Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA
NOVEMBER/DECEMBER 2014

THE NEW AIRPORT CORRIDOR

Assessing Act 89

Mechanics Lien Revised Again

Third Quarter Results


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About the Cover:
I-376 Airport Corridor
Photo by
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Publisher's Note

What a difference a few weeks can make. At the end of September, I had thrown in the towel on 2014 and the impending construction boom. My research showed a big decline in housing construction and non-residential contracting that was even lower than 2013. After forecasting an increase of over 20 percent for non-residential construction I had no confidence that next year was going to get better, even though it should.

Three weeks later, a wave of new announcements and pent-up activity is making the prospects for 2015 look brighter. The fundamentals of supply and demand dictated that the Pittsburgh region would have a marked increase in new construction for more than a year but thus far there was a missing ingredient to change hope into notice-to-proceed.

Back in February 2009, I listened to a presentation by PNC's Stu Hoffman about the recession and the process of recovery. At the time he made the point that from a technical perspective, the recession was all but over; the recovery, he asserted, was now a matter of confidence from consumers and businesses to begin growing again. That confidence ingredient Hoffman declared as missing in the recovery "recipe" took several years to evolve, and for the construction industry the lack of confidence by owners has held back real recovery through this year.

It's interesting that new University of Pittsburgh Chancellor Patrick Gallagher echoed Hoffman's point in a completely different context during a breakfast briefing for the Pittsburgh Technology Council on October 14. Among his comments that morning, Gallagher observed that the conservative nature of Pittsburghers could be a potential stumbling block to reaching the full potential of the region's technology industry. Gallagher pointed out that new technology business thrives in an environment of research grants, university synergism and collaboration; however technology entrepreneurs also need a culture where failures are embraced as part of the process of innovation and growth. He voiced concern that the risk aversion of Pitt and the regional culture could impede smart risk-taking and investment.

Now that's a critique that I haven't heard often. Within the construction and real estate communities, that inherent risk-aversion is celebrated as one of the reasons that the Pittsburgh market avoided the big problems that plagued other cities where caution was thrown to the wind in pursuit of big returns. I can't count the number of times I've heard how Pittsburgh never gets too high or too low. No booms but no busts either. Maybe it's time to look at that civic virtue a little differently.

In many ways that aversion to risk is a by-product of the trauma of the job losses that went with the loss of industry in the early 1980's. I've often heard the conservatism attributed to the nature of the immigrants that were the backbone of the industrial boom of the previous century but that doesn't square up in many ways. In my mind, the decision to chuck the life that immigrants knew in their homeland – however miserable it may have been at the time – and get on a boat to start all over in America was a far greater risk than any business decision could be. And, in fact, the very industrial past that we Pittsburghers hold dear resulted from the kind of risk taking by industrial entrepreneurs that Pat Gallagher is talking about today.

Within the construction industry we have some enormous opportunities and structural challenges at the moment. In a year when regional employment continues to break all-time high marks, there is little space to house new employees yet almost no spec office or industrial projects are being built. New homes sell like hotcakes because there are fewer houses for sale than there are buyers but there is a shortage of developed lots and less new construction in 2014 than in 2013. A game-changing industry is investing billions in creating its infrastructure yet little has been done by government or private sector to anticipate what a full-fledged oil and gas sector will require to thrive.

At the root of this risk aversion is a lack of confidence. A number of major office projects have been announced with the proviso that each requires an anchor tenant to proceed. I can't fault that thinking (and lenders don't fault it either) but I offer as counterpoint this question: what would the concern be if the owners had confidence that the supply and demand dynamics would provide the needed tenants when construction was completed? What is the bigger risk: having too much space or thwarting business growth by not having enough?

It's easy to offer this confidence observation from my seat. After all, it ain't my money that I'm talking about. Looking at the burgeoning pipeline of projects and the potential need for space, I can't begin to find a parallel in my experience to compare the slow construction activity of 2014. So many things are going well in Pittsburgh's economy that surely 2015 must be the year that the dam bursts with activity. That's what I felt about 2014 too and you see how that has gone. I'd like to forecast that construction will be up over $3 billion next year but I'm gun shy after the past couple years.

I guess I just need a bit more confidence.

Jeff Burd

REGIONAL MARKET UPDATE

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As the third quarter ended with downbeat results in much of the construction industry, a handful of project announcements and some quiet developments in some of the larger projects in the regional pipeline moved the sentiment about the market from glum to hopeful. The die is cast for 2014, but prospects for 2015 seem to be brighter.

First to the results: construction activity in the non-residential sector was $1.92 billion through the first nine months of 2014. That's a decline of just over 15 percent from the same period in 2013, which was hardly a banner year for comparison. Continued weakness in healthcare construction, K-12 and higher education – all segments that have historically been the bread-and-butter of the market – are the main culprits in the shortfall.

Housing starts were off by an even greater amount, with the total number of units permitted declining by more than 30 percent to 3,033 units. An examination of the components of the housing market shows a somewhat brighter picture. Permits for single-family detached homes – the heart of the housing market in Pittsburgh – declined by ten percent to 1,480 units. Like with existing home sales, the lower volume in new construction is as much a supply problem as it is one of slowing demand. Building lots remain in short supply relative to historical levels. New development is heating up but the lead time on residential development is 12 to 18 months, leaving a hole in the market.

The biggest hole in the housing market through three quarters of 2014 is the lower volume of multi-family construction. At just over 1,000 units, multi-family development is less than half of permit volume through the first nine months of 2013. The decline is more a reflection of the unusually high volume in 2013, which ended with 3,838 units for the year, and the timing of projects in the pipeline. Since the third quarter ended, construction got underway on the Skyvue project in Oakland – being built by Massaro Corporation – and the Three Crossings project, which Rycon Construction is building. These two projects will add 698 units to the inventory and another 600 or so units are in the pipeline to start before year's end. Assuming all of the projects begin, there should be roughly 2,400 units of apartments started in 2014, a volume that will be higher than any year in the last two decades except 2013.

One bright spot in the year-to-date construction market is the heavy and highway sector. Mostly owing to the funding mechanism, Act 89 (more on page 52), bids have been taken on more than $2.2 billion in PennDOT contracts through September 30, an increase of almost 70 percent over the 2013 season. PennDOT also announced on October 24 that Plenary Walsh Keystone Partners was selected for the department's Rapid Bridge Replacement Project, an $899 million public-private partnership to replace 558 bridges across the state between 2015 and 2018.

Pittsburgh Metro Housing Construction	SFD	SFA	TOTAL
Total Pittsburgh MSA 2014:3	1,480	1,551	3,031
Total Pittsburgh MSA 2013:3	1,645	2,721	4,366
% Change	-10.0%	-43.0%	-30.6%

A significant dropoff in multi-family projects compared to the boom year of 2013 is the main reason the Pittsburgh housing market is down 30 percent. Source: Pittsburgh Homebuilding Report.

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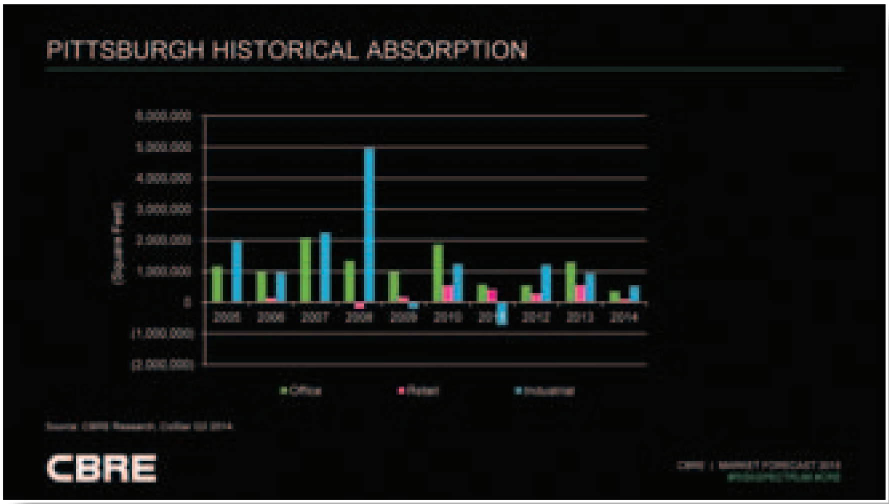


Absorption of space of all types has been overwhelmingly positive for the past ten years in metro Pittsburgh. Source: CBRE Econometrics.

This tepid contracting volume thus far has failed to lift the region's construction industry out of its extended post-recession slowdown, which is in its fourth year. In light of the positive fundamental economic conditions in Western PA, the lack of new construction is frustrating. Nearly 26,000 jobs remain open in Pittsburgh. Unemployment is at 5.2 percent. Housing prices are rising at a pace that is three or four times that of inflation. More businesses are expanding than contracting. Architects and engineers have been busy planning projects for the best part of two years. Construction should follow.

Perhaps the most frustrating of the positive economic data are the fundamentals of supply and demand for commercial real estate. Unlike with institutional space, commercial real estate – office buildings, shopping centers, apartments and industrial space – is most directly influenced by the health of the overall economy. Booms in hospital or school construction can and have occurred in the midst of weak or recessionary

A bevy of market reports released by commercial real estate service companies show that new space is needed.

economic conditions but when the economy slows, so does the demand for commercial property. In a nutshell, commercial real estate follows jobs.

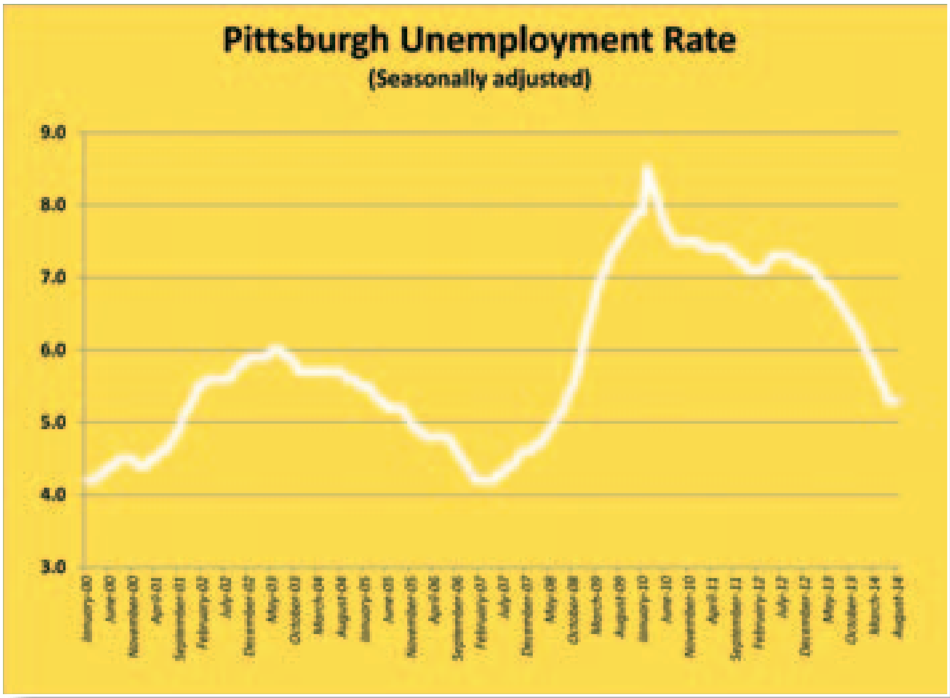
A bevy of market reports released by commercial real estate service companies show that new space is needed.

Both CBRE and JLL reported that Class A office vacancy rates are still in the single digits, in both the Central Business District (CBD) and Southpointe submarkets. JLL showed the Class A vacancy rate at 7.1 percent in the CBD and nine percent in Southpointe. CBRE reported that the Class A vacancy was just over nine percent in the CBD, with positive absorption above 150,000 square feet for the quarter.

According to Newmark Grubb Knight Frank (NGKF), vacancy for office space that was available for lease declined again in the third quarter to 15.1 percent and average office rents increased to $2134. NGKF excludes owner-occupied space from its calculations to identify the space available for rent. The firm's industrial research showed occupancy increasing, with only 7.1 percent of the industrial market vacant to lease.

NGKF Executive Managing Director Gerard McLaughlin commented on the steep decline in absorption during 2013 and 2014, with the forecast for net absorption for the current year at roughly 15 percent of the ten-year average. McLaughlin points out that the low absorption rate is not a function of low demand but rather a lack of sufficiently large space available for growing companies to rent.

The slowing absorption rate is a concern for commercial construction, at least for the short-term health of the market, which has recently been overwhelmingly positive. Vacancy can sometimes be a misleading benchmark because of how owner-occupied space expands or contracts but net absorption of space is a fairly pure measure of business or job growth. And those figures for Pittsburgh have been uncommonly positive. According to CBRE Econometrics, since 2005 there have only been two years in which industrial absorption was negative – the only significant reduction was the Sony plant in New Stanton in 2011 – and there has been no year in which office space absorption was negative. Simply put, Pittsburgh employers have been taking more space for ten years. While positive absorption really doesn't occur in a declining environment for very long, the strength of the Pittsburgh economy has been less relevant to the absorption rate than the lack of new construction.



Unemployment in metro Pittsburgh has fallen to 2005 levels. Source: Bureau of Labor.

A series of press releases came out in mid-October that seemed to address the next construction void. Merrill Stabile made known his plan to develop 600,000 square feet of office buildings and 1,227-car parking garage. Within days, Highwoods Properties announced an agreement with the Soffer Organization to develop four office buildings at South Side Works totaling 400,000 square feet, beginning with a 158,000 square foot office. These projects follow on the heels of Oxford Development's announcement in August of a revised 521,000 square foot 350 Fifth Avenue office building Downtown. The Highwoods and Oxford projects seem especially capable of starting in the first half of 2015, pending the signing of an anchor tenant. While this flurry of proposed developments raise the hope that such a "whale" user is in the market, the city's brokers seem to be unaware of such a user.

The start of one of these projects – particularly the 350 Fifth building – would kick off a round of users maneuvering and create some of the breathing room of which Gerry McLaughlin speaks.

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Of course no proposed development or announcement will have a greater influence on the regional economy than a decision to proceed with one of the ethane cracker complexes. October came and went without any further formal action by Royal Dutch Shell in Monaca or Odebrecht's Appalachian Shale Cracker Enterprise

(ASCENT) near Parkersburg, WV. In West Virginia, ASCENT's voluntary remediation program application is still under review by the WV Department of Environmental Protection; however, information filtering out about the Monaca plant gives the impression that the project is like a duck – calm on the surface while paddling like the devil underneath.

Contracting activity by engineering/procurement/contracting entities Jacobs and Bechtel continued at the Shell site and those close to the bidding are expressing optimism about the project's release in 2015. Reports of a decision to start development of nine support buildings at the site were denied by Shell, whose spokesman explained during the company's ten-day pre-earnings quiet period that the company "has not approved the construction of buildings related to its potential petrochemical project in Beaver County." Shell reported its earnings on October 30 without news of any approvals.

The 20 percent drop in the price of crude oil has been a blessing for consumers but has created concern that the decision to proceed with a cracker or continue exploration of the Marcellus formation will be pushed out into 2015 or beyond. While the players in the gas industry are also the players in oil, experts predict that even an extended period of $80/barrel oil should not dent shale gas production. The consensus seems to be that lower oil prices may defer capital expenditures for oil-related projects and mega-investments, while lower-cost capital projects planned to leverage shale gas assets should proceed. BG

NATIONAL MARKET UPDATE

Trends in construction at the national level are following the rising arc of the national economy. While fears about the potential spread of Ebola and a reprise of Eurozone fiscal woes have shaken stock and bond investors, construction in the U. S. seems to be following the steady – if unspectacular – increase in employment and disposable income.

The National Association for Business Economics (NABE) October 2014 Business Conditions Survey found growth occurring at a majority of the 76 survey respondents' organizations. The NABE economists earlier looked at the final gross domestic product numbers for the second quarter and third quarter GDP estimates, modestly revising their forecast for the balance of 2014 and 2015. NABE predicts that growth wil be 3.1 percent in the fourth quarter. Estimates of GDP made at mid-year were one-tenth of a point higher for each quarter. Economists from NABE maintained a growth forecast for 2015 of 2.9 percent. The government's first estimate of third quarter GDP is 3.5 percent.

NABE panelists see more businesses growing than contracting throughout the remainder of the year, although not dramatically so. Likewise, their forecast for capital spending and investment is similar, with roughly one-third spending more.

While three percent GDP is not going to lead to an economic boom, the pace of growth continues to support the most important aspect of the current cycle of recovery: more hiring. Layoffs, as measured by weekly initial jobless claims, have averaged fewer than 300,000 for the past three months. The number of jobs has increased by an average of 227,000 month-to-month in 2014, reducing unemployment to 5.9 percent.

Unlike in previous years since the end of the 2008-2009 recession, this year is ending with higher expectations for future expansion and employment growth, perhaps because the economy in general faces fewer headwinds going into 2015. The recurring possibility of isolated defaults from European countries does not seem to be a concern for investors in general or for American businesses. The U. S. budget deficit has declined – even if the size of the total deficit has not – and the current election cycle has not produced any trends that appear to be disruptive to government operations. The taking of the Senate majority by the Republicans is more likely to result in a more business-friendly environment than exists in the current administration and Congress.

During the third quarter hiring passed the ten million-job milestone since the recession ended. That mark surpasses the number of jobs lost during the recession by roughly two million jobs. The current employment level does not account for the growth that population and immigration have added to the workforce but employment is robust enough to support the construction that results from expansion. This trend explains the increase in demand for offices, hotels and especially for apartments, as previously under-employed younger adults have been able to move out and form households of their own.

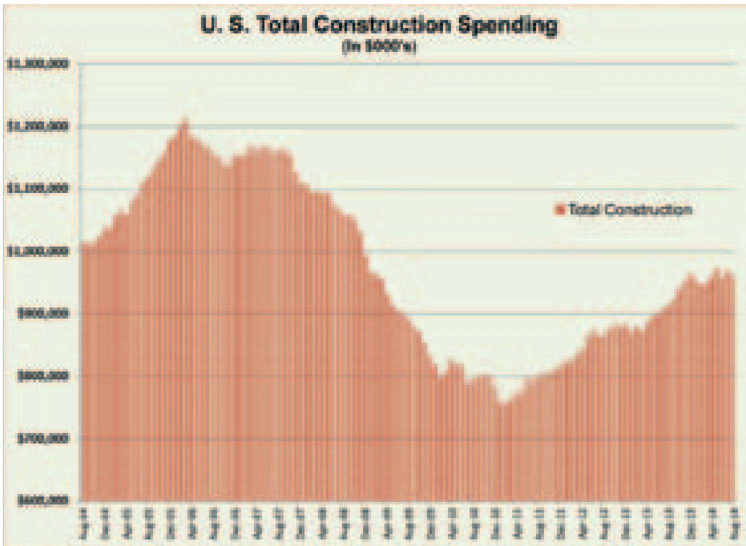
Commercial real estate continues to strengthen in several categories – notably apartments and lodging – are trending towards reaching a cyclical top. According to the Census Bureau's latest data, construction of apartments remains strong, rising 36 percent year-over-year, followed by office buildings – up 19 percent – and general commercial projects – up 10 percent. Census also reported that multi-family starts remained high, with 30 percent more units started in September compared to the previous year.

One area that those in the commercial construction segment have been monitoring is commercial mortgage-backed securities (CMBS) defaults, the last vestige of the financial crisis that is lingering from the heady 2005-2007 days. Observers have been concerned about the maturity

CMBS 30-Day Delinquency Rate	U. S.	Pittsburgh
September-13	8.14%	3.46%
March-14	6.52%	4.53%
June-14	6.05%	2.77%
July-14	6.04%	2.78%
August-14	6.10%	2.89%
September-14	6.03%	2.96%

Delinquency on CMBS deals continues to decline. Delinquency in Pittsburgh is less than half the national rate. Source: Trepp's LLC.

This trend explains the increase in demand for offices, hotels and especially for apartments ...



Construction spending continues to recover steadily, driven mostly by non-residential construction and residential apartments.

of ten-year deals done during those years, when CMBS issuances hit record highs with aggressive underwriting. For the most part, the health of the underlying properties financed during those years has rebounded and fewer properties are experiencing negative debt coverage. Recent data on CMBS delinquency rates is also suggesting that those deals that mature in the coming couple years will not damage the CMBS market.

According to Trepp CMBS Research, nearly 94 percent of all CMBS deals are current, with the delinquency rate of greater than 30 days falling from 8.14 percent in August 2013 to 6.03 percent in the current year. The rate of decline will likely flatten over the next 12 to 24 months but at the current levels, pressure on CMBS issuances from failures should be negligible.

Construction of manufacturing and industrial buildings – facilities that bring higher employment with new space – increased at a pace that was equal to or greater than the commercial categories. Compared to September 2013, power plant/generation facilities were up 17 percent and manufacturing plants were up 15 percent.

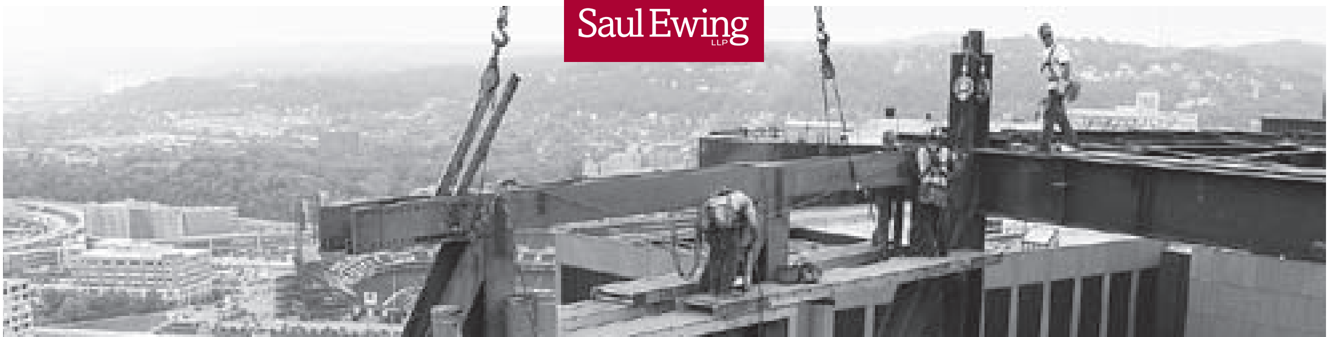
Total construction spending in August totaled $961 billion, down 0.8 percent from the rate in July but 5.0 percent higher than September 2013. Private nonresidential spending was off slightly by -1.4 percent in August but up 9.2 percent year-over-year. Public construction also fell by -0.9 percent for the month and was only 1.9 percent higher for the 12-month period, a rate that trails the rate of construction inflation during the same period. Spending on single-family homes was mixed, with 8.3 percent more spent on new construction since September 2013 while spending on residential improvements declined by more than ten percent.

As current construction trends higher, the October 22 release of the Architectural Billings Index (ABI) indicates that the outlook for future construction is stronger. The American Institute of Architects reported that its survey of member firms in September found that billings were higher for 55.2 percent of the architects, up from 53 percent in August. September marked the fifth consecutive month of increased billings after falling just below 50 several months in the winter and early spring. Higher construction volumes have historically followed increased billings for design by some nine to 12 months.

Housing starts rose 18 percent from September 2013, with single-family starts up 11 percent year-over-year. The growing strength of the single-family new construction market mirrors stability in the sales and prices of existing homes. The National Association of Realtors (NAR) reported that the median sales price for existing-homes in August was $219,800, an increase of 4.8 percent over August 2013. August was the 30th consecutive month of year-over-year price gains. The total house inventory for sale declined to 2.31 million in August, which represents a 5.5 month supply. Homes for sale were actually slightly higher than in August 2013, when 2.21 million homes were in the inventory. A closer examination of sales shows a change in the housing market that will be more positive for first-time buyers.

Lawrence Yun, NAR chief economist, says that sales activity has slowed slightly due to investors leaving the market. All-cash sales were 23 percent of transactions in August, dropping for the second consecutive month (29 percent in July) and representing the lowest overall share since December 2009 (22 percent). Individual investors, who account for many cash sales, purchased 12 percent of homes in August, down from 16 percent last month and 17 percent in August 2013. Sixty-four percent of investors paid cash in August.

The exit of investors from the market opens up opportunities for buyers of less expensive homes to have less competition. As inventories grow slightly, there are fewer bidding wars, again allowing more access to first-time buyers. There is no evidence that this development is leading to a larger trend of home ownership (the share of Americans owning homes remains below 65 percent). It's better for the household formation rate if there is greater access for those who have planned to own homes but have been locked out by market conditions. That would represent a reversal of what is a negative economic trend and add still more depth to one of the foundational elements of the economy. BG



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WHAT'S IT COST?

Several metrics for construction costs showed increased upward pressure on prices through September but an unexpected decline in the price of oil has the potential to offset most of the price increases for building materials and products.

HIS Global reported that all 12 of the components of its PEG Engineering and Construction Cost Index (ECCI) increased in September. The ECCI rose from 53 in August to 57.8 percent in September, which registered the highest reading in 18 months. The ECCI for materials and equipment increased even more, rising to 59 percent of executives noting increases.

Rider Levett Bucknall's National Construction Cost Index increased 1.4 percent from April to July and 4.3 percent over the July 2013 level. The construction consulting firm concluded that the price increases, combined with what it sees as "other notable increases in 2014," indicates that a "significant uptick in construction costs may be looming." The factor influencing Rider Levett Bucknall's conclusion most is the shortage of skilled workers available, a factor the firm sees accelerating into 2015.

Both of these reports were compiled and released as the decline in oil prices was accelerating, a trend that will at least partly offset some of the pent-up material increases. The October 20 Bureau of Labor Statistics' report on inflation showed indications that lower oil prices were already moderating construction costs.

The producer price index (PPI) for final demand dropped 0.3 percent in September and rose 1.6 percent compared to September 2013. The PPI for final demand construction was flat in September and rose 3.0 percent year over year. The PPI for inputs to construction declined 0.1 percent in September and increased 1.6 percent over 12 months. The overall PPI for new nonresidential building construction was flat for the month and up 3.1 percent since September 2013. The indexes that measure construction put-in-place – meaning that labor and market conditions were factored in – increased consistently by roughly three percent. Those that measure manufacturing or fabrication mostly mirrored the overall rate of inflation.

Among the materials with gains above the norm were items used in homebuilding or in heavy/highway construction, which received a late summer funding boost in many states. Notable were lumber and plywood (10.5%), drywall (7.5%), hot-rolled steel (10.3%), steel fabricated for bridges (14.2%) and cement (5.7%). The biggest

PERCENTAGE CHANGES IN COSTS	Sept 2014 compared to		
	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	-0.2	0.0	1.7
Producer price index (PPI) for final demand	-0.3	-0.1	1.6
Construction final demand	0.0	0.5	3.0
Costs by Construction Types/Subcontractors			
PPI for all inputs to construction	-0.1	0.0	1.6
Residential buildings	-0.1	0.0	2.0
New industrial building construction	0.0	0.6	3.3
New warehouse construction	0.0	0.9	2.2
New school construction	0.0	0.2	3.5
New office construction	0.1	0.6	3.2
New healthcare construction	-0.1	0.2	2.7
Concrete contractors, nonresidential	0.1	0.4	1.5
Roofing contractors, nonresidential	-0.4	1.4	4.9
Electrical contractors, nonresidential	0.0	0.8	1.0
Plumbing contractors, nonresidential	0.0	0.4	4.6
Costs for Specific Construction Inputs			
#2 diesel fuel	-1.4	-2.0	-7.7
Asphalt paving mixtures and blocks	0.4	-1.7	3.6
Cement	0.0	0.3	5.7
Concrete products	-0.3	0.7	3.6
Brick and structural clay tile	-0.1	0.1	1.8
Plastic construction products	-0.2	0.2	1.7
Gypsum products	-0.1	-1.3	7.5
Lumber and plywood	0.3	2.0	10.5
Architectural coatings	0.0	0.1	0.9
Steel mill products	0.1	0.6	4.7
Copper and brass mill shapes	-0.8	1.7	-2.4
Aluminum mill shapes	1.6	6.1	9.9
Fabricated structural metal	-0.1	-0.6	2.7
Prefabricated metal buildings	-0.3	1.4	5.2
Asphalt (at refinery)	1.0	5.3	10.1
Iron and steel scrap	2.3	2.1	6.8

Source Bureau of Labor Statistics, Updated October 20, 2014
Compiled by Ken Simonson, AGC Chief Economist

They pay, at least indirectly, for the fuel cost involved in transporting all materials and equipment delivered to construction sites and the equipment, dirt and debris that is hauled away.

declines were felt in oil-related products, especially #2 diesel and asphalt coatings (both down 7.7%) and prepared asphalt roofing and siding (down 9.8%).

Associated General Contractors' Chief Economist Kenneth Simonson makes an ongoing study of construction costs and is upbeat about the impact of the declining oil price. Without being able to estimate how much the drop in oil prices will reduce construction costs, Simonson says, "Diesel is extremely important to contractors. They use it directly to power offroad equipment and construction vehicles such as earthmoving equipment and concrete mixers and pumpers. They pay, at least indirectly, for the fuel cost involved in transporting all materials and equipment delivered to construction sites and the equipment, dirt and debris that is hauled away. And many construction materials embody heavy energy costs: concrete, steel, aluminum, plastics, etc. So construction firms will save considerably from the decline in fuel costs." BG

The New

• FEATURE

Pittsburgh's largest suburban submarket is the Airport Corridor, a string of office and industrial parks and corporate campuses that were built along the Parkway West between Green Tree and the Pittsburgh International Airport. The vast majority of the market lies between Interstate 79 and the airport. Since the Great Recession this corridor of mostly commercial properties has been revitalized by a series of changes that boosted the amount of space and reduced vacancy steadily.

Airport Corridor

The largest building under construction in the Airport Corridor is the new 330,000 square foot headquarters for Industrial Scientific, being built by Mascaro Construction.

After Greater Pittsburgh International Airport opened in 1952, a series of highway projects were built as part of the Penn-Lincoln Parkway expansion that opened up four-lane highways between the airport and Downtown (and ultimately to Monroeville). These concurrent transportation improvements were the impetus for construction of commercial and corporate buildings in what was still largely agricultural land. For the next two decades, the office and industrial parks that would define the Airport Corridor – Penn Center West, Parkway West Business Park, Foster Plaza, Cherrington Corporate Center, among others – were built. That corridor was one of Pittsburgh's hottest submarkets.

By the time the new Pittsburgh International Airport opened in 1992, the buildings in the Parkway West/Airport Corridor had reached their prime years. The industrial corporate exodus of the 1980s had reduced air travel. Over the next decade or so, the product in the western submarket became longer in the tooth and not as relevant architecturally or commercially. Employers left – think USAirways – and expanded – think Dick's – but overall occupancy began to slide.

As you talk to people in the industry about this western submarket you get a sense of evolution of the branding of the market. The market has been defined by its major highway, the Parkway West. It is also branded by the airport, since the spark for development was the location of the airport there. But just as Pittsburgh has been transformed as a region, the submarket is being transformed along a new axis running north and south.

With the official re-designation of the Parkway and Route 60 as Interstate 376, it is no longer accurate to label the area as the Parkway West. Because of the oil and gas industry's expansion in Western PA, new job centers are emerging. Along with another key piece of infrastructure – the extension of the Southern Connector – the emergence of the natural gas business as a key economic driver to the north and south of the airport has spurred new development. Instead of following a single western transportation corridor to the west, the new Airport Corridor is more of a 'T' connecting business in Southpointe, Downtown and the airport to each other and the nascent petrochemical cluster expected to the north in Beaver County.

Excluding the buildings under construction, the Airport Corridor contains 8.1 million of the total 25 million square feet of suburban office space and roughly 15 percent of the total Pittsburgh market of 52.4 million square feet. For industrial property, the Airport Corridor's 15 million square feet trails only the 24.4 million square feet in Westmoreland County as the largest submarket. Moreover,

The proposed World Trade Center would link corporate offices, industrial buildings and a hotel directly to the Pittsburgh International Airport. A 250,000 square foot signature office with I-376 visibility is at the lower center of the image. Rendering by IDC Architects.

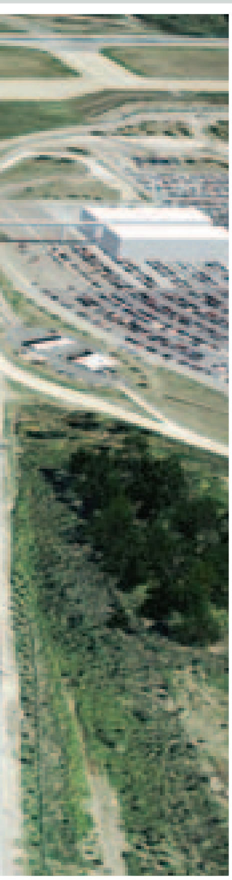
the industrial sector is where the current growth is occurring, as 745,000 of the 953,400 square feet of industrial construction are located in the Airport Corridor.

Since the recession ended, new construction in the Airport Corridor lagged only Southpointe. But where Southpointe's projects have been more for owner-occupants, development in the Airport Corridor has been primarily speculative. Currently there are about six spec office, industrial or flex projects in some stage of development and construction. Looking at the factors influencing development, you get the sense that the current action is just the beginning of the wave.

The Key Infrastructure: Finding and Getting to the Airport

By the year 2020, it may be that observers will look at the Airport Corridor and point to the arrival of the natural gas business as the spark that touched off the boom (more about that later), but it may also be that the catalysts were two infrastructure improvements.

Of the two, one project was relatively easy. Adding the third and fourth access ramps to I-79 and the Parkway West only required two years of major construction and more than $100 million. The second, the re-designation of the Parkway West/Beaver Valley Expressway as I-376, required an act of Congress.



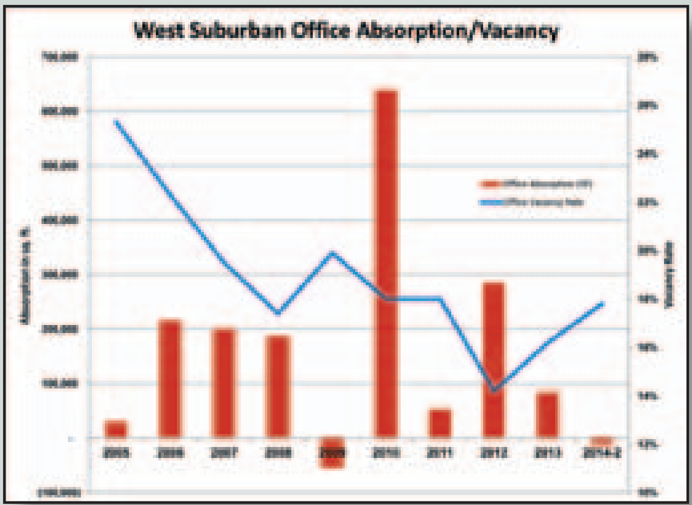
Primarily for funding reasons, the access to and from the west was left unconstructed when I-79 was opened at the Parkway West interchange in the mid-1970s. Travelers to and from the airport or Parkway West were required to use Route 60 or Steubenville Pike to connect. As you might imagine, developers found this situation an impediment to attracting businesses, not only to the western suburbs but also to the north. As the Cranberry area boomed, the problem was exacerbated. In part, through steady pressure from NAIOP Pittsburgh, politicians and PennDOT officials developed a plan that resulted in the construction of the additional ramps between 2006 and 2008.

The completed interchange made for an immediate increase in traffic congestion on the Parkway but also accomplished its higher purpose. Those close to the Westinghouse site selection say that the improved access to the airport from the north was an important factor in the company's selection of Cranberry Woods for its new headquarters.

Getting the connected limited-access highways between Pittsburgh and Sharon designated as a single interstate was a bit more complex. The benefits were more subtle and more powerful than any physical improvement. The re-designation occurred in 2009, after years of lobbying and efforts by Pittsburgh area legislators. Again, the commercial real estate community was in the lead, along with the Pittsburgh Regional Alliance, in communicating the need for the seemingly simple change.

Some of the delay was substantive. The Federal Highway Commission requires certain standards in signage and roadway that required PennDOT investment of about $80 million (the completion of the I-79 interchange was the main requirement). But there were also political hurdles.

The need for the designation was fairly dire and had to do with business attraction. One of the key factors in site selection for most corporations and industrial owners is access to an interstate highway. While, we sitting in Pittsburgh knew that you could get on an interstate-like highway and go from Downtown to Sharon – or more popular points in between – without getting on and off any roads, a site selection consultant in Chicago saw only that his or her client had to get on I-279, then Route 60, then I-376 and Route 60 again to accomplish the same trip. While the quirks of the road designations could be explained, companies were choosing to look elsewhere before any explanation could be offered. Today, anyone with Pittsburgh on the list of possible sites sees one continuous highway running west and north, with an international airport in between.



Vacancy in the airport corridor has been trending downward since 2005. Source: Newmark Grubb Knight Frank.

"Reclassification of 376 the whole way out has had an impact as people can now see an airport on a major interstate," says Bernie Puozzole, president/CEO of the Pittsburgh Airport Area Chamber of Commerce. "A lot of companies are looking for locations near an airport on an interstate, not something like an interstate. That was a big deal."

This improved understanding has proven helpful as an industry with key players that are mostly from out-of-state has settled in Western PA over the past few years. And it's why a similar interstate designation needs to be applied to the Findlay Connector/ Southern Beltway before it is completed.

• FEATURE

The Keys to Growth: New Product and New Demand

Having access and a higher profile in a market are key pieces to the puzzle but there needs to be demand for a market in the first place. Those interstate highway obstacles weren't the only reason that the Airport Corridor became stagnant, nor were the improvements the main reason why the Corridor expanded.

When developers and commercial brokers talk about the evolution of the Airport Corridor, two themes are repeated to explain the resurgence: new demand and new product.

It's an accepted truism that new space will beat out old space for users and that formula seems to be working in virtually all of the development that has occurred along the Airport Corridor. When a large suburban market seems saturated with existing buildings with the highest vacancy rates, owners tend to see the opportunities in buying and adding value rather than building new. That seems to have been the case in the Airport Corridor until the major infrastructure improvements occurred. Once developers took a fresh look at the market, attitudes began to change.

"There was no new stock for a long time, going back to the 2000's before the Findlay Connector opened," notes Lou Oliva, executive managing partner at Newmark Grubb Knight Frank. "The genesis of McClaren Woods was convincing Elmhurst that the office market was soft and switching the product to industrial. That kicked off the Lewis Goetz build-to-suit."

Within a short period of time, three other large-scale developments began in the area west of the airport in Findlay Township, a part of the region that had heretofore seemed outside the business district. The Buncher Company successfully bid on a county-led property just west of the first exit in Allegheny County on the new I-376 and built Clinton Commerce Park. And when the Findlay Connector was wrapping up, Imperial Land Co. and Chapman Properties began development of three separate projects around the Westport exit.

"There was a four-lane highway being built to connect to what was perceived to be an edge city [in Findlay Township]," recalls Tony Rosenberger, president and chief operating officer at Chapman Properties. "There was no other developable area that size in the region. The airport had expanded and there was little industrial product. It was like Jack Buncher coming to Leetsdale in the 1950s."

These parks were started just prior to the global recession that the markets began to feel in 2008. Plans for several million square feet of space were idled at Findlay Industrial Park, Westport Woods and Chapman Westport. Once the recovery took hold, land sales began at Findlay Industrial Park and more new construction followed.

"I felt strongly that there was no flex product like we built in Cranberry Business Park in the [Airport] market. Most tenants want higher density than was available in the buildings of the 1980s," says Dick Donley of Chaska Property Advisors. Donley and partner Continental Realty were interested in a multi-building project and were attracted to a site that the Airport Authority had improved at the extension of Cherrington Parkway that had been vacant land for four years. "You have to remember that the market at the time was about 17 percent vacant. If we had looked at a traditional office product we probably would have kept our powder dry."

Jason Stewart, executive vice president, agency leasing for JLL, was the broker who introduced Donley to the site that would become the Pittsburgh International Business Park (PIBP). Stewart makes the point that the new product wasn't the only ingredient to the recipe for success. New demand was needed too.

"It has to do with the oil and gas business using space out [in the Airport Corridor] and there has been expansion of big users like CIGNA and big call centers," he says. "They chased new product and left old product behind. But it's very difficult to make a market from scratch. You have to have demand. If you can modernize the product, however, you can increase the velocity of deals."

The more dense development has historically been between I-79 and the airport along the Parkway West. Future development should begin to appear west of the airport along the I-376/576 corridor. Image courtesy Gateway Engineers.

	Total Inventory	Under Const.	Vacant Sq. Ft.	Vacancy Rate	YTD Absorption	Class A Vacant	Class A Vacancy
West Industrial	15,071,822	745,000	807,685	5.4%	403,651	182,470	4.0%

Source: Newmark Grubb Knight Frank

The depth of the market is demonstrated by the fact that the space that some of these users left to move to new construction has already been backfilled.

Much of the leasing activity in the Airport Corridor's new construction bears out Stewart's and Oliva's points. While companies like Chevron, Williams and even the Marcellus Shale Coalition have taken space – in some cases large blocks of space – many of the large users have shifted from existing buildings to new properties.

Continental/Chaska attracted ServiceLink to more than 100,000 square feet and ANH Refractories to 42,000 square feet at PIBP. DiCicco Development secured a 75,600 square foot lease with Calgon Carbon in its Westpointe IV office. As of the end of October, Burns & Scalo Real Estate Services had already pre-leased 55 percent of its new 60,000 square foot Concorde spec office building overlooking the Parkway in the RIDC West property. The major tenant, CH2M, had outgrown space in an older building.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The depth of the market is demonstrated by the fact that the space that some of these users left to move to new construction has already been backfilled. And even in the case of a significant setback like Chevron's putting a hold on its new Appalachian region headquarters, there has still been a silver lining. Already occupying one building in Cherrington Corporate Center, Chevron is on the verge of leasing 120,000 square feet of additional space in Building 700. If consummated, that transaction would be the largest office lease in the Airport Corridor in 2014.

Many skeptical observers saw Chevron's decision to hold off on the construction of its $250 million campus as an indication of a pullback from the Marcellus Shale exploration, when it seems more likely that the culprit was an extensive overrun in a huge capital project in Australia. In fact, it's the energy sector that is the likely agent of transformation for the new Airport Corridor. Shell's decision to begin development of the Horsehead site for an eventual ethylene/polyethylene facility should be the linchpin in what will be an extended north-south Airport Corridor

The North-South Corridor

From an aerial view, Pittsburgh International Airport (PIT) sits at what will be the crossroads of a T-shaped corridor. As a regional asset, PIT is underutilized but that is not a result of a problem with the airport. The problem is the airline industry, which has flocked to major city hubs to control costs. When or if this trend will reverse is anyone's guess, but the dynamics of the airline industry will not hold back the development that centers on the airport in Pittsburgh.

When exploration of the Marcellus formation began, it was logical and convenient for the center of the industry to be in Southpointe in Washington County. As exploration expanded into the Utica formation and as the downstream assets of the industry develop, companies looking to locate in Western PA will find the I-376 corridor to be just as central, especially since the Southern Connector will link to Southpointe in a few years. Perhaps the best argument for the potential is the fact that thus far, little of the new construction in the Airport Corridor has been for energy companies. "Our first small building for Thru Tubing Solutions is the only energy company building on the highway. It's the first in the energy corridor," says Rosenberger. Chapman CEO Steve Thomas and Imperial Land Co. have been branding the area of their projects as the "energy corridor" but the potential opportunities will yield much more than that.

Allegheny County Airport Authority's senior vice president of development, Randy Forister, understands the marketing appeal of the energy corridor moniker

When exploration of the Marcellus formation began, it was logical and convenient for the center of the industry to be in Southpointe in Washington County. As exploration expanded into the Utica formation and as the downstream assets of the industry develop, companies looking to locate in Western PA will find the I-376 corridor to be just as central, especially since the Southern Connector will link to Southpointe in a few years.

but, as might be expected, is cautious about that approach. "We've seen what can happen when you tie yourself to one industry," he says.

Forister naturally promotes development by tying it to the airport, an appeal that he thinks won't diminish the attraction of energy companies to the Corridor. In fact, he expects companies in the petrochemical industry to be among the prime prospects for the World Trade Center development that the Airport Authority is preparing adjacent to PIT. The project ultimately is expected to

PROJECTS IN DEVELOPMENT OR CONSTRUCTION

Project	Size	Owner/Developer
Gordon Food Service Distribution Center	420,000 Sq. Ft.	Imperial Land Co.
Industrial Scientific Headquarters	333,000 Sq. Ft.	Industrial Scientific Corp.
GE Resins Plant, Chapman Westport	180,000 Sq. Ft.	General Electric
Concorde Flex Office, 100 Industry Drive	60,256 Sq. Ft.	Burns & Scalo Real Estate Services
Pittsburgh International Business Park, Bldg. 300	52,750 Sq. Ft.	Continental/Chaska Property Advisors
250 Crown Court Warehouse	75,000 Sq. Ft.	Ashford Partners
Hilton Garden Inn, Park Manor Boulevard	65,000 Sq. Ft.	Delmonte Hotel Group
Fairfield Inn & Suites, Settlers Ridge	62,000 Sq. Ft.	TMI Hospitality
Towne Place Hotel	54,000 Sq. Ft.	TMI Hospitality
New Warehouse, Pittsburgh Airport Business Park	46,800 Sq. Ft.	The Elmhurst Group

build out one million square feet of corporate office, research, light industrial and hotel space. The project has attracted a $7 million Redevelopment Assistance Capital grant for site work and infrastructure. Forister says the project will be delivered through private developers.

"The way we've worked so far is to work with local developers. That has worked really well [with other projects] and we see no reason to change that," he explains. "We're working through the engineering right now. There's quite a bit of engineering to be done. I expect to be doing construction in late 2015 and early 2016 so a building could start in late 2016."

What will be attracted to a World Trade Center in the Airport Corridor in 2016 is still a matter of speculation. Assuming that the ethane cracker construction proceeds in a linear fashion, production of ethylene and polyethylene will still be a couple years away, meaning the downstream manufacturers won't need to be open until then either. And there are still factors that could limit the pace of the "boom" that may come.

One of those factors is the capacity to move water and waste from new development. Findlay Township Municipal Authority is already stretched thin for EDU's. The Authority plans for expanded capacity but no timetable for new construction is set. To the north, in Beaver County, more infrastructure is going to have to be built. According to Jim Palmer, president of the Beaver County Economic Development Corporation (BCEDC), the first signs of a ramp-up are visible now.

"We kind of see it already, although not commercially yet," he notes. "We want to be ahead of the curve but not too far. We've seen it in housing activity. Center Township has seen an increase in permits. Hopewell has approved a couple new subdivisions. And there has been activity around Beaver Valley Mall, with a couple new hotels."

Palmer sees the coming activity surrounding the downstream industries in the oil and gas play reconnecting the communities in Beaver County to the Airport Corridor the way it was when hundreds of Beaver residents worked at USAirways. He says that when BCEDC first marketed the Hopewell Business Park as being in the Airport Corridor, people saw it as being too far. That's changed.

"A lot of the importance of the cracker has just been the visibility it has brought," Palmer says. "Visibility has been huge and there's been no announcement yet."

Tony Rosenberger has also seen a change in activity since the construction has begun on the first phases of the Southern Beltway, which will connect I-79 in Washington County with his project and the other properties on Route 576 up into Beaver County.

"We've gotten more inquiries over the last six months than in the previous couple of years," he says. "We've actually seen an uptick in users – national users – because they can see an end to the project. What happens when Monaca booms?"

Rosenberger likens the activity to the mid-1970s when he was working on the design of I-79 while employed at Michael Baker Jr. "Everyone started buying land about a year before it opened," he said.

Whether or not reality plays out as the regional leaders and developers hope, with a cracker plant leading to other crackers and millions of square feet of heavy manufacturing again, is something that will be seen over the course of the next decade. Should that scenario play out as the oil and gas industry has forecasted there will be major development surrounding the industry for a decade or more. If you've driven from Center Township to Starpointe since Route 576 has opened, you know how connected those north-south destinations now are. Adding Southpointe to the end of that connection should only enhance the attraction of the north-south Airport Corridor.

The connectivity of the infrastructure that is being put in place has probably created an inertia that will foster development in the Airport Corridor regardless of what develops in the energy sector. That market offers the most vacant land with highway access and an airport to boot. Odds are the boom will happen but the strength of the Airport Corridor still exists without it.

"At the end of the day, what isn't going to disappear is that the Airport Corridor has the deepest pool of industries of any submarket," reminds Jason Stewart. "At the end of the day, that's how the West is won." BG

Park Place Commerce Center

United Lender Services –
Park Place Commerce Center Renovation

It shouldn't come as a surprise that a company with the motto "Service to the Services" would place a high value on the level of service its contractor provides. For USAA Real Estate Company and its partner Crimson Real Estate, the selection of the contractor and architect for its first Pittsburgh project was a perfect match.

USAA Real Estate is the commercial property arm of giant insurer USAA. Founded originally as the United Service Automobile Association, USAA started in 1922 when 25 military officers agreed to insure each others' vehicles. Today, USAA provides auto and life insurance to military members and their families, managing $24 billion in net worth. As an investor, USAA has over $12 billion in assets but until 2012 had almost no investment experience in the Pittsburgh market. The company was a partner in the ownership of the former Dick's Sporting Goods headquarters in RIDC Park West but sold that interest when the building was sold to Thermo Fisher. The limited experience helped keep Pittsburgh on the company's radar.

"USAA always looks for a value-added product, either a vacant or low occupancy property that they can add value to," explains Mike Nicholls, executive managing director/principal at Crimson Services, a development and property management partner of USAA for more than 30 years. "They add value to either fill them up and sell them or to keep them in their portfolio."

PROJECT TEAM

Owner	USAA Real Estate Company
Owner's Representative	Crimson Real Estate
General Contractor	A. Martini & Co. Inc.
Architect	Next Architecture
Mechanical/Electrical Engineer	CJL Engineering Inc.
HVAC	Ruthrauff Sauer LLC
Electric	Titan Electric
Fire Protection	Fire Fighter Sales and Services
Plumbing	Ryco Inc.
Saw Cutting	Swank Construction
Excavation/Concrete/Paving	A. Folino Construction
Miscellaneous Metals	Multi Metals Co., Inc.
Finish Carpentry	Master Woodcraft Corp.
Doors/Frames/Hardware	A.G. Mauro Company
Glass/Glazing	H.B. Reynolds Co.
Drywall/ACT	Easley & Rivers Company
Ceramic Tile	Miller Tile Company
Flooring	Flooring Contractors of Pittsburgh
Painting	A.J. Vater & Co.

In February 2012, USAA found such a property in the Parkway West corridor, not far from its previous holding. Park Place Commerce Center was a two-building office property totaling 207,000 square feet that had previously been the offices of USAirways when the buildings were called Park Ridge. DiCicco Development had acquired the buildings in 2009 and done some initial improvements. When USAA acquired Park Place, the building known as Park Place One was largely vacant and Park Place Two was vacant. When the acquisition occurred, USAA had one tenant in its pocket.

The company had acquired United Lender Services (ULS) the previous June and was in the process of facilitating ULS's rapid growth. By February 2012, ULS had 65 employees but expected to triple its employee count within the next year or two as its appraisal unit experienced rapid growth. ULS signed a lease for 48,000 square feet, roughly half the building. That was the good news. The bad news was that ULS had little time left on its lease and a compelling reason to move by June 2012.

"The project was schedule-driven. ULS was coming out of a building across the street and the landlord wasn't very cooperative," recalls Nicholls. "So there was going

to be a stiff penalty if they weren't out [when the lease expired]."

There was a coincidental interconnection between the various parties involved in the acquisition. USAA was using CBRE as its leasing agent. CBRE had previously worked with architect Dan Delisio, owner of NEXT Architecture, on other tenant improvement work. One of NEXT's clients was ULS. Delisio says that his involvement in the Park Place project started with a call from USAA's broker.

"CBRE called and said they had an out-of-town client – I don't think they even said it was USAA – and really needed to look at these buildings to see what was usable, what was rentable," he recalls. "So it was really that study first. There were some tenants in the building that we had to work around. CB said 'help us help them understand what they have in this building.'"

When Mike Nicholls came to Pittsburgh to begin working on preparing the space for ULS in Park Place One, he interviewed Delisio and was comfortable bringing NEXT on board. Facing a tight schedule, the members of the team felt it was critical to get a contractor involved as early as possible.

Nicholls began some due diligence on the market. "I asked several brokers and talked with Dan about who the better improvement contractors were and Martini's name kept coming up."

Office tenant work was a significant part of A. Martini & Company's resume. The company had done a number of projects over the years with Delisio as the architect and Anthony Martini was not surprised when he called to ask if A. Martini could help with some of the planning.

"Dan called and asked if we could run some budget numbers on the space, which we were happy to do," says Anthony, the company's president. "I spent a day with Dan and Mike Nicholls. We toured the vacant space and [ULS's] current space. We ran some numbers and they agreed to go ahead with us."

A. Martini & Co. was selected to provide pre-construction, value-engineering and construction services. The project was originally designed for ULS to occupy three floors of offices, with a training center on the first floor, café/lounge on the second and executive offices on the third. By the time work got underway the scope of the project expanded to include another floor and half-floor, bringing the complete build-out to four floors of 20,000 square feet each. A data center was also included, which required supplemental cooling to be added to the building's mechanical system. A. Martini & Co. established a fee and general conditions for the project and bid out the various trade contractor packages.

Delisio explains that though the project involved fairly standard office design and materials, there were some challenges that USAA felt in delivering the property, especially since the first major tenant was one of its own companies.

"They were very sensitive to make sure the HVAC worked properly because of where they came from. We got [CJL Engineering] involved to engineer the system rather than doing it design/build. That was certainly one of their requirements," Delisio says. "We were changing the culture of the company coming from where their offices were. People were sitting close together. Not a lot of natural light. There were bad work stations but that was what they had as they grew. Now that USAA owned them, they were focused on where the people were working, that it was comfortable, light and technology-driven. They also wanted to make sure there were amenities because the people work a lot. That's why they included the café, the lounge and the training center. That was very important to them."

Park Place One had few tenants when USAA bought the buildings but one, Robert Half & Associates, occupied enough space that it presented a logistical problem. Although much of the building was wide open, the ULS project was going to be done in phases. Some of the spaces that were for expansion or weren't mission-critical at the time – like the lounge – were planned for months after ULS was to move in. The location of Robert Half's space necessitated moving part of its operations at a time to allow access to parts of the building that A. Martini & Co. needed to renovate for ULS. The schedule was not unreasonable but it required regular babysitting to make sure the juggling of space didn't derail progress.

"We held coordination meetings on a weekly basis that focused on the critical lead time items," notes John Latsko, project manager for A. Martini & Co. "There were a number of items – like lighting fixtures and fan box units – that had sensitive lead times. We worked with the subcontractors and the architect to make sure everything was submitted in a timely way."

Latsko credits Delisio and his team with eliminating unforeseen obstacles to a smooth process. "NEXT did its due diligence on this. There weren't any surprises," he recalls. "The details of what they wanted were there, right down to the finishes."

"Between us, Martini and Mike, we just had a really good rapport that helped smooth out any rough spots, although there really weren't any," Delisio says. "I enjoyed going to the project meetings when Mike came into town from wherever he was. It was just a lot of fun."

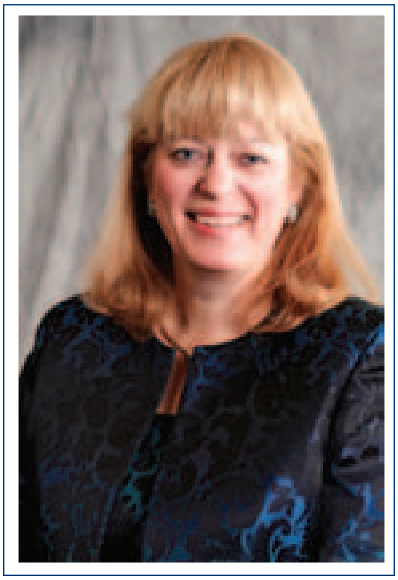
Nicholls was ultimately concerned that ULS made it into the new space in Park Place One on schedule. The compressed timeline didn't allow for much time for finger-pointing or moderating disputes about what might or might not have been in the scope. Bringing a contractor to the project during design helped ensure there wouldn't be elements missing from A. Martini's price or misunderstandings about Crimson's expectations for the final product. Nicholls gives the contractor as much credit as the delivery method.

"They were excellent to work with. If I had an issue with them they would address it right away," Nicholls says. "The attitude was always, 'what do we have to do and let's get it done.'"

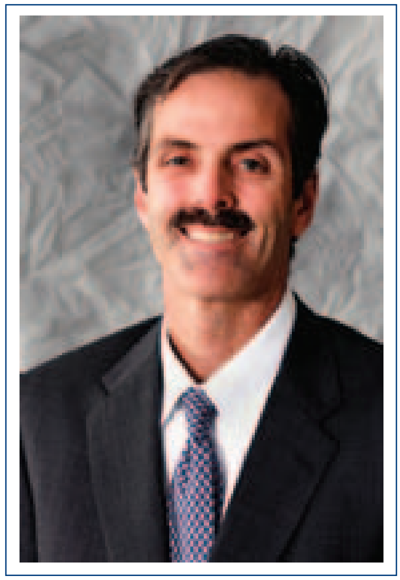
That working relationship paid dividends for the team as the ULS project was winding down. In June of 2012, USAA lured oil and gas midstream firm Williams Companies to take four floors of the Park Place Two building, ultimately leasing 112,000 square feet. Nicholls asked A. Martini & Co. to bid that tenant package. The comfort level that the contractor had with USAA and Mike Nicholls helped A. Martini & Co. become the low bidder and it was easy for Nicholls to award them that work too, which expanded from four floors to five while the construction was in progress. Williams moved into the newly renovated space in early 2013.

Nicholls was pleased by his experiences with Pittsburgh-area contractors and designers. He gave A. Martini & Co. high marks. "The Martini group is one I'd put at the top of the list of contractors I work with around the country," he asserts. "They were very service-oriented. I haven't had the chance to work with them since but if we had another chance we'd feel like, let's get back to work together again."

John Latsko explains that the service orientation isn't an accident, or a new thing. That [attitude] originates with Mr. Martini Sr. and works its way down through the company," he says. "We try to make sure the owner gets what he wants when he moves in." BG



Ruthann L. Omer, P.E.
President



Daniel S. Deiseroth, P.E.
Executive Vice President

Jason D. Jesso, PMP
Chief Operating Officer

The Gateway Engineers, Inc.

Gateway Engineers is serious about project management. It makes perfect sense that a full service civil engineering firm would be but the 60-year old firm has made project management the foundation of their business.

Executive Vice President Dan Deiseroth found he was frustrated with the company's business after the new Millennium and along with Gateway's President Ruthann Omer, was trying to chart a different course.

"The major problem was how to take it to another level as a business," recounts Deiseroth. "We had talked to consultants and found it very difficult to manage day-to-day issues while designing and servicing clients. We had a great reputation and client base but the business was growing faster and becoming more complex every day."

In 2001, Deiseroth took proactive steps to get his hands around the challenge.

"To be honest, we were spinning our wheels. We didn't have a consistent direction as a business, although we knew about strategic planning and thought it was the right thing to do. Believe it or not, I had some seminar invitation pass my desk and thought I'm going to go to this," he says. The seminar was on project management and focused on work authorizations, contracts, multipliers and other business facets of project management. Shortly thereafter, Deiseroth accepted a similar invitation that led to a seminal change in Gateway's fortunes. "I met this guy, Bob Maxman, who had been CEO of T.Y. Lin and he gave this really fiery presentation on project management. I really liked the guy so I stayed afterwards and asked if he'd come to our firm and give us a peer review."

Deiseroth presented the idea to Omer and Maxman was invited to Green Tree to meet Gateway Engineers. The result of that peer review was a new focus on project execution that would transform how Gateway did business.

The company that Bob Maxman helped change was founded out of similar circumstances. Three young engineers – Fred Omer, Alvin Handelsman and Carl Gaus – who were friends from their University of Pittsburgh days, met a man named Morton Frye, who owned M. E. Fyre & Associates. Frye was a terrific businessman with a knack for landing municipalities as engineering clients. The problem was that he had a terrible time serving them. Omer, Handelsman and Gaus became the project managers who delivered the municipal work Frye sold.

In 1954, the three folded two other long-established engineering companies into what became The Gateway Engineers. They specialized in municipal civil engineering but had acquired an exceptional surveyor named Don Hannegan as part of the merger. Hannegan's skill set gave Gateway the opportunity to expand into land development to supplement the work that the civil engineering group was doing to design the infrastructure of suburban Pittsburgh.

"Don was a really neat guy. He was only a high school graduate but he got a surveyors license and he was like the man in town," says Deiseroth. "If you needed a survey done in town, Don was the man you called, so he was the person that really jump-started us into a higher level of land development projects."

One of Gateway's early land development projects was Monroeville Mall, a project that would begin a relationship with Oxford Development that would span 50 years and 130 projects. In the 1960s and 1970s, land development was largely the realm of architects, who handled the site planning. In 1978, however, the stormwater management regulations became law. The level of information and sophistication of land development grew significantly. It was into this new environment that Dan Deiseroth joined the company in 1983, after serving as an intern.

"If you needed a survey done in town, Don was the man you called, so he was the person that really jump-started us into a higher level of land development projects."

"At that point in time I was the new kid on the block. I did a municipal project and then Don and I sort of ran with the land development," Deiseroth remembers. "It started with me and a couple draftsmen and has grown to where we have maybe 65 to 70 people devoted to land development. That's how much that industry has changed."

The move into land development as a major source of revenue was a big transition for Gateway. Deiseroth's hiring was also something of a transition, as he was the first outsider hired who wasn't family. By that time, Ruthann Omer was on board, as was Paul Gaus, Carl's son. Deiseroth was immediately comfortable in the family-owned environment, feeling like Gateway was a place he could spend a career. After four years, he was offered an opportunity to buy into the ownership. Then in 1988, the three founders completed the transition to retirement by naming Ruthann president, Deiseroth executive vice president and Paul Gaus treasurer.

During the next dozen years, Gateway continued to grow. The firm added clients and engineers, reaching 60 employees by the Millennium. For the management team, there were was a sense that their business could run better. Of their 60 people, 40 were project managers. The executives found that the time they needed to manage the business was too often spent doing administrative duties. It was at this point that Deiseroth decided that Gateway Engineers could use some outside help from Bob Maxman.

Maxman did a three-day evaluation of Gateway, interviewing every employee.

"Aside from recommending firing half the people here that weren't on the bus, his recommendation was to become a project-focused organization," Deiseroth jokes. "We continued along working with Bob but he said we would need somebody here to run the business. He recommended a guy from Florida as CEO, named Mike Zavoina. To Ruthann's credit she agreed to bring Mike in."

Zavoina saw Gateway Engineers as an opportunity to implement a plan that had arisen out of working together with Maxman in Florida. "They had this formula for running a very efficient engineering company but didn't have a laboratory for trying it. So we became the lab for that project-focused organization," says Deiseroth.

At the root of the system Zavoina implemented was an efficient group of project managers who were focused on project execution that made clients happy and made Gateway money. The company abandoned its department-centered approach for a team approach. At first, the new way of doing business meant simply getting engineers on board, educating them about the financial implications of their work – overhead costs, multipliers and utilization. Gateway created a project management support group that handles all of the human resources, IT, marketing, business development, and other administrative functions so that Gateway's principals could focus on planning and executing the business strategy.

One of the pleasant surprises was that the change did not bring about a mutiny nor a mass exodus, especially since roughly 25 of the project managers had their roles revised. Ryan Hayes, Gateway's director of business development, believes that the firm's employees may have been as unhappy with the status quo as the firm's principals.

Master Builders' Association of Western Pennsylvania, Inc.

SAVE the DATE

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is a night that celebrates the brilliant and unparalleled design and construction industry. This event unites the firms and individuals that are developing our region with a commitment of excellence in each and every construction project. This commitment to excellence will be on display during the event as the winning projects in the MBA's Building Excellence Awards program will be announced.

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See you on February 26th at the Evening of Excellence

"It was the flavor of the month club versus the long-term plan. Maybe not everyone agreed with the long-term plan but they were sick of the flavor of the month, so they thought they would try this approach," he says. Thirteen years later that long-term plan is still around and working, but at the beginning in 2001, there was a lot of refocusing.

One key to the approach is a project management plan each year that is the syllabus for how Gateway will operate in the marketplace. The company also holds a 90-minute training program at lunch that all project managers and principals must attend each month. The topic of the training will vary but the focus is on the business aspect of managing their customers' projects. Deiseroth believes that focus on making clients happy is the key to being profitable, which is the key to the firm's long-term health.

"Profits allow investment in equipment, business development or training for people – which is key right now," he asserts. "That was important with energy business. We had to hire an environmental health and safety director. If we hadn't had the profits to fund that position, jump into it full force, we couldn't have maintained the business we've had for seven to ten years with these energy companies so far."

Gateway's entrée into the gas business was a case of preparation meeting opportunity. One of the engineers that had joined Gateway through an acquisition, Scott Rusmisel, was just finishing a $20 million sewer project in Cecil Township. One of the municipal officials there called saying there was this company called Range Resources in town with questions about permitting and he had given Range Scott's name. Rusmisel and Deiseroth went to meet with Range and talked with them. Scott fit in perfectly with Range's philosophy.

Their familiarity with the regional infrastructure helped Gateway evaluate sites for Range Resources differently than Range had before. Shortly thereafter, Atlas Energy saw one of Gateway's plans and hired them. Chevron acquired Atlas and that relationship led to work with Williams on midstream facilities. By 2009-2010, the energy companies were doubling in size each year and their employees were moving from one company to another. Often, clients took Gateway to the new firm.

Deiseroth recalls the atmosphere during those early projects. "They told us 'you'll never be able to keep up with us' but we did. Part of what I'm proud of is that we've worked with them on optimization of their own processes. With Range, we convinced them we should do pre-screening of these sites and do concepts of them before they go crazy and do things. They bought into that and they moved on from some sites because of an environmental or stormwater issue that would have made the site a nightmare."

"We're shaving off substantial costs for them on their development costs, anywhere from five to 20 percent," echoes Hayes, "With Range, when they first came in it was like the Wild West."

The energy business proved to be a good fit for Gateway in the arc of their development as a project-focused organization. Zavoina's vision began to be fully-adopted around 2004 and 2005. As the work from the gas industry accelerated, Gateway was able to ride out the recession because of these new clients. That, in turn, enabled Gateway to grow through a downturn and increase investment in the company so that as the economy has recovered the firm is able to offer as many services as could be imagined from a full-service civil engineer.

"That was always my vision, to be a full-service engineer," says Deiseroth, "Our CEO put the last piece of the puzzle in before he retired, which was traffic. With energy providing that constant flow of business we could provide those extra services. So it's really given a boost to our business."

The company now has 160 employees. Along with Deiseroth and Omer, Jason Jesso serves as the firm's chief operating officer. With commercial development returning over the past few years, Gateway's billings are fairly evenly split between land development, municipal engineering and energy. The emphasis on executing projects isn't changing, however.

"We talk about not wanting transactions but wanting relationships," Hayes emphasizes. "When you look at it from that point of view as a project manager, it's a very different approach. [The engineer] is not looking at getting as much money out of the client today but at making the client as happy as possible. That's what's going to work out for you long term." BG

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Market Conditions Are Growing More Difficult for Banks

Since the last recession, banks have not been the most sympathetic of institutions in the eyes of the public. Blamed for the housing crisis, banks were also criticized for not lending enough to support an economic recovery. A combination of increased competition and regulation has made life difficult for banks. Because healthy financial institutions are necessary for a healthy economy, difficult business conditions for banks often presage problems for the economy at large. Simply put, happy bankers are good for the economy.

The thing making bankers most unhappy in 2014 is hard to pin down. Low interest rates have spurred a couple waves of record refinancing business but low rates make it harder for banks to be profitable. Regulations have created further challenges for banking.

Business conditions have become more challenging for lenders because of a number of smaller challenges that have emerged since the financial crisis. The fallout from the crisis required banks to use profits to write off bad loans for a few years. Record low interest rates make it harder for lenders to make money through normal practices. Regulations eliminated a number of fees banks could collect for extra services. Competition reduced the margins lenders were willing to take for making loans. A sluggish economic recovery kept demand for loans slower. The latter condition seems to be the most vexing current problem. There simply aren't enough loans being sought.

Experienced bankers have been through these kinds of credit conditions before at least once, however, and seem to be resigned to the new normal. Some even look at 2015 as something of a calmer environment.

"I feel a little more placid about the situation. I'm not sure I see any more dark clouds out there," says Chris Martin, regional president for Northwest Savings Bank. "When 2016 rolls around and we are electing a new administration things could get interesting but in 2015 we'll be faced with the same regulatory challenges as we face now. It's a regulatory environment we're navigating through just fine."

For banks with residential mortgage business, 2014 was a watershed year. In January, the Consumer Financial Protection Board (CFPB) put regulations into effect about what would constitute a "qualified mortgage." These new regulations set tight restrictions on income and debt ratio standards for the government sponsored enterprises (GSE), Fannie Mae and Freddie Mac. Because the two GSE's are the largest buyers of residential mortgages the standards they use become de facto industry standards.

"The [qualified mortgage] regulations certainly caused financial institutions that wanted to be in residential lending to revisit their lending practices and policies," Martin notes. Although the regulations could have dampened loan demand by limiting the number of qualified borrowers, Martin says he doesn't think that has happened. "We have seen a significant slowdown in lending but I don't attribute it to the QM. We've been through so many low-rate boom cycles that the re-fi market has played out. Now what we have is what's left."

Residential mortgage bankers got a glimmer of hope in late October when Federal Housing Finance Agency Director Ben Watt announced that he was planning to put reforms in place "shortly" to create more certainty about GSE rules for requiring banks to re-purchase non-qualifying mortgages that had previously been sold to Fannie or Freddie. The existing uncertainty has been understandably holding back lending to those buyers with credit credentials that were less than cut-and-dried. Observers feel that former Fed Chairman Ben Bernanke's pronouncement that he couldn't refinance his Capitol Hill townhouse was a catalyst for regulators to respond to industry pleas for relief.

The relief may be welcome among two significant demographic groups: minorities and younger adults. Lending to minority communities is at a 14-year low and homeownership in the 25-34 year-old age cohort is the lowest in history. Both of these cohorts were impacted by the post-bubble regulatory tightening.

Residential construction has been impacted negatively by the heightened regulation and elevated risk perception of mortgages. The same has not been true for commercial lending, where regulations have been less of an issue than market confidence and a readjustment to normal lending standards. As commercial real estate fundamentals have improved and investor interest in real estate has grown hot, borrowers have been looking for lenders.

"Developers aren't going to stop borrowing because bankers' jobs are harder to do," observes David Tetrick, senior vice president, commercial real estate at Huntington National Bank. He points out that financial institutions still have plenty of capacity, even as demand is heating up. What borrowers and lenders are adjusting to is more compliance. Tetrick explains that one of his main roles at Huntington is to help the bank keep pace internally with the federal regulators, a task that consumes lots of time and people.

One new regulation that is coming in January 2015 will deal with risk weightings for commercial real estate. Among the post-crisis responses were new lending requirements from the Basel Committee on Banking Requirements, the international standards for banking. From the most recent revisions to standards, known as Basel III, comes a standard for what is called High Velocity Commercial Real Estate (HVCRE), which is essentially all commercial real estate except for projects where the loan meets certain conditions. Banks with HVCRE exposure will be required to risk weight those loans at 150 percent of value, meaning the bank will be required to set aside 50 percent more capital for HVCRE loans.

A sluggish economic recovery kept demand for loans slower. The latter condition seems to be the most vexing current problem. There simply aren't enough loans being sought.

The conditions that will keep commercial real estate loans out of the HVCRE category are loan-to-value ratios that meet regulatory guidelines (generally more conservative); loans for which the borrower has contributed 15 percent in cash prior to the funds being distributed; or loans where the lender is contractually obligated to stay in the project until permanent financing is arranged or the construction loan is paid in full.

These are conditions that are more conservative. Banks don't like having to reserve more capital because that limits the assets they can leverage to increase their revenues. The HVCRE requirements come along at a time when the borrowing market is looking for lenders to be less conservative about lending conditions rather than more so. Basel III was intended to limit banks from taking "excessive risks." What results is likely to be more competitive pressures and a tougher environment to avoid risk.

Kris Volpatti, first vice president and team leader, commercial real estate for First Niagara Bank, expresses industry concerns about the additional requirements succinctly. "It blows up the spread," she says.

The spread on a loan deal is essentially the gross margin and it is one of the ways lenders can compete for business. Like people, banks have varying degrees of tolerance for risk at different times and that can translate into the varying lending conditions that are used to compete. Among the varying conditions are loan-to-value ratios, personal guarantees, recourse measures and debt coverage ratios. As these become more regulated, banks have fewer options for competing other than price, or spread. And banks do have to compete. Lenders need to make loans.

"We all still have that nut," asserts Volpatti. "You don't want to sacrifice on [loan] structure so you can only compete on pricing."

Volpatti explains that spreads should be dictated in part by sponsorship quality – the loan guarantee, borrower's liquidity, lower leverage or loan-to-value – but pressure to secure loans can trump some of those conditions and has been moving spreads lower, even as loan demand returned. Bankers use the London Interbank Overnight Rate or LIBOR as the basis for rates and added a spread, historically around 300 basis points or three percent for construction loans. Construction loans have been won this year with spreads below 220 basis points. Competitive permanent financing deals have been done under 200 basis points. Those skinny spreads leave little room for hiccups.

The timing of the industry's ill at ease feeling coincides with an accelerating availability of capital for commercial lending. According to the Mortgage Bankers Association, there was $2.56 trillion in commercial real estate debt at the end of the second quarter, an all-time high. Banks and thrifts had the largest share and increase in that debt so the desire to employ capital is certainly there. The question seems to be how difficult it will be for banks to earn income from that lending activity.

It's hardly the worry of the average American business person – or consumer for that matter – that banks make money. The shareholders of banks are concerned and are a source of pressure to increase lending and earning. History has shown that when lenders can't make profits through their normal activities, they get more creative and creative usually means more aggressive. That has never ended well for business and the economy.

Huntington's Dave Tetrick feels that patience with the current environment is best for the banking industry and the economy as a whole. "Pressure to increase lending when there aren't more loans creates a more aggressive market. That puts pressure on loan structure and pricing. That's when bankers can do stupid things," he jokes. BG

Legal Perspective

Pennsylvania Overhauls Mechanic's Lien Law with Creation of State Construction Notices Directory

By Ericson Kimble and Nicholas Fox

On October 14, 2014, Pennsylvania Governor Tom Corbett signed in to law legislation requiring the creation of an online construction notices directory as part of sweeping changes to the State's mechanic's lien law. Known as Act 142 of 2014, the new law requires the creation of a statewide repository for lien-related notices on qualifying construction projects.

Questions abound as to the delivery and utility of the new online resource. Pennsylvania's Department of General Services (DGS) is tasked with having the online directory up and running by December 31, 2016. In the event that the directory is operational before the prescribed deadline, DGS will notify the public by publication in the Pennsylvania Bulletin.

Participation in the new directory is wholly discretionary for project owners. The amendments focus on "searchable projects" a term created for new construction and renovations costing $1.5 million or greater. It remains unclear at the moment whether "soft costs" such as transactional expenses and fees for financing, marketing, and legal counsel will be included in the threshold calculus. Certainly owners are incentivized to use the statewide directory, as all subcontractors bearing lien rights on a project are now easily identifiable. While owners are soon to benefit from a mitigated risk of double payment ~~a~~ not uncommon scenario, subcontractors risk the possibility of lien right forfeiture by not filing a Notice of Furnishing. The new law gives rise to four specific types of notices.

<u>Notice of Commencement</u>
Owners may register their projects with the directory by filing a Notice of Commencement. A Notice of Commencement must submit prescribed information to the directory before labor or materials giving rise to a lien are furnished to the project. Thereafter, a copy of the Notice of Commencement must be posted in a conspicuous location at the jobsite for the duration of the project. The filing of a Notice of Commencement imposes additional requirements on owners and general contractors; each must make reasonable efforts to ensure that the Notice of Commencement is included in all subcontracts and material purchase orders on the project. Contracts must contain specific language prescribed by the Act, which warns subcontractors of the risk of forfeiture of lien rights.

<u>Notice of Furnishing</u>
After a Notice of Commencement is filed, subcontractors, a term that encompasses first and second-tier subcontractors and suppliers, ~~m~~ust then file a Notice of Furnishing within 45 days of their first furnishing of labor or materials to the project. A Notice of Furnishing must include certain information prescribed by the Act, including a general description of the labor or material furnished, the name of the person that contracted for the services or items, and a sufficient description of the project. Subcontractors may simply use the form provided in the Act. Failure to file or to comply with the notice requirements forfeits the subcontractor's rights to file a mechanic's lien.

<u>Notice of Completion and Notice of Nonpayment</u>
Upon project completion, an owner may file a Notice of Completion, which will be subsequently transmitted to all subcontractors and suppliers having previously filed notices on the project. Thereafter, any unpaid subcontractors or suppliers may file in the directory a Notice of Nonpayment. Both the Notice of Completion and the Notice of Nonpayment are for informational purposes only; they have no inherent legal effect.

<u>Enforcement</u>
To enforce compliance with Pennsylvania's new lien requirements, the Act makes unlawful any efforts to deter a subcontractor from filing a Notice of Furnishing. Criminal penalties apply. To further ensure that subcontractors are not hindered in filing their Notices of Furnishing, a civil cause of action is provided in certain circumstances.

<u>Origins of the Amendments</u>
Pennsylvania's statewide lien notice directory is modeled after Utah's State Construction Registry enacted in 2005, however, the concept of standardized lien notices is not new. Neighboring states including Ohio and New Jersey have similar notice requirements.

Uncertainties in Application

The changes brought about by the Act create a host of uncertainties, the resolution of which are likely to play out shortly after the directory becomes operational. First, the new law requires that a "contract" on a searchable project include written notice that a subcontractor's failure to file a Notice of Furnishing will result in loss of lien rights. "Contract" is undefined in the Act, and so does this obligation extend to all subcontracts and purchase orders on the project?

Furthermore, what happens when an owner complies with the Act by instructing the general contractor to include in the contract documents a copy of the Notice of Commencement, but the general contractor fails to do so? Might subcontractors forfeit their lien rights?

Under the new law, two virtually identical projects having the same owner, one where a Notice of Commencement has been filed, and one without, now require subcontractors to undertake different procedures to preserve and protect their lien rights. Of course, subcontractors are free to search the DGS directory to determine on which of their projects a Notice of Commencement has been filed.

Finally, the calculations underlying the $1.5 million threshold are unspecified; should subcontractors on projects of say, $1.3 million concern themselves with the Notice of Furnishing requirement? The prudent practice is, of course, to regularly and carefully check the lien notices directory. While much of the uncertainty presented by the new law principally affects subcontractors and suppliers, the ramifications are farther reaching.

Industry Impact

Users of the notice directory will be able to search by owner, contractor, property address, or the unique identifier number assigned to registered projects. While the purpose of Pennsylvania's new directory is to protect owners by allowing them to easily assess exposure to mechanic's liens, the new law imposes an affirmative duty, one with significant consequences upon subcontractors and suppliers. In order to preserve their lien rights, subcontractors and suppliers must diligently monitor the notices directory for all projects to which the Act applies. The unwary subcontractor who fails to file (or improperly files) a Notice of Furnishing within the 45-day period will forfeit its lien rights. Subcontractors and suppliers should begin thinking about internal safeguards their businesses can implement to prevent forfeiture once the directory becomes available.

While it has potentially devastating consequences to subcontractors on qualifying private projects, the new law will have no impact on public construction projects because public projects are not subject to mechanic's liens in Pennsylvania. Owners on qualifying private projects are incentivized to use the new directory, as it creates an additional step for subcontractors and suppliers to preserve lien rights. This has potential to limit the pool of potential lien claimants. While the benefit of the new law to project owners is rather obvious, the prevalence of owners actually registering their projects with the directory is, of course, yet to be seen. Until the directory is activated, contractors, subcontractors, and suppliers are advised to consult with their attorneys and industry associations for more information.

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Nick Fox is an attorney in the Harrisburg, PA office of Saul Ewing LLP. Attorney Fox is a member of Saul Ewing's Construction Practice Group, where he counsels clients on matters arising on construction projects from writing contracts to resolving claims. Prior to law school, Attorney Fox was a project manager at an ENR top-10 general contractor in Washington, D.C. BG

RWIV Construction LLC

Rob Chambers

Most companies understand that one of the perils of hiring good people is the possibility that they may be training a future competitor. Robert Chambers III says that Massaro Corporation seemed to hire him with that possibility in mind.

"We talked often about what success would look like. Steven [Massaro] always said this is a long-term thing. This isn't a short-term fad," Chambers recalls. "He said we can control what we can control by hiring good people for our company and teaching them the business, you may be one of our competitors down the road. I took it seriously when Steven said it because I knew it was heartfelt. Now he says he didn't think it would be this soon.

"I'm far from a competitor but after a five-and-a-half years I decided to take that leap of faith because I was constantly hearing about the lack of minorities out there and I saw it myself. I felt like that was something I was molded to do."

"...I decided to take that leap of faith because I was constantly hearing about the lack of minorities out there and I saw it myself. I felt like that was something I was molded to do."

Rob Chambers looks at his upbringing and can see how his path may have been set. His mother was a social worker but operated a catering business part-time. His father was a full-time entrepreneur, owning a restaurant. His own work background, however, provided less practical experience for his business.

"When Massaro hired me they talked about the issue of diversity or lack of diversity in this industry. I had come from that background working as the first African-American director for Three Rivers Rowing," he explains. "My job was to recruit minorities because of Title IX. I had that background but I knew very little about construction. They taught me the business from the ground up."

Chambers spent time in the field on projects as small as $1 million and worked on projects as large as $36 million during his first year. He looks back on that year now and feels it was a test of his commitment to the business, to see if he was interested in adding value to the projects on which he worked. Massaro brought him into estimating to learn how to read drawings and do takeoffs. Chambers got the opportunity to sit in on meetings with subcontractors, vendors, architects and owners, which gave him the chance to hear the concerns of all sides of a construction project.

"I kind of came from a family business. I'm a man of faith so I prayed about it and talked to a couple good friends," he says. "I had a couple good people around me who felt like I could do it. I put a plan together. I had some money saved up in my 401-K. My car was paid off. I just took a chance."

He says he hit his stride in business development and was able to help Massaro build a relationship that led to major projects at Penn State because of their commitment to diversity. He also pushed himself to sell work where being a minority wasn't a factor.

By October 2011, Chambers was feeling a pull to stretch himself further.

"I kind of came from a family business. I'm a man of faith so I prayed about it and talked to a couple good friends," he says. "I had a couple good people around me who felt like I could do it. I put a plan together. I had some money saved up in my 401-K. My car was paid off. I just took a chance."

Chambers founded RWIV Construction to do construction management services, small carpentry and general contracting work. He had a passion to work with nonprofit organizations and to leverage his relationships with institutions like Penn State. He was prepared for lean times but was less prepared to have immediate opportunities.

"What some of the bigger guys told me was don't grow too fast but when I first started I felt like I had so many opportunities. My phone was ringing off the hook," he shares. "I got the Ben & Jerry's [on Penn Avenue] contract and then another big contract and it was almost too much. We got through that and I'm glad we did it but we definitely had to learn from the experience."

One of the big lessons he learned was about managing his capacity.

"One of the challenges I face is that when you're a small business – take minority out of it – you just don't have the resources that the big companies do and it becomes difficult to manage your time, not spreading yourself too thin," Chambers says. "Managing that part of it can be very challenging because you're wearing multiple hats. We welcome that challenge."

RWIV has found a sweet spot managing construction of smaller projects in the $300,000 to $400,000 range. The company has also found success in carving out smaller packages of large projects. That kind of agreement is what RWIV currently is working on with Mascaro on a $40 million project at Penn State and as part of a team that includes Chambers' former employer to pursue some of the opportunities at the Penguins' development of the 28-acre Mellon Arena site.

As he starts his fourth year in business, Chambers feels he has gotten over the hump of the start up phase and learned from the growing pains. He maintains a small office in Homewood and State College, and has a staff of between four and six, depending on workload. He says he has been contacted by Carnegie Mellon about work and wants to expand his presence in State College. He wants to stay connected to the community in Pittsburgh as part of his business.

"I like to get in and work with nonprofits that have never done a construction project. When they do a project it may be the only one they ever do," he says. "They have a need but have never been through the construction process. I like to think I can help them save time and money because I know the process and know who the players are." BG

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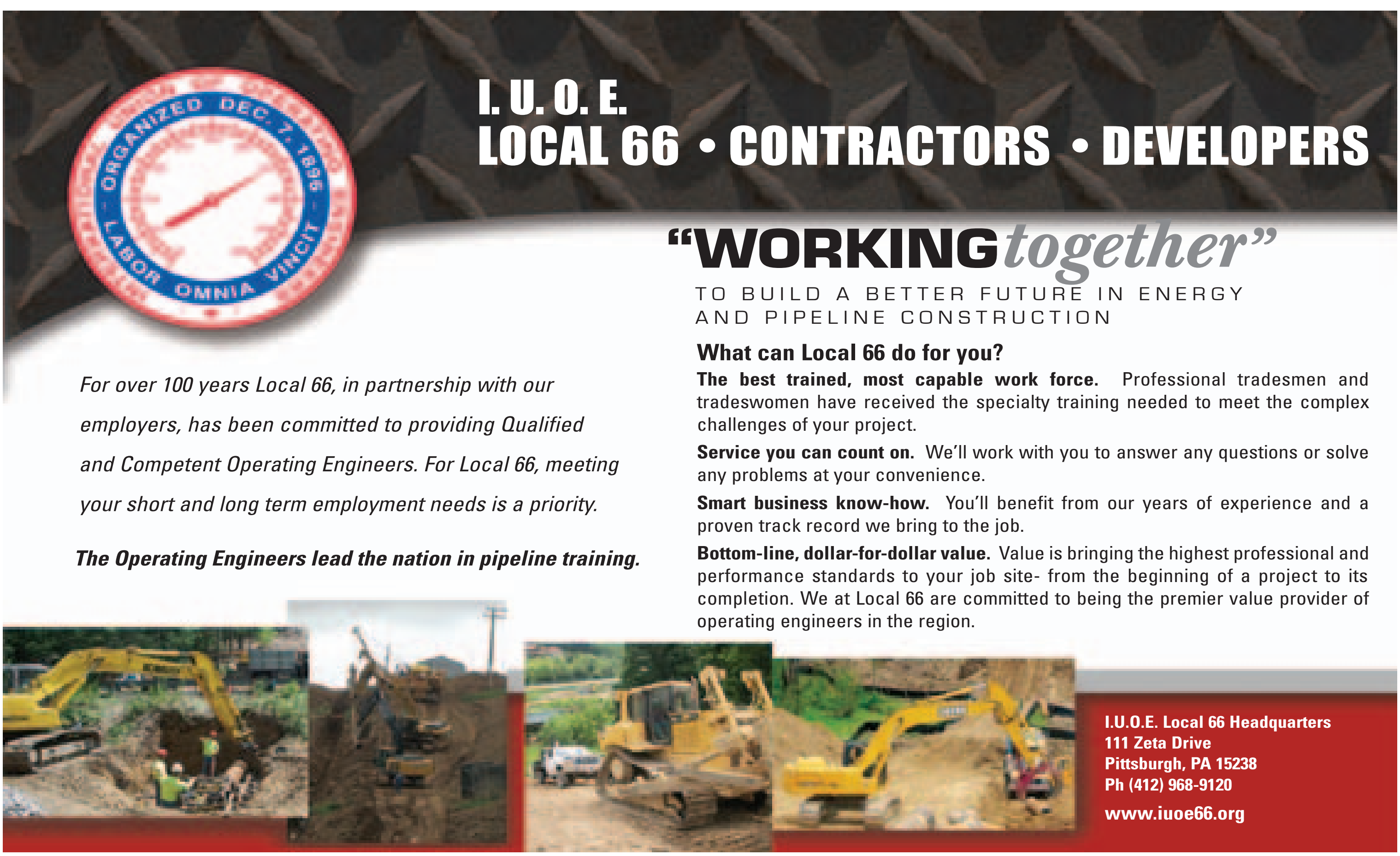
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Trend to Watch

Assessing the Impact of Act 89

On November 25, 2013 a comprehensive transportation funding bill, passed as House Bill 1060, was signed into law by Gov. Corbett. The bill went into effect just four days after months of debate and back room dealing culminated in the bill's defeat and subsequent resurrection. The passage, coming so late in the construction year, did not mark the beginning of a flood of new projects but 12 months later, its impact is noticeable.

The law, known as Act 89 of 2013, funds construction of bridges and roads, funds public transit systems and establishes a multi-modal transportation fund for the future. Revenue for the expenditures comes from the phased removal of the cap on the oil franchise tax over a five-year period. Act 89 provided an additional $232 million in funding for construction and maintenance projects from January through June 2014, with increases in the coming fiscal years that will reach an estimated $1.6 billion by year five. Including funding for public transit and multi-modal, Act 89 will add more than $2.3 billion to the pot available for improving transportation in the Commonwealth each year.

One of the more interesting and subtle impacts of Act 89 has been the response to the legislative battle itself. Considered dead after the bill failed to pass prior to the budget deadline on June 30, 2013, House Bill 1060 stayed on the table as a result of a determined coalition of labor, regional civic leaders, corporate executives and contracting associations into the fall. The bill was initially voted down as presented, only to pass when re-presented for a vote on November 21.

"We've been getting calls from associations and politicians from other states asking 'explain to us how you got that done'," says Rich Barcaskey, executive director of the Constructors Association of Western Pennsylvania. "People want to know how the oil franchise tax works. That has gotten a lot of study. I think the politicians want to know, 'how can I justify my vote?'"

Barcaskey also expressed relief about one of the biggest sticking points during last year's battles. Opponents raised concerns about the potential increase in gas prices as the wholesale price caps were removed, fearing a negative impact on the state's economy. Legislators also were understandably – if unnecessarily – worried about the vote as an election issue that would cost them their jobs. Detractors tried to paint the issue with the same brush as the Legislature's infamous pay raise vote, putting fear into representatives about the perception. Thus far, however, neither of these concerns has played out.

"The fear was that people would be screaming that the price of gas is up because of this but the price has come down," Barcaskey notes. "I think the impact [on the wholesale price] is about five cents this year. By year five I think it could be 28 cents [per gallon] but there are so many other factors affecting the price of gas that you can't predict what it will be then."

PennDOT officials were quick to point out at the time of Act 89's passage that while the additional funding was necessary to avoid further disintegration of the Commonwealth's bridges, much of the early work rolled out would be for repairing roads and re-paving. Bridge and other structural projects require significantly greater degrees of design than do horizontal paving projects. From a public perception standpoint, that reality has benefited PennDOT and backers of Act 89, since it meant the additional funding was spread to a wider geography. More paving work can be done with the same dollars and more PA residents could see roads being fixed in their backyards.

Even without the vast majority of the highway structure work in the mix, construction lettings have jumped considerably since January 1. Through September, more than $2.1 billion had been let by PennDOT, compared to $1.2 billion during the same time in 2013. The spending was spread across 741 projects compared to 518 through nine months of 2013. The timing of the legislation's passage – some five months after the normal budget approval – has made for a back-loaded construction year. As expected, the lion's share of the work has been for roadway repairs and paving. For contractors in the heavy and highway market, the effect of Act 89 has depended on the mix of their business.

"The short answer is yes, we've seen an increase in projects," says Vince Tutino, president of Lindy Paving in New Galilee, PA. "It is definitely noticeable in the middle of the year; jobs were coming out [to bid] that weren't expected. Because of the funding, they put out a lot of work in the second half of the year."

Bob Leahey, president of G. M. McCrossin Inc., is equally succinct as Tutino when asked about the impact of Act 89 on his business, which does not do paving. “No. The pace has not picked up that much,” says Leahey. “We’re expecting to see more next year. From everything I’ve heard from everyone involved, the pace will pick up next year and pick up quickly.”

“It’s certainly not like it was pre-2008, when we were seeing bidder’s lists of two or three bidders and opportunities were coming out week after week,” agrees Dean Mosites, president of Mosites Construction Building Division. “But it’s certainly better than it has been the past few years.”

From the taxpayer’s perspective the report card probably looks a little better. According to Rich Kirkpatrick, acting PennDOT press secretary, 1,600 additional miles of pavement improvement will be accomplished this season due to the funding provided by Act 89. Kirkpatrick noted that during the past few years PennDOT repaired or replaced about 300 bridges per year but will get to another 83 more in 2014 because of Act 89. He explained that about 100 extra bridges would be repaired each year going forward. That doesn’t include the additional 558 bridges slated to be replaced under the Rapid Bridge Replacement Project.

Act 89 also gave oxygen to the state’s two biggest mass transit systems, Port Authority of Allegheny County and Southeastern Pennsylvania Transit Authority, which were on financial life support. There are other transportation improvements tied to the additional funding that could have indirect benefit to PA’s transportation system.

Green Light Go is a traffic signal improvement program that replaces traffic lights in towns throughout Pennsylvania. New improved timing technology creates traffic flow that is 30 percent more efficient, allowing many of the roads in the state to handle more traffic without adding lanes. Under the program, 50 percent of the cost will be reimbursed to the local municipality and if the municipality is upgrading its signals, PennDOT can take over the maintenance and monitoring of the signals for the municipality.

PennDOT Secretary Barry Schoch is understandably pleased at the progress that has been made. Schoch maintained that the infrastructure improvements made possible by Act 89 have a multiplier effect in the positive impact on economic development. On the October 12 edition of PA Newsmakers, Schoch addressed the economic benefit.

“Infrastructure is one of the things businesses look at. Secretary Walker (of the Department of Community and Economic Development) says when companies come to him that are looking at Pennsylvania, they look at geographic location, schools and the natural resources in terms of low energy costs,” says Schoch. “We have great locations, great workforce. What about infrastructure? That’s when they would ask to see me.”

“The fear was that people would be screaming that the price of gas is up because of this but the price has come down,”

The condition of many of the Commonwealth’s busiest roads was poor, in many cases unsafe. What will be done as a result of Act 89 in the next five-to-ten years may completely reverse or remedy those conditions; however, it’s important to remember that the reach of Act 89 is limited and does not begin to address the issue of additional capacity on the highways. Proponents of Act 89 asserted that the additional $2.5 billion was still short of the estimated $3.5 billion needed each year to eventually create an adequate and safe highway system. Considering the pain of the birth pangs of Act 89, it is unlikely that another funding boost is in the cards from the Pennsylvania legislature anytime soon. For the next level of funding, the burden will shift to the federal government. Few hold out hope that the 114th Congress will break the recent string of kicking the infrastructure funding problem down the road.

“The target is definitely on the federal government,” says Barcaskey. “It’s disappointing. There was a push to get something done during the lame duck session in November but now [with the short-term funding] it’s been pushed back to May. With the presidential campaigning that will be going on nothing is going to get done.”

Barcaskey says that without a substantial federal highway bill, Act 89 has made a significant difference for his members and the taxpayers. “Yes, it’s been a boost. A lot of roads and bridges that were in deplorable condition were able to be repaired right away this spring.” BG

INDUSTRY & COMMUNITY NEWS

MBA Awards CAP Scholarships

The Education Committee of the Master Builders' Association has selected the winners of the annual Construction Advancement Program (CAP) scholarships. The winners are Derrick Lubomski, who was awarded a $10,000 scholarship, and Daniel Stitt, who was awarded a $5,000 scholarship. The CAP scholarships are awarded each year to two University of Pittsburgh School of Engineering students who are pursuing a degree in civil engineering or construction management.

MBA Green Builders Chair Michael Kuhn from Jendoco Construction (left) with panelists Barbara Clarke from Bonnett & Associates, Jendoco's Chris Klehm, GBA's Janel Everly and Rebecca Flora from Ecology & Environment Inc. at the MBA's green rating systems education seminar October 23.

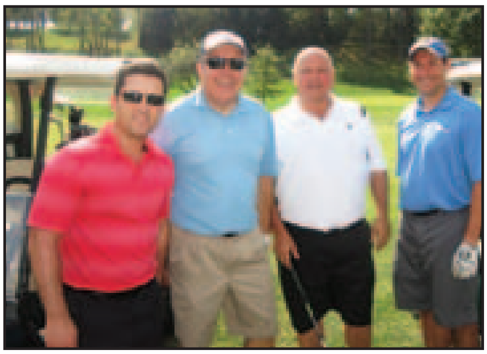
Construction Legislative Council Chair Jon O'Brien (right) thanks Pittsburgh Councilman Corey O'Connor for his speech to the CLC.

(From left) Lindsay Baxter from the PA Environmental Council with GBA's Janel Everly and Leslie Montgomery at the GBA Emerald Evening.

Epic Metals' owner David Landis (left) with Verizon's David Salicce and Jendoco's Domenic Dozzi at the Emerald Evening.

(From left) The MBA's Jon O'Brien, Brayman's Brian Hawk and Steve Greene from Kalkreuth Roofing & Sheet Metal at the MBA Golf Outing.

Ray Volpatt (left) with Bill Engel from Fort Pitt Capital and Dollar Bank's Joe Smith.



(From left) Jim Miller and Matt Jameson from Babst Calland with Suebert's Brian Jeffe and Ted Pettko from Schneider Downs.

One of the winners at the MBA golf outing included (from left) Meyer Unkovic's Jim Mall, Carter Tackett of Abella Enterprises, Dick Kotarba and John Powell from Meyer Unkovic.

Wells Fargo's David Weisberg (left) with Gennaro DiBello from Schneider Downs and Pete Sukernek from Howard Hanna Realty at the CoreNet/NAIOP Pittsburgh seminar on the Millennials.

Michael Welsh (left) and Bill Waterkotte from the Keystone Mountain Lakes Regional Council of Carpenters, flank Tom Landau at the SMPS Multi-family Market program.

AIA President Jen Bee with Executive Director Anne Swager at the AIA Design Gala.

Strada's John Martine (left) with Dick Deklewa of Allegheny Construction Group. Photo by Renee Rosensteel.

Anthony Martini (left), the MBA's Jack Ramage and Emily Landerman Goldberg from A. Martini & Co.

(From left) Scott Rowland from Langan Engineering, Kari Miller and Rhonda Hansal from DLA+ Architecture with Mascaro's Nate Phillips.

Tom Wiley and Larry Payne from WTW Architects with Jendoco's Scott Koontz.

Craig and Jamie Stevenson from James Construction at the GBA Emerald Evening.

Rebuilding Together Pittsburgh Board President Jason Tigano (left) with Mascaro's Josh Pisarcik, WTAE's Wendy Bell and RTP's Executive Director Steve Hellner-Burris.

AWARDS & CONTRACTS

The Pennsylvania Department of General Services awarded a $2 million contract to Allegheny Construction Group for the general construction portion of its $2.3 million renovation of the Southwestern PA Veterans Center in Pittsburgh. IKM Inc. is the architect.

Mascaro received a notice-to-proceed on the sitework and concrete package for the Courtyard Waterfront Hotel in Erie, Pa. Owned by the Erie County Convention Center Authority, the 191-room hotel will be next to the Sheraton Bayfront Hotel and will open in 2016.

Montgomery College selected Grunley Mascaro Construction, LLC, to renovate the Science West Building on its Rockville, Md. campus. The scope of work involves renovations to the existing 69,000-square-foot, two-story building for new classrooms, laboratories, a math emporium, open study areas, a lecture hall, and an administrative suite.

In mid-October, Mascaro will begin work on the WVU Healthcare Southeast Tower. Mascaro received a contract for Bid Package 3A for the cast-in-place concrete work. The 10-story tower is an addition to the Ruby Memorial Hospital Campus, Morgantown.

The Davis Companies selected Mascaro Construction as construction manager for their modernization and renovation of the 550,000 square foot Union Trust Building in Downtown. The architect is Elkus Manfredi, with local architect PWWG Architects.

Baierl Automotive selected Uhl Construction as general contractor for the $2 million addition and renovation to its Kia dealership on Perry Highway in Wexford, Pine Township. The architect for the project is RSSC Architecture.

Facility Support Services LLC was the successful bidder for the Repair Reserve Forces Operations and Training Facility Building 3252 renovation at Joint Base, Andrews Air Force Base, MD. This $9.9 million project is for the DC Air National Guard 113th Wing.

Facility Support Services LLC also was awarded a Design-Build (DB), Design-Bid-Build (DBB), Indefinite Delivery, Indefinite Quantity (IDIQ) Multiple Award Construction Contract (MACC) for the new construction, renovation, alteration, and repairs for projects for the Naval Facilities Engineering Command, Mid-Atlantic Hampton Roads Region, Va. FSS was one of five firms selected to perform work for this $95 million five-year IDIQ MACC.

Oxford Development Company selected Rycon Construction to serve as construction manager on the new $45 million "The Yards at Three Crossings" located in the Strip District. This 343,000 sq. ft., 300-unit apartment complex was designed by WTW Architects to meet LEED Silver standards.

Rycon Construction, Inc. was selected for the $23 million revitalization of Northway Mall on McKnight Road in Pittsburgh's North Hills. The 260,000 sq. ft. renovation was designed by Cupkovic Architecture and is scheduled for completion mid-2016.

At St. Louis University Rycon's Special Projects Group is completing a renovation to Fusz Dining Hall. The $1.5 million, 8,000 sq. ft. project was designed by Tipton Associates.

A $200,000 renovation to TriState Capital on the 29th floor of One Oxford Centre is underway by Rycon's Special Projects Group. Stephen Casey is the architect.

Rycon Construction was the successful contractor for the $2.4 million renovation of Libermann Hall 5th floor School of Nursing at Duquesne University. DLA+ Architecture & Planning is the architect.

A ribbon-cutting ceremony was held in August at the Wounded Warriors Lodging & Parking Structure in Bethesda, MD. dck worldwide, in conjunction with JV partner, TetraTech, successfully completed this $63M design-build project—a multi-story lodging facility for injured veterans with a separate 477-stall parking facility.

dck worldwide's Mall of San Juan project was recognized in August by Puerto Rico OSHA as a VPP (Voluntary Protection Programs) site. Approval into VPP is OSHA's official recognition of the outstanding efforts of employers and employees who have achieved exemplary occupational safety and health. Congratulations to the entire project team on this achievement, which was accomplished while managing over 60 subcontractors and an average daily workforce exceeding 800 employees.

James Construction has been awarded the Linear Accelerator Equipment Replacement and CT Scan Relocation project for the UPMC Fayette Oncology Associates Cancer Center in Uniontown, PA. The architect is Stantec.

Landau Building Company was recently awarded the Interior Renovations – Radiology Department Phase 3 at Heritage Valley Beaver Hospital located in Beaver, PA. Renovations began in October 2014 and are expected to be completed by September 2015. Work includes interior renovations to the Radiology Department, Ultrasound, Special Services, and Staff lounges.

Volpatt Construction was awarded the RCS Laboratory renovation for Bombardier in West Mifflin. The architect for the $644,000 project is Hayes Design Group.

Butler Health System awarded Volpatt Construction a contractor for renovations to its 5T Cardiovascular Suite at its Butler Memorial Hospital campus. The architect is TKA Architects.

F. J. Busse Company is the successful contractor for the News America Marketing tenant improvements, a 5,100 square foot renovation to the 23rd floor of One PPG Place. Highwoods Properties is the building's owner. The architect is Gensler.

The Friendship Circle selected F. J. Busse Co. as contractor for its new headquarters in the Squirrel Hill section of Pittsburgh. The project involves renovations of 12,000 square feet of the former Gullifty's restaurant. PWWG Architects is the architect.

Massaro Corporation was awarded the Exhibit Staging Center project at Phipps Conservatory. The one-story project includes the rehabilitation of a 6,250 square foot warehouse building and 3,226 square foot garage to be transformed for operations' storage, a wellness studio, and additional facilities - carpentry/prop shop/office space. Goals for the project include achieving Living Building Challenge V3 Certification and LEED V4 Platinum Certification. The architect for this project is FortyEighty Architecture.

North Allegheny School District awarded Massaro Construction Management Services, LLC the construction management services contract for the renovation of Bradford Woods Elementary School, Marshall Elementary School, and Marshall Middle School projects. The projects will begin in June 2015. WTW Architects is the architect for the projects.

Massaro Corporation has begun demolition and site preparation for construction of the Skyvue Apartments in Oakland for Ambler University Apartments. The $68 million project includes 389 units and a 363-car parking garage. TKA Architects is the architect.

Highwoods Properties awarded a $1.6 million contract to PJ Dick Inc. for renovations to the plaza of the EQT Plaza at 625 Liberty Avenue, Downtown.

PJ Dick Inc. is the contractor for the $2.6 million renovation of the Fitness Center at Mt. Aloysius College in Cresson, PA.

Mosites Construction Co. is the construction manager for Sewickley Academy's $10 million Means Alumni gymnasium.

The architect is Lami Grubb Architects LP (formerly Glance & Associates).

The Kiski School selected Mosites Construction as contractor for the $8 million addition and renovation of its athletic center in Saltsburg, PA. The project involves 28,000 square feet of new construction and renovations to 11,000 square feet. Pieper O'Brien Herr Architects is the architect.

UPMC awarded a contract to A. Martini & Company for renovations to the CT Scan at Presbyterian Shadyside Hospital in Oakland.

Heritage Valley Health System awarded a contract to A. Martini & Co. for renovations at its Beaver Medical Center in Brighton Township. Paul Slowik & Associates is the architect.

Yarborough Development Inc. was the successful general construction contractor for the $5 million additions and alterations to Ringgold Elementary School. The architect is HHSDR Architects & Engineers.

Belle Vernon Area School District awarded a contract to Yarborough Development for High School science room renovations. HHSDR Architects & Engineers is the architect.

McCrossin was the successful bidder for the general/mechanical construction of the Ginter Road Water Pump Station for the Central Indiana Water Authority in Homer City. The project engineer is Bankson Engineers Inc.

McCrossin completed construction of the reheat furnace for ArcelorMittal in Steelton PA. The furnace was part of a $65 million expansion and modernization. Danieli Centro Combustion designed the project.

Three Rivers Harley Davidson selected TEDCO Construction as contractor for its new Indian and Victory motorcycle dealership on Route 8 in Shaler Township. Intelligent Design Group is the architect for the project, which involves $1 million in renovations to an existing building adjacent to the Harley dealership.

TEDCO Construction was awarded a contract by SunCap Properties to renovate 70,000 square feet of space into new warehouse and offices for EQT in Waynesburg. Strada Architecture LLC is the architect for the $2 million project. BG

FACES & NEW PLACES

Rycon Construction's Special Projects Group added Kevin Ahrens as operations manager. Kevin received a degree in construction technology/construction management engineering technology from SUNY Erie Community College and brings over 19 years of construction industry experience to Rycon.

Mike Figgins joined Rycon Construction as a senior project manager in the Building Group. He received a bachelor's degree in civil engineering from Lehigh University and has 30 years of construction industry experience. Mike will be part of The Yards at Three Crossings apartment complex project team.

Rycon's Building Group added Mike King, a graduate of Ohio State University's civil engineering program. Mike brings 18 years experience to the team.

Rycon would like to announce Gary DiCicco has transitioned from project manager to project director within the Special Projects Group.

Corey Deible has been appointed to Chief Financial Officer of PJ Dick, Trumbull, and Lindy Paving, effective December 1, 2014. For the past 15 years, Deible has been Controller of Lindy Paving and Assistant Controller of Trumbull and PJ Dick. Deible has an MBA from the University of Pittsburgh. Deible will assume the responsibilities of Executive Vice President of Finance Steve Clark, who will "semi-retire" in December. Clark will remain a member of the Companies' Boards of Directors and will report to the Companies' Chief Executive Officer.

Massaro welcomes Riccardy Volcy as a new Project Engineer for Massaro Construction Management Services, LLC. Riccardy comes to us from an architectural firm where he was an intern for three years. He has experience with BIM and LEED. He is a 2011 graduate of Florida A&M University, where he received his Bachelor of Architecture and completed the CMU School of Architecture, Remaking Cities Institute Program also in 2011.

Shannon Benya joined Massaro Design Build, LLP earlier this summer as a Virtual Design and Construction Engineer. After graduating from The Pennsylvania State University with a Bachelor of Architecture Degree she worked for a Pittsburgh-based architect focusing on commercial and higher-education projects

Adam Timco joined Massaro Corporation as the newest Project Manager. Adam brings more than 12 years of project/construction management experience with him and 18 years in the industry overall. Adam's first assignment is to oversee the construction of WVU Healthcare Outpatient Care Center.

Steven Massaro was promoted to Senior Vice President of Massaro Construction Management Services, LLC. Steven was the first of his brothers to join his father in the family business in 1989 after graduating from The Catholic University. In April 2000, Steven was promoted to Vice President of Business Development and was responsible for managing the marketing and business development professionals.

Josh Wells, Rob Modany, and Ron Masztek were promoted to project executives for Massaro Corporation.

Jim Kephart was promoted to Director of Field Operations for Massaro CMS, LLC. Jim began his career in construction in 1993. His history includes working as a union carpenter, foreman, general foreman, project superintendent, and site manager. Additionally, Jim served in the United States Army Reserve.

Frank Piedimonte, formerly Executive Vice President of the Heavy Civil Division at Brayman Construction, has been promoted to President and COO. Mr. Piedimonte has been with Brayman since 2004 when he joined the organization as a Senior Project Manager. In 2009 he was promoted to Vice President and in 2011 to Executive Vice President of the Heavy Civil Division. Prior to Brayman, Mr. Piedimonte was Regional Manager for IA Construction Corp. Mr. Piedimonte is a graduate of the University of Pittsburgh and resides in Cranberry Township with his wife and two sons. BG

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Wesbanco Bank, Inc.
Westfield Insurance
Wilke & Associates, LLP
Willis of PA, Inc.
Zurich NA Construction

Closing Out

Pittsburgh International Airport is a Growth Engine

By Wm. Randell Forister A.E.A, CCIM

Randy Forister

Great things are happening around Pittsburgh International Airport! Recent projects and announcements have garnered statewide and national attention, as the airport area continues to be an important asset and driver in the region's ongoing economic transformation.

The Airport Authority has worked diligently to attract new air service to important business and leisure destinations including Houston, Nashville, Los Angeles, Ft. Lauderdale, Paris and the Caribbean. Extraordinary advances are being made in development around the airport as well.

Passenger Traffic Growing

Pittsburgh International Airport continues to see year-over-year increases in passenger traffic; August 2014 marked the fourth consecutive month of growth in traffic at PIT and the third consecutive month with traffic growth of over 3.0 percent. Year to date, all scheduled carriers combined show a 1.2 percent increase in passengers.

Some factors contributing to the increases include: new Saturday service to Punta Cana on Delta; an increase in seats on flights to Denver on Southwest and United; maturing new routes on Southwest to Houston Hobby and Nashville; and larger aircraft flying to Chicago on American Airlines.

Sun Air Express recently announced new flights to/from Altoona, PA, Lancaster, PA and Jamestown, NY from Pittsburgh International Airport. These routes were approved under the U.S. Department of Transportation's Essential Air Service Program. Sun Air is also proposing service to Bradford, PA, and Franklin, PA, by the end of 2014. Service to these five markets will amount to approximately 6,500 additional flights per year from Pittsburgh International.

Service to these new markets are in conjunction with the Airport Authority's plan to reconnect regional cities to Pittsburgh International Airport – a more reliable and lower cost airport compared to large traditional airline hubs. This plan, known as the PIT Connector Project, has been a focus of county, state, and local leaders.

Delivering outstanding customer service is of the utmost importance at Pittsburgh International Airport. The airport's staff of eight Customer Service Representatives and almost 100 volunteers operates the information desk and the Military and Family Courtesy Center and assist our over eight million annual passengers.

The airport strives to be at the forefront of customer service with initiatives like our new FlyPIT Perks program, exciting new retail shops at our award-winning AIRMALL, and building upgrades such as renovated restrooms and an ongoing terrazzo floor project. With the recently launched online parking reservation system you can prepay your parking to make sure you have a space and receive a discount. Pittsburgh International Airport strives to deliver a positive customer experience like no other.

Development Takes Off

Recently, Governor Tom Corbett announced funding for the land preparation for the Pittsburgh International Airport World Trade Center. The project is a public private partnership involving several state agencies that will transform a brownfield site on the airport into a world class center for international trade including office space, research and development capacity and a 400-room hotel with convention space. The Center will have aircraft access to the airfield as well as pedestrian access to the terminal. The transformational project is projected to generate $250 million in private investment and lead to the creation of 7,000 direct and indirect jobs, and more than 1,200 construction jobs.

More building is occurring at the airport. Pittsburgh International Business Park, a state of the art Flex Office project managed by Continental/Chaska LLC is enjoying success as is Burns and Scalo's new spec building which is being completed now. All of these projects are a direct result of the construction of shovel-ready sites by the Allegheny County Airport Authority with support from federal, state and local officials.

Also in the airport area is the new Industrial Scientific headquarters building which is a 200,000 square foot state of the art facility looking out over the Parkway West. Another exciting project is the new Gordon Foods distribution facility located in the Findlay Industrial Park near the Findlay Connector.

With the recent announcement that the Findlay connector will be extended to I-79 by 2019, there will continue to be excellent opportunities in the airport area.

While the Airport area is attracting great companies, so is the rest of the region. Bakery Square is a great success. Downtown is seeing a significant surge in new development and the attraction of national investors. Southpointe is bursting at the seams. Why? Pittsburgh is a great place to live and work. The region has received high rankings in national publications for best places to live, best places to visit, best places to start a business, all of these rankings just scratch the surface of the potential in the Pittsburgh region. The energy industry is doubly blessed. Not only is the shale gas boom been a great opportunity, but it happened in a region that is one of the best places in the country to raise a family and grow a business. The airport area is just leveraging all of the benefits of the region around us.

Randy Forister is senior vice president, development at the Allegheny County Airport Authority.