompson today.

"You stand by your word, no matter what happens. If additional things have to be done on the job, we'll just do it," Bob says. "We try to be conciliatory and have a respectful attitude. You do good work and get along with people. That is why we've been successful. Loyalty, service, and integrity: it's personal!"

"My dad and I would go out together when I was a teen; we'd work on houses and small buildings. He took courses with the Lightning Protection Institute," Bob says. "I'd go on visits, get to know the estimators and project managers. One job led to another, and it started to evolve."

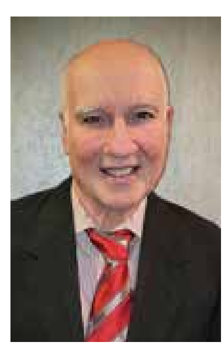
Bob gained field and estimating experience. After attending the University of Pittsburgh, he joined the family business as a project manager in 1976. By 1984, Bob became the sole owner of Ace Lightning Protection and led the company from smaller jobs to large office, healthcare, and telecommunications projects.

A few years earlier, Ace Lightning formed a relationship that would grow the company more rapidly. Bell Telephone was an active and very selective buyer of construction services. When Bell needed a local lightning protection and grounding contractor, Ace Lightning Protection was given the opportunity to compete. Because those services were such a specialty, and crucial to operations, Bell Telephone wanted a single source for lightning protection. Bob recalls the interview process was arduous, but Ace Lightning Protection was successful in landing the contract to provide services for all Bell's central offices.

The selection was important for Ace Lightning Protection in several ways. In addition to the business expansion, working for Bell Telephone provided Ace Lightning Protection the opportunity to forge relationships with major electrical and general contractors that also worked for Bell. Bob says that Bell Telephone's philosophy about performance also made an impression on him. He recalls an instance when Ace Lightning Protection had been tasked with stud welding on a 5ESS switch project, a process that was very costly compared to traditional methods.

"I suggested that we could do it for far less cost," Bob recalls. "In those days, Bell was never looking for the absolute cheapest price. Lou Rususki of Bell replied, 'We don't care what it costs. We are building it for 100 years.' That stuck with me."

The breakup of Bell Telephone that was initiated in the carterfone decision led to Ace Lightning Protection building strong relationships with the successor companies, first with the Baby Bells and then with Verizon. As telecommunications technology has


Bob Zafaras Sr.


Bob Zafaras Jr.

advanced in the succeeding decades, Ace Lightning Protection has grown the relationships within the industry. It is the grounding designer for Verizon Wireless Bridgeville center and other Verizon Wireless offices. Ace Lightning Protection is the designer and arbiter of grounding design for rural radio, roof-top, and water tower sites in Western PA, Eastern Ohio and Northern West Virginia. In addition to Verizon Wireless, Ace continues to provide services to AT&T, Sprint, Nextel, Cricket, APT Communications, and other telecommunications clients. The company even warehouses critical equipment and supplies for those customers.

Ace Lightning Protection has built an exhaustive list of clients over 56 years and has worked on most of the high-profile projects built during those years. Those include the Pittsburgh International Airport, PNC Park, PPG Paints Arena, Star Lake Amphitheater, David L. Lawrence Convention Center, the Shell Cracker, Carnegie Science Center, Pittsburgh Public Schools, the Pittsburgh Zoo, the Allegheny County Courthouse; and several international clients, including a nuclear power station in the Philippines. About 90 percent of its business is commercial and industrial, and 10 percent residential.

Ace Lightning Protection's services range from estimating, to design, to installation, to inspection, and risk evaluation. In addition to lightning protection and grounding systems, the company also installs and designs snow and ice melt systems. Ace provides consulting services to architects, engineers, and contractors, doing feasibility studies and authoring specifications on most projects involving its specialty. The increased use and growing sophistication of technology in buildings has increased the value of Ace Lightning Protection's feasibility and design services. Like his father, Bob Zafaras is a Lightning Protection Institute-certified Master Designer, as is his son, Bob Zafaras, Jr., who has joined the business. Bob Jr. heads up the re-roofing and residential lightning protection services.

Bob Sr. clearly sees the niche Ace Lightning Protection has carved as more than a specialty contracting business. He is a strong supporter of the Lightning Protection Institute for its research and role as the standard-setting body in the industry. Bob understands that providing lightning protection and grounding to his clients means more than just keeping power and equipment running.

"When you have a hospital, cancer center, ambulatory center, or nursing home, for example, you have a responsibility to provide a safe environment for people who work there, plus their patients," he says.

Since 2012, Ace Lightning Protection expanded its services to include an in-house AutoCAD department. The investment in AutoCAD allows Ace Lightning Protection to quickly turn out submittals and revisions. Its staff has the capabilities to adapt and customize applications, both in design phase and in the field. Ace Lightning Protection has the capability to manufacture elements to accommodate new architectural features.

"Those are the instances where we thrive," says Bob.

A photo of Ace Zafaras and his wife Ann hangs in Ace Lightning Protection's offices as a reminder of the founder's work ethic and the company's beginnings. Bob Sr. says his son has the same entrepreneurial spirit as he and Ace. Bob expects that the family business will continue to operate on the foundation of hard work and expertise that serves Ace Lightning Protection's clients well.

"You stand by your word, no matter what happens. If additional things have to be done on the job, we'll just do it," Bob says. "We try to be conciliatory and have a respectful attitude. You do good work and get along with people. That is why we've been successful. Loyalty, service, and integrity: it's personal!" BG

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LEGAL PERSPECTIVE

DEVELOPMENTS IN WAGE AND HOUR LAW THAT MAY IMPACT THE CONSTRUCTION INDUSTRY

BY KATELYN M. MATSCHERZ

As 2020 draws to a close, this is a great time to review the many developments in wage and hour law that may affect your business. Below I highlight issues that have been the subject of recent liti-gation or otherwise reflect changes in the legal landscape that are likely to have a significant impact on the construction industry. I also offer suggestions that you may want to consider to ensure that your company remains compliant.

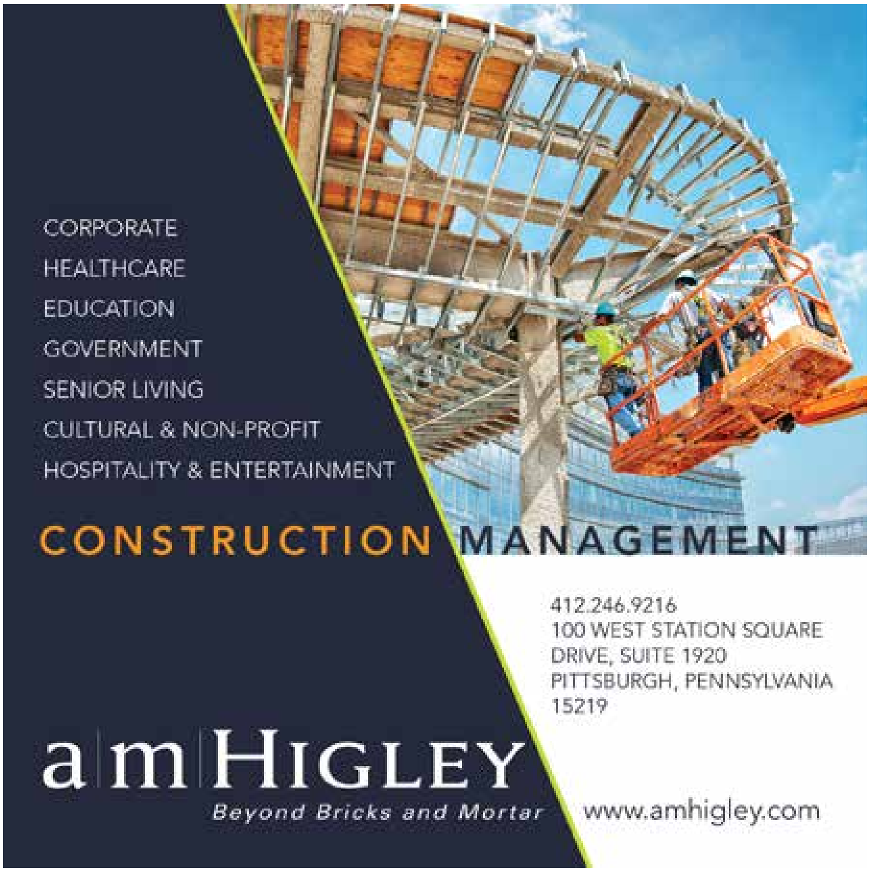
1. Calculating hours worked: Pay must be based on the workweek, even if you pay your employees bi-weekly or semi-monthly. On a related note, make sure that you are recognizing and counting compensable hours appropriately. For example, typically it is not proper to reduce hours by classifying de minimus break time as "down time" or "rain delay." And time spent traveling from job site to job site during the workday is work time and must be counted as hours worked (contrast: ordinary travel from home to work and from work to home is not compensable). Review your pay practices and policies to confirm that you are capturing all hours worked.

2. Bonus season is upon us. But employers need to be aware that bonuses might also carry legal obligations. For non-exempt employees, that might include paying additional overtime based on the bonus payment. Indeed, if a bonus is "non-discretionary," then it is a part of an employee's total compensation and so it must be included when calculating an employee's "regular rate" of pay for purposes of calculating overtime. Review your bonuses or other incentive-pay and assess whether it is discretionary (paid without prior contract, promise or announcement and the decision as to the fact and amount of payment lay in the employer's sole discretion) or not and, if not, re-calculate overtime pay.

3. An employee may not qualify for the "executive employee exemption" just because his job title is "supervisor." In order to qualify for the executive employee exemption, the "supervisor" must: (1) be compensated on a salary basis at not less than $684 per week; (2) the employee's primary duty must be managing the enterprise, or managing a customarily recognized department or subdivision of the enterprise; (3) the employee must customarily and regularly direct the work of at least two or more full-time employees or their equivalent; and (4) the employee must have the authority to hire or fire other employees, or the employee's suggestions or recommendations as to the hiring, firing, advancement, promotion or any other change of status of other employees must be given particular weight. Review not only job descriptions but also the actual tasks performed to confirm that supervisors qualify for the executive employee exemption.

Many in construction utilize subcontractors to perform work on their behalf. This potentially exposes the company to exposure for FLSA compliance based on a theory of "joint employer" liability. Earlier this year, the U.S. Department of Labor published a business-friendly Final Rule regarding joint employer liability. The Rule addressed the two joint employment scenarios. One is "horizontal joint employment"—which means that the employee has employment relationships with multiple and related or associated employers. For those relationships, the rule provides that employers will generally be sufficiently associated if there is an arrangement between them to share the employee's services, one employer is acting directly or indirectly in the interest of the other employer in relation to the employee, or they share control of the employee, directly or indirectly, by reason of the fact that one employer controls, is controlled by, or is under some common control with the other employer. The other is "vertical joint employment"—which means the employee has a relationship with one employer (e.g., a subcontractor) but performs work on behalf of another entity. For vertical joint employment the DOL focused exclusively on control. A federal court in New York struck down the vertical joint employer rule but upheld the horizontal joint employer

In September, the U.S. Department of Labor announced a proposed rule to assist how to determine whether a worker is an employee or an independent contractor. The rule adopts an "economic reality" test that focuses on two core factors, the nature and degree of the worker's control over the work and the worker's opportunity for profit or loss based on initiative and/or investment.



rule. While the future of the vertical joint employer rule is unclear (particularly with a new administration), employers should be aware that absence of control over workers will not automatically result in the avoidance of joint employer status. Rather, courts will evaluate joint employment by considering the overall economic reality of the parties' working relationships. Companies should review their contractual relationships with third parties as well as the actual working relationships with the workers who are performing work for the benefit of the putative joint employers to assess the risk of a joint employment relationship.

4. Whether an individual is an employee or an independent contractor is a critical determination that faces construction companies frequently. The decision has significant consequences, including wage and hour liability. In September, the U.S. Department of Labor announced a proposed rule to assist how to determine whether a worker is an employee or an independent contractor. The rule adopts an "economic reality" test that focuses on two core factors, the nature and degree of the worker's control over the work and the worker's opportunity for profit or loss based on initiative and/or investment. These factors help determine if a worker is economically dependent on someone else's business or is in business for themselves. Three other factors that may serve as additional guideposts include: the amount of skill required for the work; the degree of permanence of the working relationship between the worker and the potential employer; and whether the work is part of an integrated unit of production. The rule has not yet been finalized. Even if it is published, the proposed rule will have no impact on state law or other definitions of "independent contractor" issued by other agencies (NLRB, IRS). Review your independent contractor relationships and consider the various laws to which you are subject. Consider applying the most restrictive of those laws. BG

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FINANCIAL PERSPECTIVE

NEW STIMULUS PACKAGE ENHANCES THE EMPLOYEE RETENTION CREDIT

BY JIM CUNNINGHAM, CPA

Have you considered the Employee Retention Credit? The Consolidated Appropriations Act of 2021(Act), signed into law on December 27, 2020, contains significant enhancements and improvements to the Employee Retention Credit (ERC) beneficial to businesses in the construction industry. The ERC, which was created by the Coronavirus Aid Relief and Economic Security (CARES) Act on March 27, 2020, is designed to encourage employers to keep employees on their payroll and continue providing health benefits during the coronavirus pandemic.

Under the CARES Act, businesses could take advantage of either the Paycheck Protection Program (PPP) or the ERC, but not both. In welcome news for the construction industry, the 2021 Act retroactively eliminates this limitation and extends and enhances the ERC through the first two quarters of 2021.

The ERC is a refundable payroll tax credit for wages paid and health coverage provided by an employer whose operations were either fully or partially suspended due to a COVID-19-related governmental order or that experienced a significant reduction in gross receipts.

Employers may use ERCs to offset federal payroll tax deposits, including the employee FICA and income tax withholding components of the employer's federal payroll tax deposits. Therefore, if you did not consider the ERC in 2020 (or were not eligible to consider the ERC because you took a PPP loan), the retroactive ability to benefit from both PPP loans and the ERC is a powerful reason to reconsider the ERC for 2020. Also, the enhanced amount of the credit for wages paid during the first two quarters of 2021 provides yet another strong reason to consider the ERC for 2021.

ERC for 2020

The ERC was one of the relief programs within the CARES Act for employers who continued to pay their employees. For 2020 the ERC offered a tax credit up to $5,000 per employee for wages paid from March 13 to December 31, 2020. The credit was available to employers whose:

Operations were fully or partially suspended due to novel coronavirus (COVID-19)-related limits on commerce, travel, or group meetings; or gross receipts for the 2020 quarter decline more than 50% when compared to the same 2019 quarter; and did not receive a Paycheck Protection Program loan.

However, the 2021 Act makes the following retroactive changes to the ERC which apply during the period March 13, 2020 through December 31, 2020:

Employers that received PPP loans may now qualify for the ERC with respect to wages that were not paid with proceeds from a forgiven PPP loan. Group health care expenses are considered "qualified wages" even when no other wages are paid to the employee.

Insights on ERC for 2020

Employers that received a PPP loan and that were previously prohibited from claiming the ERC may now retroactively claim the ERC for 2020.

With respect to the retroactive measures in the Act, employers that paid qualified wages in Q1 through Q3 2020 may elect to treat the qualified wages as being paid in Q4 2020. This should allow employers to claim the ERC in connection with such qualified wages via a timely filed IRS Form 7200 or Form 941, as opposed to requiring an amended return (IRS Form 941-X) for the prior quarter(s) in 2020.

Eligible employers with 500 or fewer employees may now claim up to $7,000 in credits per quarter, paid to all employees, regardless of the extent of services performed. Previously this rule was applicable to employers with 100 or fewer employees and a maximum of $5,000 in credit per employee per year.

ERC for 2021 (January 1 – June 30, 2021)

In addition to the retroactive changes listed above, the following changes to the ERC apply from January 1 to June 30, 2021:

Increased Credit Amount

The ERC rate is increased from 50% to 70% of qualified wages and the limit on per-employee wages is increased from $10,000 for the year to $10,000 per quarter.

Broadened Eligibility Requirements

The gross receipts eligibility threshold for employers is reduced from a 50% decline to a 20% decline in gross receipts for the same calendar quarter in 2019. A safe harbor is provided allowing employers to use prior quarter gross receipts compared to the same quarter in 2019 to determine eligibility. Employers not in existence in 2019 may compare 2021 quarterly gross receipts to 2020 quarters to determine eligibility. The credit is available to certain government instrumentalities, including colleges, universities, organizations providing medical or hospital care, and certain organizations chartered by Congress.

Determination of Qualified Wages

The 100 full-time employee threshold for determining "qualified wages" based on all wages paid to employees is increased to 500 or fewer full-time employees.

The Act strikes the limitation that qualified wages paid or incurred by an eligible employer with respect to an employee may not exceed the amount that employee would have been paid for working during the 30 days immediately preceding that period (which, for example, allows employers to take the ERC for bonuses paid to essential workers).

Advance Payments

Under rules to be drafted by Treasury, employers with less than 500 full-time employees will be allowed advance payments of the ERC during a calendar quarter in which qualifying wages are paid. Special rules for advance payments are included for seasonal employers and employers that were not in existence in 2019.

Insights on ERC for 2021

Employers that previously reached the credit limit on some of their employees in 2020 can continue to claim the ERC for those employees in 2021 to the extent the employer remains eligible for the ERC.

Qualification for employers in 2021 based on the reduction in gross receipts test may provide new opportunities for businesses in impacted industries.

Eligible employers with 500 or fewer employees may now claim up to $7,000 in credits per quarter, paid to all employees, regardless of the extent of services performed. Previously this rule was applicable to employers with 100 or fewer employees and a maximum of $5,000 in credit per employee per year. Aggregation rules apply to determine whether entities under common control are treated as a single employer.

The Act may provide significant opportunities for your company. However, the interplay between the Act, the CARES Act and various Internal Revenue Code sections is nuanced and complicated so professional advice may be needed. BG

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TREND TO WATCH

THE CLASSROOM IS BEING TRANSFORMED BY ACTIVE LEARNING

There are interesting dynamics to trends in education. As a pursuit, education is predisposed to the study of human behavior and how changes in behavior might influence how humans learn. There is also an inherent bias in that study, especially if the intent of examining how humans might be changing is to bend educational methods to those changes. There is a self-fulfilling bias that tends to lead to the conclusion that something must be changed, which may explain why there seems to be a weekly hot trend in education. The challenge is in finding those trends that are durable.

Trends can be drivers of construction. The move to middle schools in the 1960s and 1970s led to a different pedagogy that required a physical reconfiguration of the building stock. Advancing technology has driven several waves of new infrastructure during the past 25 years. The most recent advances in technology have accompanied an enhanced understanding of how students best learn to elevate the concept of active learning. A fully participative method of instruction, active learning requires a re-thinking of school design and operations.

In Western PA, the two major new school construction projects were transformed by the shift to active learning and the need for flexibility that it creates. The $82 million Peters Township High School will be completed in a couple of months and was designed by Hayes Design Group. The approximately $95 million Thomas Jefferson High School, for which WTW Architects in association with Maryland-based Grimm & Parker Architects designed, opened in September 2019. Each represented a departure for the architects.

"Thomas Jefferson High School opened in 2019 but we started that project in late 2014. One of the premises for that project was that West Jefferson Hills School District wanted to prepare students for higher education learning," says Larry Payne, president and CEO of WTW Architects. "Technology had been changing education to the point that it changed how many teachers taught. They were going to active learning or 'flipped classroom' settings, where students collaborate outside of the classroom in groups to discuss a specific topic before returning to the classroom to have a general discussion. Higher ed instructors have been using that teaching method for a number of years. West Jefferson Hills wanted its classrooms to incorporate the flexibility to support that style of instruction."

"We designed the Bethel Park High School in 2010 and Peters in 2018. It's interesting to compare the two," says Kevin Hayes, founding principal at Hayes Design Group. The biggest trend in education right now, excluding COVID, are collaboration and flexible spaces. Kids are just learning differently now. Students today were born to be wired and schools are trying to find ways to individualize instruction. That means we have to find spaces to help them individualize. They are finding ways of breaking classes down into smaller groups and allowing them to have different positions of learning. We are moving away from kids being in an upright chair all day."

The flexibility that Payne and Hayes describe have as much

Classroom layouts integrate traditional seating with casual seating and device-focused technology. Photo by Halkin Mason Photography to do with the pedagogy as the facilities, although the former significantly influences the latter. While the focus of active learning may be the activation of the student, the trend seems to be rooted in changes that the teachers were making. Education has been undergoing a generational change for a decade, with younger, more technologically capable teachers making up a larger portion of the faculty. These younger teachers learned through more participative methods in college and possessed the skills to augment textbook instruction with multimedia. That means a very different classroom structure.

"All the studies have shown that rows of desks and seats don't work well. That layout gives students who want to be engaged the opportunity to sit up front while students who may be less engaged sit towards the back," Payne says. "We designed a similar scale classroom but used furniture to let students create their own learning environments, and more opportunities for engagement. Students learn differently from one another. Some are more active and hands-on, while others are more visual or auditory learners. If you provide for a flexible classroom layout it gives students the opportunity to create their own learning environment to support various learning styles. That helps with learning outcomes and retention."

"We are introducing soft furniture into areas where students are socializing. Media centers are completely different from 10 years ago. The library is now a 'media commons'," says Hayes. "There are some team approaches but most learning is now individualized. Students can be at a table working on a laptop, or they could be in a soft chair, or they could have their feet up on a wall looking at an iPhone, all the while doing research."

The floor plan of this new flexible work environment is both a continuation and a departure from traditional design. The size and shape of the classroom has not changed. It's likely that there will be more daylight through larger windows, but the four walls would work on a 1950s design. The common areas, however, have changed dramatically. Public spaces now include areas for small groups to collaborate and for individual learning. Libraries, which were already being transformed by the shift from books to digital, have further evolved to include media creation spaces and seating that encourages interaction rather than quiet. There is an openness to the public spaces that allows students to see learning going on around them. The buildings are even being used to create branding about the education.

At Thomas Jefferson, the main entrance rotunda includes the school's motto and graphics throughout the building to promote the idea that the education experience at TJ is differentiated from other schools.

"The rotunda is used to set an educational tone and for branding. The design of the structure is meant to make students proud to come to school," says Payne. "One of the concepts is 'education on display.' From the main stairway you can see students in the library, eating, or collaborating in common spaces. If you walk down the main corridor at Thomas Jefferson, you'll see break out spaces. The students are not just relegated to sitting in the cafeteria to eat. They are free to go to any of these spaces, or even outside spaces, to collaborate."

"We're creating nooks and crannies in school buildings. There are seating areas next to windows, in stairwell landings, and corridors that can accommodate small learning groups. All of that is happening to try to give students spaces and opportunities to learn that are different from the traditional classroom. And the traditional classroom is designed to engage as many of the senses as possible and change things up. That mixes up the instruction and engages the students. It is just a fact of life that it is very difficult for kids today to sit in a room for 40 minutes and listen to a teacher lecture the entire time."

Hayes notes that the teachers respond to the flexibility too, preferring to be able to move freely among the students and being able to use multiple walls as a teaching background. Payne explains that the educational furniture must be truly flexible, allowing for transformation of the layout quickly and quietly so that changing the layout does not become a distraction that derails concentration on the subject.

A flexible classroom is more a function of different furniture and equipment; however, the adaptation of the design of common areas is more radical. By design, there is more openness and more space devoted to instruction. Schools are among the more expensive buildings to construct. Adding space for learning that is redundant to the classroom could result in significant additional expense. If true, more prosperous school districts could afford better learning environments, exaggerating the divide in public education. Both Hayes and Payne insist that there is no premium in an active learning school design, provided the project was planned that way.

"The costs were basically the same as a more conventional design because most schools are putting this kind of technology in place. The classrooms are still standard size that meet the PA Department of Education requirements. The spaces are very well utilized," Payne explains. "Thomas Jefferson opened in 2019 and the cost per square foot, excluding the side work, was approximately $271 per square foot, which is fairly average for a new high school."

Enabling significant change without incurring additional costs is a great way to get school boards to buy into a new concept like active learning. The architects agreed that school board buy-in was a key to the implementation of blended and active learning environments. Hayes credits Peters Township School District with supporting the concept, even though the idea of planning spaces for which the usage was unfamiliar presented a challenge.

"It is challenging but a big part of it is just being willing to say yes," he says. "The design breaks all the old restrictions to give teachers what they need."

"It takes the school board and administration being invested in how they want to facilitate learning and design for their school," agrees Payne. "We believe other school districts have toured Thomas Jefferson High School and expressed that this is the way they want to progress at their schools. When students are more active in their learning, they learn quicker and retain more." BG

The City of Pittsburgh's Fire Safe Building Inspection Program requires that fire and smoke dampers be inspected and tested regularly by an HVAC Fire Life Safety Technician certified by the International Certification Board. It also requires that smoke control systems be inspected by an air balancer who has been certified by the International Certification Board as an HVAC Fire Life Safety Technician.

Failure to meet the code and have your systems inspected regularly can mean fines of up to $300 per offense!

The ordinance can be found at: **https://pittsburghpa.gov/fire/fire-safe-buildings**

You can find certified technicians at: **https://www.nemionline.org/resources/find-an-icb-tabb-certified-professional/**

Please schedule your inspections today! Don't wait until there is a fire to find out that your fire life safety systems are not working properly! The costs are just too high!

UPPER SAINT CLAIR SCHOOL DISTRICT EARNS WELL HEALTH SAFETY CERTIFICATION

There is no upside to the global COVID-19 pandemic. More than two million people have died worldwide, over 500,000 in the U.S., and the economic damage has impacted 20 times that number. The unexpected public health crisis has, however, sparked review of the environments we inhabit and innovative responses that will be beneficial once the virus has abated. Among those responses to COVID-19 is the International WELL Building Institute's (IWBI) development of a Health Safety certification that facility operators can use to create the healthiest indoor environments possible for their occupiers.

WELL Building is a relatively new concept. In the same way that Green Building Certification Institute (GBCI) seeks to engender energy and environmental design in buildings, WELL Building Institute was founded in 2013 to encourage healthy indoor environments. The WELL Building Standards, like LEED, establish individual, progressive objectives for health and wellness in the built environment and certify buildings that meet those standards. WELL certification is verified by GBCI.

WELL Building certification is far less pervasive than LEED. In Pittsburgh, only two buildings, the Phipps Center for Sustainable Landscapes and Desmone Architects 2 Doughboy Square offices, have been certified WELL.

COVID-19 introduced a heightened sense of urgency about the safety of occupied space. IWBI responded in July 2020 by introducing the WELL Health Safety Rating, an "evidence-based, third-party-verified rating for all facility types, focused on operational policies, maintenance protocols, emergency plans, and stakeholder education to address a post-Covid-19 environment now and broader health and safety-related issues into the future." The Health Safety Rating was developed with recommendations from nearly 600 experts across public health, medicine, design, real estate, government, and academia.

While any property owner will benefit by taking the measures that would earn them the WELL Health Safety Rating, the benefits are multiplied when adopted by owners of multiple facilities. That is particularly true of facilities that have large numbers of occupants for extended periods, like public schools.

Alicia Avick, president of Advantus Engineers, is an engineer and Upper St. Clair graduate. She's also the mother of an Upper St. Clair student. After students returned to classes in the fall, Avick was impressed by the measures that the school district had taken to ensure the safety of the students. She sought out Dr. Lou Angelo, director of operations and facilities, and communicated those feelings. She also had a suggestion.

Advantus had recently hired Angelica Ciranni, as director of sustainability. Ciranni had previously managed the 2030 District program for the Green Building Alliance, so she had a focus on improving the performance of existing buildings. Ciranni and Avick saw the WELL Health Safety Rating as a logical expansion of existing building sustainability and were looking for clients that might embrace it.

"In my mind the Health and Safety Rating lines up with LEED for Existing Buildings. It's meant for operating a building," Avick says. "There was so much information coming at us about what we should be doing during COVID. I was talking with Dr. Angelo, who I've known for a long time, and he was telling me as a parent some of the things they were doing to deal with the virus. I was so impressed by all the things that they were doing and how their departments were working together. Angelica had just done a presentation to us as a company about WELL Health Safety. I suggested to Dr. Angelo that the district should listen to the presentation because they were already doing so many of those things."

"Alicia is a community member and had reached out to me about some other questions. She started to talk to me about the WELL Health Safety Rating and it was very appealing to me. I liked the idea that it was a set of standards and that it was a third party verified program. It gave us another level of credibility with our constituents," Angelo recalls. "We were taking a lot of our direction from information coming from the CDC and the ASHRAE epidemic task force. What WELL did for us was to ensure that we were doing everything we could to create a healthy and safe environment for our students and staff. It aligned the efforts we were already making with a science-based framework. Our ultimate goal is to ensure the health and safety of our environments and to provide assurance and peace of mind to our students, families, and staff."

Upper St. Clair School District engaged Advantus to take them through the WELL Health Safety Rating process. Like LEED, the WELL rating requires that building operators meet most, but not all, standards for health safety. GBCI acts as the third-party certification agent and requires 15 of 22 measures for health and safety be met to receive the Health Safety Rating. Much of the rating focuses on building systems operations, like enhanced ventilation and air filtration. The Health Safety Rating also focuses on critical non-building factors like emergency preparedness and policies that encourage good health practices, like paid sick leave.

"I have done a lot of work in the past with buildings that are already in operation. Frankly, there are big gaps in the basics," Ciranni says. "There's a lot of focus on design and construction. For operations there hasn't been a good

Photo courtesy Upper St. Clair School District.

framework or entry point for buildings that haven't pursued LEED before. This rating is valuable to existing buildings where there are barriers to getting LEED certification. This rating focuses in on the core elements of what needs to be done to have a healthy and safe space for the occupants."

Dr. Angelo notes that the WELL Health Safety Rating was also appealing because it did not require any capital investment. Avick sees that as an incentive for school districts that are struggling to keep up with older facilities.

"The rating is not asking owners to rip out the mechanical

"Upper Saint Clair was already doing many of the things needed to achieve the rating, but I think there was some enlightenment on their side about how these pieces all fit together. I think that was especially true for human resources and emergency preparedness," says Ciranni.

systems and start over. It's asking you to understand what you have," she says. "In existing buildings there's always room for improvement but [Upper St.Clair] could work with what they had. They did increase filtration throughout the district, which was done prior to our coming in."

The process Advantus undertook with Upper St. Clair School District started by documenting what the district was already doing to achieve the rating. They explored what additional features could be employed to meet the standards so that district officials could decide what could and could not be implemented. In some cases, there were mechanical system improvements that were identified for future investment. WELL Health Safety Rating requires that an owner understand their systems and gives credit for maximizing the performance of the systems, rather than setting standards that require that an owner upgrade equipment to make. For example, WELL rewards fine tuning an HVAC system to get the maximum fresh air changes per hour, rather than setting a standard for air changes that the owner's existing equipment can't perform.

"Upper Saint Clair was already doing many of the things needed to achieve the rating, but I think there was some enlightenment on their side about how these pieces all fit together. I think that was especially true for human resources and emergency preparedness," says Ciranni. "One thing I thought was special about Upper Saint Clair was how excited the operations people were to learn, and to continuously improve and invest in the program. There's never really an end to a program for health and safety in a school district."

Although WELL Health Safety Rating was sparked by the COVID-19 outbreak, the rating is a continuation of IWBI's ongoing mission to make buildings safer and healthier for occupants. The Health Safety Rating is designed to make it easier for well-meaning owners to maintain the progress made during the pandemic.

"This is much broader than the pandemic. COVID brought some urgency to building owners to pursue the WELL rating, but it's something that was needed," says Ciranni. "The rating is a comprehensive look at the categories that impact occupant health. There is a cross disciplinary collaboration between operations, cleaning staff, school district police, and the human resources department."

Avick jokes that the pandemic has made her feel less germophobic, since she's no longer the only mother who cringes when her daughter high-fives a dozen teammates after a game. Her hope is that the heightened awareness of building health and safety remains after the threat of COVID-19 recedes.

"We all want our kids to be healthier. I want my children not to get strep or the regular flu as much as I want them not to get COVID-19," Avick says.

"The WELL rating helps building owners with management of legionella and mold control. Those are two important problems all building owners face, especially mold and moisture," notes Ciranni. "For owners to start looking at managing these things helps with planning for their 10-year capital program."

WELL Health Safety Rating has an annual renewal, a requirement that will incentivize continuous improvement. The rating system helps cut through the mountains of manufacturer-driven information, giving owners a science-based framework against which they can judge the health of their systems.

"There are ways you can over clean. You don't need to sanitize your blinds," Avick says wth a chuckle. "This gives you a way of focusing your efforts. It gives owners scientific research that's practical, instead of what's in a cleaning product commercial."

Avick thinks one of the silver linings in the cloud that is COVID-19 may be that property owners will be more inclined to invest in the health of their buildings. She says she was reminded of something her husband, Oxford Development's Mike Barnard, said after a frustrating day with a property owner early in his career.

"He said the owner was willing to spend a million dollars on a painting for the lobby but wouldn't spend $2,000 for better filters," Avick laughs. "I get it. Nobody likes to spend money on things they can't see. I think maybe this pandemic brought to light the importance of taking care of the things you can't see."

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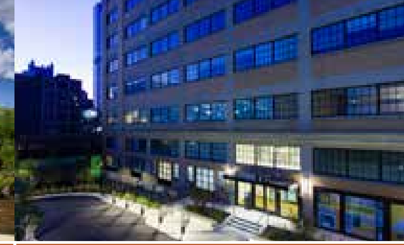

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INDUSTRY & COMMUNITY NEWS

February 25 was the 15th Evening of Excellence. The Building Excellence Awards were done virtually but here are some photos from past celebrations.

Lisa and Mary Coffey of Coffey Cleaning Services at the 2008 Evening of Excellence.

McKamish's John Jordan (l) and David McKamish flank Evening of Excellence judge Bill Batesat the 2009 awards.

MBA's Jack Ramage presents F.J. Busse's John Paul Busse and Joe Zielonka the Building Excellence award at the 2010 Evening of Excellence.

Bill Wilson, owner of Specified Systems Inc. with Eric Passucci of PJ Dick and Ken Brown (right) of Tom Brown Inc. at the 2011 event.

Mike McDonnell (left) from IKM with Emily Landerman Goldberg from A. Martini & Co. and Anthony Martini at the 2012 awards.

(From left) Robin Hages and Allegheny Construction Group's Laura Gibbons and Laura Deklewa in 2014

CMU's Ralph Horgan, Ellen Romagni and Salonika Garapaty with John Zang from Volpatt Construction at the 2016 event.

(Left) Brian Hawk from Brayman Foundations, Lisa Wampler from Cohen Seglias and Lighthouse's Todd Mikec in 2018.

(From left) Mobile Medical's Marianne Karg, Kevin Cannon and Nazia Shah from AGC of America, and the MBA's Bob McCall at last year's Evening of Excellence.

Andy Vater and Scott Tovisi of BXBenefits (right) from 2013.

PJ Dick President Jeff Turconi (left) with Jesse Campayno and Rycon's Lou Ferraro at the 2015 event.

(From left) Kenny Brown of Tom Brown Inc. with Schneider Downs' Gennaro Dibello, Massaro's Jean Markewinski and CMU's Anna Sietken in 2015.

(From left) Desmone Architects' Ryan Croyle, Katie Yatzkanic, Andre Clarke, Gregorio Torchia from WNA Engineering, Desmone's Jeffrey Wessel and Abby Spriggs in 2019.

Joe Burchick with Connie Forte and Cathy Bergman (right) from Ameriserve/ERECT Funds in 2017.

John Petronic from A. Martini & Co. (left) with Reed Building Supply's Aaron Reed.

Turner's Chris DiLorenzo and Drew Kerr (right).

Master Builders' Association of Western Pennsylvania, Inc. (MBA) and Construction Advancement Program (CAP) awarded three scholarships at MBA's Annual Membership Meeting, which was held virtually on January 15, 2021. The scholarship awardees were Haley Turkovich, Brandon McDermott, and Aaron Mitsch. Collectively, the University of Pittsburgh, School of Engineering's Construction Management/Civil Engineering Program students received $16,000. Haley Turkovich took the top prize of $10,000, with Brandon McDermott and Aaron Mitsch taking home $5,000 and $1,000, respectively. All three students have interned with MBA member companies: Haley Turkovich with Mascaro Construction Company, LP; Brandon McDermott with Mascaro Construction Company, LP and Giffin Interior & Fixture, Inc.; and Aaron Mitsch with Independence Excavating, Inc.

Mascaro/Barton Malow, a joint venture, and the South Carolina Occupational Safety and Health Administration (SC OSHA) entered into a limited partnership on Wednesday, February 10, to provide the safest possible work environment for all workers and subcontractors on the Carolina Panthers Rock Hill Development project. Mascaro/Barton Malow is currently partnering with Federal OSHA on UPMC Vision and Rehabilitation Hospital at Mercy, located in Pittsburgh, Pennsylvania. The joint venture is also planning a partnership agreement on the University of Pittsburgh Recreation Center and Student Housing project. (From left) John West, Len Moser, and Dean Slate of Mascaro/Barton Malow signing the OSHA agreement.

Mascaro held a Wear Red Day on February 5. Donations were made in support of the American Heart Association, and the person wearing the greatest number of red items received a heart healthy basket.


BOROUGH OF FOREST HILLS

AWARDS & CONTRACTS

Construction Manager **Landau Building Company** is currently working on the second and final phase of renovations to the Fluoroscopy and X-Ray Rooms at AHN Forbes Hospital. Completion is anticipated for June 2021. The architect is Michael Baker International.

Landau Building Company is currently working on the extensive UPMC Magee Women's Hospital ISD Upgrades at the main Oakland campus. Work includes upgrading data systems and pulling new cabling throughout the entire hospital which remains fully operational. DesignGroup is the architect.

Landau Building Company is in the process of preparing the four story, 180,000 square foot RIDC Keystone Commons Building S to be shown to prospective tenants. Improvements will be done in restrooms, stairwells, lighting, ductwork, water heating systems and electrical systems.

Landau Building Company is the construction manager for renovations of the Forbes Hospital Grossing Station Lab. The lab will receive renovations to mechanical and electrical systems, ceiling tile, ductwork, and cabinet upgrades.

Marks-Landau Construction has begun a 3,500 square foot conversion of a former bank space into a sleep clinic for Wheeling Hospital. The architect is Mills Group.

Massaro Corporation was awarded the contract for construction management of the $1.7 million WVU Health Sciences Center Human Gift Registry Relocation in Morgantown, WV. Stantec is the architect.

Bridging the Gap LLC selected **Massaro** as the construction manager for its 167-unit Fifth & Dinwiddie West development. The architect for the $50 million, 300,000 square foot development is Pieper O'Brien & Herr Architects.

Massaro was recently awarded four projects at AHN Grove City. They include an Emergency Department, ICU Nuclear Camera and Pharmacy renovation. The architect is JPT Architects.

Allegheny Health Network awarded **Massaro** the Allegheny Center 8th floor renovation. Three underutilized areas will be converted to needed office space and minor upgrades are planned for the waiting room to improve the patient experience in addition to an update to the elevator lobby area fire protection and security measures. DLA+ Architects & Interior Designers is the architect.

AHN St. Vincent Hospital awarded **Massaro** the renovation of an existing bi-plane unit in Cath Lab C. A new control room will be added and structural, mechanical, and electrical components will be evaluated for updates. The Design Group is the architect.

Massaro is partnering with J. H. Findorff to build a 12 -story, $63 million apartment with retail and parking for Core Spaces in State College, PA.

Forastero LLC selected **Massaro** as general contractor for the $4 million renovation of 400 Beaver Street in Sewickley. Studio St. Germain is the architect for the conversion of the building into a ground-floor restaurant space with two condos above.

Dick Building Company is completing construction of a 9,600 square foot addition and renovations to 8,500 square feet at the Solomon Chevrolet-Buick-GMC in McClellandtown, Fayette County. The architect is Desmone Architects.

The Sports and Exhibition Authority awarded a $2.99 million general construction contract to **Volpatt Construction** for the renovations to the fourth-floor terrace of the David L. Lawrence Convention Center. The architect for the $9.95 million project is Indovina Associates Architects.

In Muncy, PA, **Rycon's** Building Group is constructing a new, 50,000 square foot Dick's Sporting Goods in Lycoming Crossing shopping plaza. The scope includes site work, parking, and a loading dock. Fox Design Group is the architect.

Rycon's Building Group was awarded the Building Trades contract for a new, $16.5 million all-in-one government service center for Plum Borough. The 42,500 square foot structure was designed by Designstream.

Rycon's Building Group is completing the general trades package for the relocation of Perry High School's Cosmetology program, Career & Technical Education. The 5,400 square foot renovations consist of turning an existing classroom into a computer lab, and a group of three existing classrooms into a cosmetology suite.

Oxide Real Estate Development is the owner, Indovina Associates is the architect, and **Rycon's** Building Group is the construction manager responsible for a new six-story, 120,000 square foot luxury apartment complex at 3201 Penn Avenue that will feature 114-units with high-end finishes, a first-floor parking garage, green roof, fitness center, bike storage, and pet spa.

Work is underway by **Rycon's** Special Projects Group on electrical upgrades to the UT equipment at Verizon's Central Office in Carnegie, PA. This is the seventh Verizon facility in Western, PA that **Rycon's** Special Projects Group has worked on within the last two years.

Rycon's Special Projects Group is renovating two Operations Centers for PA American Water Company in Bethel Park and Uniontown, PA. The fast-track work totals $5.3 million and includes updating the office area, installation of a new water meter vault, as well as renovating the service garage.

Evoqua selected **Rycon Construction** as the design-build contractor for its $3.5 million fit-out at the Tech Forge in Lawrenceville. Renaissance 3 Architects will design the space.

Rycon's Special Projects Group wrapped up core and shell renovations on a Starbucks in Bridgeville, PA. This is one of 18 locations throughout PA, OH, WV, and KY that Rycon has worked on for repeat client Starbucks in last two years.

In Atlanta, GA, work is underway by **Rycon** on a $4 million project featuring the construction of a new 3,700 square foot Chevron gas station, convenience store, and a 17,000 square foot core and shell building for future tenants.

Repeat client, Palmetto Capital Group, selected **Rycon** again to construct a $1.3 million Firestone Complete Auto Care project in Gainesville, GA. The 5,700 square foot project is a pre-engineered metal building. This is the seventh Firestone, totaling $10 million of work, that **Rycon** was awarded in the last two years.

Rycon will soon begin construction of a new $1.2 million Credit Union of Georgia location in Kennesaw, GA. This 3,200 square foot building is the second Credit Union of Georgia project **Rycon** has been awarded within the last year.

Rycon will soon start renovations on a QDOBA Mexican Eats restaurant in Alpharetta, GA. The 2,800 square foot remodel is expected to wrap up March 2021.

In Orange Park, FL, **Rycon** and HFR Design are the design-builders awarded this $8.5 million three-story climate controlled self-storage facility. This is the fifth U-Haul location **Rycon** was selected to work on within the last year. The other facilities are in GA, SC, and FL.

In Jackson, MI, **Rycon** is performing shell and site improvements at a former 148,000 square foot Sears store at Jackson Crossing Mall. The $2.8 million project is scheduled to wrap up June 2021.

Repeat client, J.P. Morgan Chase, selected **Rycon** to build a $2 million, 3,700 square foot Chase Bank at West Bay Plaza in Westlake, OH. This is one of 11 projects, totaling over $19 million, throughout OH, PA, FL that **Rycon** constructed or renovated within the past two years.

Rycon will soon start renovations on a 12,200 square foot Fresenius Kidney Care center in Largo, FL. Within the last year, **Rycon** was chosen to complete over $9 million in renovation work in FL, VA, and NC for repeat client, Fresenius Medical Care.

Rycon is responsible for two Chick-fil-A projects totaling $3.5 million; a fit-out in North Brunswick, NJ and a renovation in Philadelphia, PA. Interior work consists of fast-track upgrades to meet Chick-fil-A's new prototype kitchen and finishes, while exterior work includes drive-thru lane upgrades, increased electrical service, and added canopies.

In Philadelphia, PA, **Rycon** was selected to perform a $15 million industrial renovation to a 100,000 square foot space for a confidential client.

Rycon is fitting out two Scissors & Scotch locations in Arlington, VA and Washington, DC. These 2,300 square foot modern men's barbershops feature full-service bars and private lounges with high top tables and booth seating.

Mascaro Construction is building a new $21 million, 60,000 square foot office and event center for Steamfitters Local #449 in Jackson Township. The facility will house the offices for the Steamfitters and a catered center for industry and community events. PWWG Architects is the architect.

Mascaro's Client Services group received a contract for interior renovations of a PNC Bank on Pittsburgh's Southside.

Mascaro received another contract for work at the AMG Vanadium plant in Zanesville, Ohio. Work will begin in March for the finalization of the site to include asphalt and concrete paving, storm drainage, retention ponds and wetlands, and fencing.

Rocky Bleier Construction Group was awarded the Richard G. Laube Cancer Center expansion at Armstrong County Memorial Hospital, outside Kittanning in Armstrong County, PA. The architect for the $5 million to $8 million addition is levelHEADS Inc. Construction is scheduled to begin in July 2021.

Google awarded a contract to **Turner Construction Co.** for the $8 million renovation of its third-floor offices in Bakery Square. The architect is Perkins Eastman Architects.

UPMC Enterprises selected **Turner Construction** as construction manager for the $3 million build-out of 11,000 square feet at The Riviera for Novasenta.

Mosites Construction has started work on the $45 million 266-bed Forbes Beeler Residence Hall at Carnegie Mellon University. Goody Clancy is the architect for the 120,000 square foot building.

Hampton Township School District awarded **PJ Dick** a contract for construction management agency services on its $38 million high school renovation. The architect is VEBH Architects.

PJ Dick has started construction on the new $75 million Scaife Hall at Carnegie Mellon University. The 85,000 square foot building will replace the existing home for the Mechanical Engineering Department. The architect is Kieran Timberlake.

UPMC awarded **AIMS Construction** a contract for the Western Psychiatric Institute & Clinic Electroshock Compulsion Therapy. The architect is DRS Architects.

AIMS Construction was selected by UPMC as contractor for two projects at UPMC McKeesport Hospital. IKM Inc. is the architect for the MRI Replacement. Allen & Shariff Engineering LLC is the engineer for the Generator Replacement.

University of Pittsburgh awarded **AIMS Construction** the contract for the Ear Nose and Throat On-Call Suite. IKM Inc. is the architect.

Allegheny Health Network selected **AIMS Construction** as construction manager for the Allegheny Valley Hospital Mobile PET/CT Scanner in Natrona Heights. DRS Architects is the architect.

AIMS Construction was awarded a contract for the Africana Studies Renovation at University of Pittsburgh. GBBN is the architect.

Familylinks selected **AIMS Construction** as contractor for its Young Adults Facility Renovation. LGA Partners is the architect.

AIMS Construction was awarded the UPMC Presbyterian Hospital Artificial Heart Replacement renovations. The architect is DRS Architects.

Huntington National Bank awarded a contract to **F. J. Busse Company** for the conversion of 1800 Smallman Street to its new Strip District Branch. The architect is VOCON.

Shannon Construction was awarded a design-build contract by RIDC of Southwestern PA to build the Intervala expansion at RIDC Westmoreland in Hempfield Township. NEXT Architecture is the architect for the $3.8 million build-out, which includes 33,000 square feet of office space.

FACES & NEW PLACES

Landau Building Company announced the promotion of **Christopher (Chet) Beres** to senior estimator. Beres joined Landau in 2011 as a project engineer. He joined the estimating team in 2013. Beres has a B.S. in Civil Engineering from the University of Pittsburgh with a certificate in Transportation Engineering.

Carlo Mastracci joined **Dick Building Company** as senior project manager. Mastracci is a 2008 graduate of Bowling Green University, with a degree in construction management.

John Lisanti announced that majority ownership of **Lisanti Painting** has transitioned to **Margaret Knight**. Knight previously owned Painting With Perfection before joining Lisanti Painting and working in field and office management positions. Lisanti Painting will remain a union shop and Knight is pursuing Woman-owned Business Enterprise certification.

Tim Ali joins **Rycon's** Special Projects Group as project engineer. Tim is a graduate of the University of Pittsburgh with a Bachelor of Science in Civil Engineering with a focus on Construction Management.

B.J. Dove joins **Rycon's** Atlanta office as assistant project manager. B.J. brings over 14 years' construction experience to the company.

In **Rycon's** Fort Lauderdale office, **Mitchell Libanoff** has been hired as project engineer. Mitchell is a graduate of Indiana University Bloomington.

Rycon welcomes **Ron Main** as vice president in the Washington, DC office. Ron brings over 30 years' experience to the company including his expertise in developing, implementing, and managing strategic growth and optimal performance.

In **Rycon's** Washington, DC office, **Alexandra Miles** has been hired as project manager. Alexandra brings over six years of management experience to the company.

Rycon's Building Group welcomes **Rebekah Monsma** as estimating assistant. Rebekah is a graduate of Geneva College with a Bachelor of Science in Biomedical Engineering.

Ben Ramos is transitioning roles from assistant project manager to junior estimator in **Rycon's** Fort Lauderdale office. Ben has worked for **Rycon** since 2018.

Sai Yerrapathruni joins **Rycon's** Philadelphia office as executive vice president. A graduate of Pennsylvania State University with a Master of Engineering in Architectural Engineering, Sai has over 19 years' experience in the construction industry.

Rycon's Casework & Millwork Division welcomes **Ben Zimmer** as senior estimating manager. A graduate of Ohio University, Ben brings over 13 years of management and estimating experience to the company.

In **Rycon's** Casework & Millwork Division, **Bob Gild** was promoted to vice president. His role includes overseeing the estimating, project management, engineering, and operations teams.

Within **Rycon's** Special Projects Group, promotions include **Emily Eichner** as project manager, and **Maura Foy** as assistant project manager.

David Traficante was promoted to project manager within **Rycon's** self-perform division.

Willie Langsford joined the **Mascaro** team on February 15 as a project manager and estimator for the Heavy/Industrial group. He brings a strong background in structural steel and miscellaneous metals work in a variety of markets, as well as experience in the power and metals industry.

Mascaro welcomed **Jacob Schwab** on February 10. Jacob will support the Information Technology department. He is a recent graduate of Duquesne University with a BS in computer science.

Mascaro added two new members to the Carolina Panthers Rock Hill Development team. **Luke Callahan** joined the team on January 18 as a project engineer assigned to the interiors package. He is a Louisiana native and graduate of Louisiana Tech University with a BS in mechanical engineering. **Dorian Williams** joined the team on January 4 as a project engineer, focusing primarily on HVAC and plumbing. Local to the area, Dorian received a BS degree from Norfolk State University in construction management engineering technology.

Ron Sinopoli joined the **Mascaro** team on January 6 as Director, Technology, primarily focusing on virtual construction and oversight of information technology. Ron recently relocated back to Pittsburgh from Chicago and is a Penn State graduate, with a degree in architectural engineering.

Project Manager **Brad Fahnestock**, LEED AP BD&C has joined **PJ Dick's** Exton office. Fahnestock has worked in construction for the past 12 years, including positions with C. Erickson & Sons and The Norwood Company. Brad has a B.S. in Structural Design and Construction Engineering Technology from The Pennsylvania State University.

Uhl Construction announced the addition of **Eric DiTullio**

as senior estimator. A Pittsburgh area native, DiTullio brings over 30 years of regional and national estimating and construction experience.

Kevin Shirey joined Turner Construction Co. as a project superintendent in the Special Projects Division. Shirey has 20 years of commercial construction experience in the Pittsburgh area.

Turner Construction announced **Sheylo Awosika** has returned for a second co-op rotation from the University of Pittsburgh and will be assisting on the engineering on the Wexford Science + Technology / University of Pittsburgh 5051 Centre Avenue project.

David Dugan started with **Turner Construction** as superintendent. Dugan has more than 15 years of construction industry experience and is relocating to Pittsburgh from Florida.

Bryan Smith was hired by **Massaro Corporation** as a project manager in early March. He brings with him 27 years of construction experience in various market segments. Bryan graduated from Penn State with a civil engineering degree.

Massaro Corporation hired **Max Malone** as a project manager in mid-March. Max graduated from Ohio University in 2013 and has been in the construction industry ever since.

Spencer Todd has joined **Specified Systems Inc.** (SSI) as chief operating officer. He comes to SSI via Thermofisher Scientific and Gardner Denver and will manage all processes, fabrication, and business elements for the company. **Ed Marsteller** has been promoted to field quality manager.

MBA MEMBERSHIP

2021 MBA OFFICERS

President
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Rycon Construction, Inc.

Vice President
Raymond A. Volpatt, Jr., P.E.
Volpatt Construction Corporation

Treasurer
Michael R. Mascaro
Mascaro Construction Company, L.P.

Secretary/Executive Director
David D. Daquelente

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F.J. Busse Company, Inc.

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Dick Building Company

Domenic P. Dozzi
Jendoco Construction Corporation

James T. Frantz
TEDCO Construction Corporation

Jeffrey C. Landau
Landau Building Company

Anthony F. Martini
A. Martini & Co.

Steven M. Massaro, Past President
Massaro Corporation

M. Dean Mosites
Mosites Construction Company

Jodi L. Rennie
Turner Construction Company

Clifford R. Rowe, Jr.
PJ Dick Incorporated

Glenn A. Sieber (MICA President)
Easley & Rivers, Inc.

GENERAL CONTRACTORS

A. Betler Construction, Inc.
A. Martini & Co.
AIMS Construction
The Albert M. Higley Company, LLC
Allegheny Construction Group, Inc.
Burchick Construction Company, Inc.
Caliber Contracting Services, Inc.
Carl Walker Construction, Inc.
Dick Building Company
DiMarco Construction Co., Inc.
E&G Development, Inc.
F.J. Busse Company, Inc.
Facility Support Services, LLC
FMS Construction Company
Fred L. Burns, Inc.
Independence Excavating, Inc.
Jendoco Construction Corporation
Kokosing Industrial Incorporated
Landau Building Company
Mascaro Construction Company, LP
Massaro Corporation
McCrossin
Menard USA
Mosites Construction Company
Nello Construction Company
Nicholson Construction Company
PJ Dick Incorporated
Rocky Bleier Construction Group
Rycon Construction, Inc.
Shannon Construction Company
Spartan Construction Services, Inc.
Stevens Engineers & Constructors, Inc.
TEDCO Construction Corporation
Turner Construction Company
Uhl Construction Company
Volpatt Construction Corporation
Yarborough Development, Inc.

SPECIALTY CONTRACTORS

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A. Folino Construction, Inc.
A. J. Vater & Company, Inc.
A.C. Dellovade, Inc.
ABMECH Acquisitions, LLC
ACE Lightning Protection Inc.
Advantage Steel & Construction, LLC
All Crane Rental of Pennsylvania, LLC
Alliance Drywall Interiors, Inc.
Amelie Construction & Supply, LLC
Amthor Steel, Inc.
Brayman Construction Corporation
Bristol Environmental, Inc.
Bruce-Merrilees Electric Co.
Bryan Construction, Inc.
Burke & Company, LLC dba S.P. McCarl & Company
Century Steel Erectors Co., LP
Clista Electric, Inc.
Cost Company
Costa Contracting, Inc.
Cuddy Roofing Company, Inc.
D-M Products, Inc.
Donley's Concrete Group
Douglass Pile Company, Inc.
Easley & Rivers, Inc.
EMCOR Services Scalise Industries
Fay, An i+iconUSA Company
Ferry Electric Company
Flooring Contractors of Pittsburgh
Franco Associates
G. Kidd, Inc.
Gaven Industries, Inc.
Giffin Interior & Fixture, Inc.
Gregori Construction, Inc.
Gunning, Inc.
Hanlon Electric Company
Harris Masonry, Inc.
Hatzel & Buehler, Inc.
HOFF Enterprises, Inc.
Howard Concrete Pumping, Inc.
Hunt Valley Environmental, LLC
J.J. Morris & Sons, Inc.
JLJI Enterprises, Inc.
Kalkreuth Roofing & Sheet Metal, Inc.
KELLER
Keystone Electrical Systems, Inc.
Kirby Electric, Inc.
Kusler Masonry, Inc.
L & E Concrete Pumping Inc.
Lighthouse Electric Company, Inc.
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Matcon Diamond, Inc.
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Nathan Contracting LP
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Phoenix Roofing, Inc.
Pittsburgh Interior Systems, Inc.
Precision Environmental Company
RAM Acoustical Corporation
Redstone Flooring, LLC
Renick Brothers Construction Co.
Richard Goettle, Inc.
Right Electric, Inc.
Ruthrauff | Sauer, LLC
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Sargent Electric Company
Schindler Elevator
Schlaegle Design Build Associates, Inc.
Schnabel Foundation Company
Specified Systems, Inc.
Spectrum Environmental, Inc.
SSM Industries, Inc.
Stetson Convention Services, Inc.
Swank Construction Company, LLC
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W.G. Tomko, Inc.
W.O. Grubb Steel Erection, Inc.
Wayne Crouse, Inc.
WGM Contractors, LLC
William. A. Fischer Carpet Company
Wyatt, Incorporated

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Allegheny Medical
Alliant
American Contractors Insurance Group
AmeriServ Trust and Financial Services Company
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Atlas Wholesale Co., Inc.
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Computer Fellows, Inc.
Cozen O'Connor
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Dentons Cohen & Grigsby P.C.
DesignGroup
Dickie, McCamey & Chilcote, P.C.
Dingess, Foster, Luciana, Davidson & Chleboski, LLP
Dollar Bank
DRS Architects
Eckert Seamans Cherin & Mellott
ECS Mid Atlantic, LLC
EPIC Insurance Brokers & Consultants
FDR Safety, LLC
First National Insurance Agency
Foundation Building Materials
Frost Brown Todd, LLC
Gallaway Safety & Supply
The Gateway Engineers, Inc.
Graystone Consulting Pittsburgh Cleveland
Green Dot Active Solutions, Inc.
The Hartford Surety
Henderson Brothers, Inc.
Henry Rossi & Co., LLP
Highway Equipment Company
Huntington Insurance, Inc.
Huth Technologies LLC
Intertek - PSI
J. S. Held
Karpinski Engineering
Langan Engineering & Environmental Services
Liberty Insurance Agency
Liberty Mutual Surety
Lockton Companies, LLC
Lytle EAP Partners/Lytle Testing Services, Inc.
Maiello, Brungo & Maiello
McKim & Creed, Inc.
Metz Lewis Brodman Must O'Keefe LLC
Meyer Unkovic & Scott, LLP
Meyers Company
Michael Baker International
Mobile Air, Inc.
Mobile Medical Corporation
MSA Safety
Multivista
NCI - Nursing Corps
New Millennium Building Systems
Ohio Valley Drywall Supply
Old Republic Surety Company
Pac-Van, Inc.
Philadelphia Insurance Companies
Pietragallo Gordon Alfano Bosick & Raspanti, LLP
Pittsburgh Mobile Concrete, Inc.
Providence Engineering Corporation
R.J. Bridges Corporation
Regional Industrial Development Corporation (RIDC)
Republic Services, Inc.
The Rhodes Group
Rimkus Consulting Group, Inc.
Schneider Downs & Company, Inc.
Scotti Law Group
Seubert & Associates, Inc.
Stanley Black & Decker
Steptoe & Johnson PLLC
Suburban Propane
Tarax Service Systems, Inc.
Tom Brown, Inc.
Travelers Bond & Financial Products
Tucker Arensberg, P.C.
UPMC Work Partners
USI Insurance Services
VEBH Architects, P.C.
Werner Co
Willis of Pennsylvania, Inc.
WNA Engineering, Inc.
Zilka and Associates, Inc. Architects
Zurich NA Construction

CLOSING OUT

PENNSYLVANIA'S SEPARATIONS ACT OF 1913: IT'S TIME TO MODERNIZE

BY WILLIAM SPROULE

The Separations Act of 1913 is often called antiquated, stale and outdated. Yet this 108-yar law had gone untouched and has not been updated or evolved to meet the new standards and needs of the Pennsylvania construction industry.

How does this process transform the day-to-day bidding on public construction projects in Pennsylvania? By putting this requirement on all public institutions — schools, highways, municipal buildings — the Separations Act breaks projects into smaller sections, including HVAC, electrical, and plumbing. Then the Commonwealth must receive three separate bids from prime contractors for each of those smaller components. The government's complicated, misguided attempt to save money results in minor chaos. Now Pennsylvania working families' tax dollars must pay for four separate major contracts that lack coordination — the glue in any construction project. It's a surefire way to guarantee disorder and confusion.

Worse, whoever performs the work is not guaranteed to have any real-life construction management experience.

The idea behind the Separations Act — often referred to as the Multiple Prime Delivery System — is to save taxpayer dollars, particularly in schools. On the surface, the idea might seem appropriate, but that surface level view does not include and actual understanding of the construction industry and project management. The reality is quite different, because the process is flawed. In the field, we witness overruns and delays, all "supervised" by a confusing tangle of individual contractors who can't resolve disagreements, often resulting in legal action.

There is also the issue of the institution administrator or "person in charge." The law transforms the construction administrator into a single prime contractor. Yet again, the administrator, almost without exception, lacks the training and experience to meet the complicated tasks, needs and deadline requirements that arises with every multimillion-dollar project.

Pennsylvania officials has even spoke out and explained that the taxpayer is getting a bad deal with this approach. During legislative testimony, Pennsylvania's General Services Secretary Curt Topper said: "The changes that I would like to see are all based on an understanding that we face some significant constraints that the private sector does not face when it comes to managing our money efficiently. For example, the Commonwealth, when we go to market in order to contract to do construction, we are bound by the Separations Act of 1913.

"That Separations Act requires that we do business less efficiently than we could otherwise. It effectively prohibits us from doing design-build. It effectively prohibits us from doing integrated project delivery and effectively sets up a situation where it is much more difficult to design a project, to bid a project and to manage a project. I'd love to see us address that problem."

We can change this unfair process, and we must do it now because the health of future construction projects in Pennsylvania is at stake. By changing to modern construction management methods, we can reduce upward of 10% in costs, saving taxpayers a bonanza. Pennsylvania legislators are asking for $1 billion in school renovation, which translates into $100 million of savings.

Let's overcome the inertia and capture the attention of our Pennsylvania legislators. The first step that all of you can commit to is signing an online petition asking Pennsylvania legislators to modernize the Separations Act of 1913. You can "sign" the petition online at https://separationsact.com/petition.

It's a simple, quick way to protect our construction industry and taxpayers in Pennsylvania.

William Sproule is the executive secretary-treasurer of the Eastern Atlantic States Regional Council of Carpenters.

William Sproule

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