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September’s *BreakingGround* marks the tenth anniversary of the publication and I’m keenly aware that it has taken much good luck and the incredible support of thousands of people in construction and real estate to keep us going that long. No matter what else I think or say about hanging around for a decade, I need to start with thank you. So if this note sounds a little like an Academy Awards acceptance speech, I apologize.

First and foremost, it has been enormously helpful to have had the support of the Master Builders’ Association of Western PA, for whom we publish this gem. Jack Ramage, the MBA’s executive director, has been at the helm throughout this journey and has been an invaluable sounding board, advisor and friend. I owe a big thank you to Jon O’Brien, who just started a new chapter of his career as the executive director of the MBA’s counterpart in Harrisburg. We’ve operated through parts of the tenures of five board presidents: Joe Burchick, Cliff Rowe, Tom Landau, Dean Mosites and Steve Massaro — who was the one asked to approach me about considering such a publication after the sale of *Pittsburgh Construction News* in 2005. It was the MBA’s goal, when we started publishing, to have a magazine that reflected its role as the “voice of the construction industry.” I hope we’ve achieved that goal.

We’ve had hundreds of advertisers, including dozens of companies that continue to advertise in every edition. If you check your subscription price you’ll quickly realize that it’s the advertisers that literally pay the freight. It’s especially gratifying that quite a few of the advertisers in this edition were with us during that first year – and even the first edition that was true of choices made about Pittsburgh too.

Yet during that same ten-year period, 45,000 new housing units were built, most of them single-family homes for sale. That didn’t square with the negative public impression. Something good had to be happening. We just didn’t know about it. It was more than just ignorance, too. Impressions influence behavior and our collective negative self-image was influencing negative behavior when it came to investment.

Let me give you an example of how that happens. Because of three shark attacks within a couple of weeks, the summer of 2001 was dubbed “The Summer of the Shark” by the media. With a few years perspective, those that cared to check discovered that fewer shark attacks occurred in 2001 than average; and the five fatalities were half as many as occurred the previous year. After the media got hold of the story in July, beach towns reported countless vacation cancellations by fearful Americans. People made financial choices based upon what they heard rather than what they knew. I believe that was true of choices made about Pittsburgh too.

Look, we’ve certainly published negative stories. It was impossible to write about the economy in 2009 without being negative. But even in down times, good things still happen. We choose to find those things and present them to you. I don’t think we’ll ever apologize for that.

So we begin the second decade of *BreakingGround* unapologetically but gratefully. Thanks again to all of you who read the magazine and especially to those who have applauded, criticized, corrected and supported *BreakingGround*.
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What was shaping up to be a solid year for construction got much better on June 7 when Shell announced its final investment decision for its ethane cracker and polyethylene facility in Monaca. The decision itself was not a surprise, although there was relief that the wait was over. What was a surprise was the elevated level of activity that has followed. Perhaps the positive decision was coincidental to an uptick in work but the consensus is that Shell’s thumbs up signaled another gear for the Pittsburgh economy.

Economic news on the region wasn’t all good. Unemployment in the seven-county metropolitan area ticked up 0.2 percentage points in July, to 5.7 percent. Unemployment was up 0.6 percentage points compared to July 2015. The rise in unemployment is attributed to two main causes: continued sluggishness in the energy sector (as evidenced by the higher unemployment rate in Fayette and Washington Counties) and the addition of 12,100 people to the workforce since July 2015. The latter factor is something of a positive in a region that faces long-term workforce decline, but the addition of that many workers adds more than one percent to the unemployment rate.

Shell’s choice appears to have given business owners and developers a boost of confidence that the economy will be even stronger in 12 to 18 months. In the immediate area surrounding the project, word of the project has sparked a surge of housing, hotel and industrial projects. Kellaur Development and its partners have moved forward plans for two separate apartment projects, one a 228-unit complex in Hopewell Township and the other a 252-unit project in Center Township. Millcraft Hospitality is getting underway with the first of two hotels planned just east of the cracker site. Construction on the first of the warehouses being developed for Shell by C.J. Betters is nearing completion, meaning that the energy company will soon have a place to store components of the plant that will be shipped by barge from the Gulf Coast. There is word that another announcement from Betters is forthcoming. And as might be expected, the level of interest in sites within ten miles of the Shell project has spiked.

More surprising has been the increase in office and industrial development activity beyond the immediate area. When surveyed in July, none of the developers with property near the airport was reporting any increase in activity from cracker-related users but, since that time, brokers report that user interest has surged.

News from the Shell cracker itself is that the project is on a fast track. Schedules that were extended when Shell cut capital budgets earlier this summer have now been accelerated. A general services package has been bid. There is no word on what contracting team has been selected for the 250,000 square foot support buildings package but the Great Arrow joint venture expects to be pouring foundations in early 2017.

In the commercial industrial segment of the market, activity has been equally strong. News of the Berlin Packaging deal at Clinton Commerce Park was finally released, with the company taking all of the 252,000 square foot first building developed by Neyer Inc. (and adding another 50,000 square feet). With that building leased, construction is expected to start on the final 265,000 square foot warehouse at Clinton Commerce Park.

Anticipated activity at Shell plant, renewed expansion of the natural gas midstream and the continued strength in commercial activity should push contracting volume to all-time highs in 2017-2019.

Source: Tall Timber Group.
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COMING EVENTS

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October 20: ASA monthly chapter meeting at LeMont

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Park. In the city’s Fairywood section, Burns & Scalo Real Estate Services announced that it will build a second 150,000 square foot warehouse, this one a build-to-suit for W.J. Beitler & Co.

Of potentially greater importance to the industrial market is the proposed million-square-foot warehouse at Chapman Westport. There has been no confirmation of a user as of Labor Day but the project is rumored to be a fulfillment center, sparking speculation that it is for Amazon or one of its competitors. Aside from the benefit of such a large project landing in Pittsburgh, the opening of a fulfillment center or other logistics hub – such as FedEx and UPS have built elsewhere – would change the dynamics of distribution for the region. Long viewed as an intermediate location for logistics, Pittsburgh has been overlooked for major distribution centers such as have been developed three hours west in Columbus or three hours east in the Harrisburg/Northampton corridor. A major warehouse deal, particularly if it is a fulfillment center, would put Pittsburgh on the map as a market that justifies primary locations. This is especially true if the user is Amazon, which is at the lead in online shopping and logistics. Such a center should draw others to the region in the way that a Starbucks or Nordstrom validates a retail market.

It’s not surprising that the market fundamentals for industrial are strong. According to Newmark Grubb Knight Frank, vacancy declined to 8.2 percent overall, with Class A under five percent. Year-to-date absorption has exceeded 700,000 square feet, allaying concerns from last year that the flurry of new construction could leave the market oversupplied.

Conditions in the office market are just as strong. CBRE’s second quarter office update reported overall occupancy at 89.5 percent, with rents increasing again for the 13th consecutive quarter to $25.58 per square foot. The Class A vacancy rate was 8.4 percent.

Against this backdrop, there are plans for speculative office buildings underway and word of significant users in the market. Among the spec projects are several for Burns & Scalo Real Estate, with the 80,000 square foot Beacon I project underway at Abele Business Park in South Fayette Township. Chapman Properties is planning a 48,000 square foot new flex/office at their Chapman Westport site. Among the users looking are First National Bank and Buchanon Ingersoll & Rooney, each looking for 150,000 square feet or more. The latter move is something of a barometer on the plans for One Oxford Centre, as new owners Shorenstein Properties tests the viability of rents that are reported to be above $35 per square foot. Shorenstein has announced plans for investing $80 million or more to update the 35-year old high rise.

Through August 31, contracting for non-residential construction topped $2.42 billion, an increase of 6.1 percent, or $140 million compared to the same time period in 2015. Like in 2015, the main driver of activity has been the construction of natural gas midstream and industrial projects. The pipeline of projects expected to start during the last four months of 2016 is very similar to the backlog at the same time in 2015. Assuming the market unfolds as expected, the total construction contracting for commercial and non-residential construction in 2016 should top $3.5 billion.

Pittsburgh’s healthcare market is showing signs of life again. UPMC selected Rycon Construction for the first phase of the $70 million multi-year UPMC Jameson Hospital modernization in New Castle. There was also bidding or award of contracts for several other healthcare projects worth $20 to $30 million. PJ Dick was awarded the West Penn NICU project. Bids were taken on the Presbyterian Hospital cardiovascular and Shadyside Hospital patient room renovation projects. Wheeling Hospital is taking bids on a $20 million continuing care facility. West Virginia University Hospital System is moving forward with the next phases of its $450 million expansion program.

One sector of the market that is finally showing signs of cooling off is multi-family. Although there are still some 4,800 units in the planning pipeline, slowing absorption and stagnating rents are making developers and lenders more cautious. As often happens in a slowing market, there are different dynamics in different parts of the market. Thus far, apartments located in the East End, Lawrenceville, Downtown and the Downtown Fringe are holding their own; however, properties in the suburbs are seeing slower absorption rates. Even with less favorable conditions emerging, there will still be 2,000 units started in 2016, probably only a decline of ten percent or so from 2015.

Construction of single-family homes was up through eight months, with 1,326 units started compared to 1,266 for the same period in 2015. The home ownership rate fell slightly so far in 2016 to 71.5 percent, although that rate is significantly higher than the U.S. rate. Over the past decade, rental rates have increased by seven percent, while home ownership costs have declined by 9.5 percent, primarily due to low borrowing costs. As in most U.S. markets, construction of new homes in Pittsburgh is being slowed by an insufficient inventory of lots. New subdivision development is increasing but not fast enough to allow for new construction to reach the volume of new homes that were built from 1995 through 2006. The forecast of 2,000 new single-family detached homes in 2016 should be accurate.
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Worries over the slowing pace of hiring in the spring have been quashed by two stellar employment reports in June and July that showed nearly 600,000 new jobs created and 400,000 people joining the workforce. At the same time, the Bureau of Economic Analysis’ (BEA) first estimate of gross domestic product (GDP) growth in the second quarter – and final downward revisions of previous quarters’ growth – are giving economists real pause in their collective analysis of the state of the U.S. economy.

The July 29 report on GDP showed 1.3 percent growth in the second quarter, about half of what was expected by economists. The BEA data also included a downward revision to 0.8 percent for the final estimate of first quarter growth.

Slumping business investment, especially decelerating inventory replenishment, was the main culprit for the slower output. The strong U.S. dollar – especially after the Brexit vote in June – continued to make exporting difficult and weaker global markets left U.S. companies with fewer new customers and less optimism about future sales growth. Construction was one of the bright spots in the report. GDP in construction grew 9.0 percent at a seasonally adjusted annual rate, the eighth consecutive quarter of growth for construction.

The economists at PNC Financial Services Group were among the group that zeroed in on the role of decelerating inventories on GDP growth, noting that 1.2 percentage points came off GDP because inventories were not replenished. Inventory building is an optimistic action, which anticipates future demand for products. The fact that companies did not replenish what was sold at a faster rate has a technical impact on GDP but it also underscores a potential change in sentiment.

“Inventories decelerated for just the second time since the recovery started in 2009,” observes Kurt Rankin, economist for PNC. “The deeper story is business investment declined for the third consecutive quarter. We don’t see decline in investment unless we’re in a recession. Some of the decline in 2015 was the result of the drop in oil prices, which reduced demand for equipment used in that industry but business investment in general is down.”

Rankin is clear that he sees little other evidence of an impending recession and expects GDP growth to be higher in the second half of 2016. At the same time he is not in the camp of those who think a big bounce back is coming in future quarters.

“There is a measure of optimism that I don’t share,” Rankin admits. “Businesses have turned more risk-averse. How much can the U.S. economy grow if business isn’t investing in itself?”

Huntington Bank’s director of economics, George Mokrzan, is also concerned about the falling business investment, saying that it puts more pressure on the consumer for growth. He predicts the strength of the U.S. consumer will keep the economy above water.

“The bulk of the investment decline is related to the energy [capital expense] pullback and lower overall business [capital expense]. Businesses are probably not comfortable making long-term capital commitments in a period of rising short-term uncertainties,” Mokrzan notes. “This puts more pressure on the consumer and government portions of the economy to continue a pace of positive spending to offset this weakness. As a result of the downward trend in business spending, we have recently increased our risk of recession over the next 6-12 months from 25 percent to 33 percent.

Monthly changes in the Architectural Billings Index have decreased in volatility and the readings are trending slightly downward. Source, American Institute of Architects.
“A low official unemployment rate of 4.9 percent, significantly improved household financial balance sheets including the lowest Financial Obligations Ratio since the early 1980s and generally rising incomes should keep consumer spending relatively strong. Therefore, while recession risks have risen, our overall economic outlook continues to be for positive economic growth to continue through 2017.”

There are some technical trends that are raising red flags about the business cycle as well. Compared to history, the credit cycle is long in the tooth and lenders are beginning to behave in the way that lenders do before a downturn. For example, the share of banks tightening credit standards has begun to rise. In August, roughly 20 percent of banks were tightening standards for nonresidential loans; 31.4 percent were tightening for land acquisition and development and almost 45 percent were tightening standards for multi-family loans. The last two times banks tightened credit standards to that degree were in early 2001 and late 2007, just ahead of recessions.

Another metric is the spread between the yield on a five-year Treasury note and high-yield corporate or junk bonds, which is an indicator of the risk premium attached to the latter. Like with bank credit standards, the spread between the risk perception of five-year Treasuries and junk bonds has doubled over the past 12 months. That’s nearly identical to the trends of 2001 and 2007.

While these macroeconomic trends seem to be portending a slower economy, metrics for the construction market are continuing to improve.

The American Institute of Architects Architecture Billings Index (ABI) report on August 17 was above the breakeven 50 mark for the sixth consecutive month in July. The binary survey of architectural firms showed a reading of 51.5, down from 52.6 in June. The ABI measures the percentage of firms that reported higher billings than a month earlier. Any score over 50 indicates billings growth. ABI readings have declined slightly each of the past three months, however, and the long-term trend since May 2015 is lower.

Another design-oriented index, the newer Engineering Business Index (EBI) done by the American Council of Engineering Companies (ACEC), showed a stronger performance for engineers. The EBI is a diffusion index, which measures the business, market and financial performance of 380 engineering firm leaders in a quarterly survey. The second quarter 2016 survey was reported on July 12 at 60.2, down from the first quarter reading of 64 but well above the breakeven reading of 50.

Both the ABI and EBI are indicating that construction should be on an upward path for the next six to 12 months.

The U.S. Census Bureau of the Department of Commerce reported that construction spending during June 2016 was estimated at a seasonally adjusted annual rate of $1,133.5 billion, 0.6 percent below the revised May estimate of $1,140.9 billion. During the first six months of this year, construction spending amounted to $539.8 billion, 6.2 percent above the $508.1 billion for the same period in 2015.

Within the August 1 Census Bureau report on construction were a couple of noteworthy details that relate to the analysis of the second quarter GDP estimate, which showed the U.S. economy increasingly supported by consumer and government spending. The construction spending report indicates that the spending in those two sectors for structures may be declining.

The variance between non-residential private and public spending continues to widen. In July, private investment in construction outstripped public spending by $122.7 billion dollars, the third consecutive month that the variance exceeded $120 billion. Government bond issue volume is lower than any time since the mid-1990s and capital spending as a share of the economy is at the lowest level
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since 1983. At the root of this decline is an increased budget focus on escalating pension and Medicaid costs for municipalities and states. The demographic trends and existing contractual obligations suggest that the legacy pension and Medicaid burden for local governments will go much higher over the next 20 years. That trend will certainly put an increased burden on the federal government for infrastructure spending and on taxpayers to fund the future payments to a higher degree.

Higher taxes would put downward pressure on consumer spending, which is currently the strongest source of support for the U.S. economy. The category of construction where consumer strength should translate directly into expansion – retail stores – is instead experiencing declines. The Census Bureau report on construction showed a 3.9 percent decline in retail store sales, even as retail sales overall increased 2.3 percent. The difference between those numbers is, of course, the growth of spending in online shopping, which jumped 10.5 percent. The boom in online shopping is driving higher-than-normal expansion in the warehouse category of construction, as fulfillment centers for Amazon, Zappos and the like dominate new construction. At the same time, a number of shopping mall mainstays – such as Macy’s, Sports Authority, Office Depot, Wal-Mart, Aeropostale, and Finish Line – announced the closing of at least 100 stores.

For the near term, however, consumers will continue to be one of the bright spots in the economy. In addition to growth in consumer spending, there are a number of other indicators that the average American is feeling economically more comfortable and better prepared for economic cycles.

The personal savings rate dipped slightly in June to 5.3 percent, but the overall trend in savings has been a rate of between five and six percent since the recovery from the Great Recession began in early 2010. That trend is in stark contrast to the steep decline in savings that occurred during the housing bubble, when personal savings fell to less than two percent of income and averaged about 2.5 percent during the three years prior to the recession. Increased personal savings can be a drag on the economy, to the extent that income isn’t being spent, but higher savings also allows consumers a margin of safety in the event of a slowdown. That cushion is likely to prevent an economic downturn from becoming a steep recession.

The Personal Financial Satisfaction Index done by the American Institute of Certified Public Accountants (AICPA) found that U.S. consumers responded with the highest level of satisfaction with their personal finances in nine years. Rising home values are giving homeowners more equity. Low interest rates have made it possible for mortgage debt ratios to plummet to 40-year lows, while mortgage defaults have fallen to levels that existed before the housing bubble. Housing starts continue to climb. The Census Bureau reported on August 23 that starts were 2.1 percent higher in July than in June and were up 6.7 percent year-to-date. Should the trend continue, it would mark the seventh consecutive year of year-over-year growth, which is unprecedented since World War II. Even during the housing bubble of the mid-2000s, starts only increased for five consecutive years. Improving wages and employment that is at a record high level, along with sustained declines in energy costs, are giving Americans the confidence to buy homes. With home inventory levels low, buyers are seeking new construction as an alternative supply.

With more than 70 percent of the U.S. economy driven by consumer spending and investment, the overall optimism of the U.S. consumer is a comforting counterweight against the increasingly more cautious business owner. That bodes well for continued economic expansion, albeit more mute, during the next six months.
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Market Metrics

<table>
<thead>
<tr>
<th>BENCHMARK</th>
<th>Jan-Aug 2015</th>
<th>Jan-Aug 2016</th>
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<tbody>
<tr>
<td>Total SFU/unit</td>
<td>1,316</td>
<td>1,266</td>
</tr>
<tr>
<td>Total GFA/Multi-unit</td>
<td>2,221</td>
<td>1,492</td>
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<tr>
<td>Total residential $</td>
<td>$576.5 million</td>
<td>$544.7 million</td>
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<tr>
<td>Total non-residential $</td>
<td>$2.28 billion</td>
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<td>K-12 additions/renovations</td>
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<td>Higher Ed construction</td>
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<tr>
<td>Hospital construction</td>
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<tr>
<td>Hotel construction</td>
<td>$59.2 million</td>
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<tr>
<td>Industrial construction</td>
<td>$64.4 million</td>
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<tr>
<td>Office construction</td>
<td>$223.5 million</td>
<td>$195.2 million</td>
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</tbody>
</table>

**Pittsburgh vs. US Housing Starts**

**Median Pittsburgh Home Sales Price**

**Total Annual Bankruptcy Filings - Pittsburgh**

**Total Employment Pittsburgh MSA (July-to-July)**

**Total Exports - Metropolitan Pittsburgh**

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WHAT’S IT COST?

Although construction activity in the U.S. continued to grow at a pace well above five percent throughout the summer, the impact of the slow economy outside the U.S. has been favorable on costs. During the spring, manufacturers of many building materials and finished goods had been able to push through price increases that ranged from five to 15 percent, increases that were anticipated in July and August were either deferred or not accepted by the marketplace.

Pressures from ever-growing demand from domestic construction have pushed manufacturing towards peak capacity in the U.S., which had seen shutdowns in key materials after the Great Recession without any new capacity built; however, the lack of global demand, coupled with excess capacity in China and Europe, gives buyers plenty of options.

“There is a lot of capacity. My impression is that there is plenty of capacity any place you look,” observes Kenneth Simonson, chief economist for the Associated General Contractors. “With a sluggish economy worldwide, any material that can be sourced overseas will be in ample supply.”

Ample supply is expected to deter price increases throughout the remainder of 2016. Feedback from manufacturers and buyers indicates that there is stability across a wide range of materials.

The IHS Procurement Executives Group (PEG) Engineering and Construction Cost Index registered 49.8 in July, up from 48.1 in June. July marked the 19th consecutive month that the headline index was below the neutral mark of 50, although upward pressure from equipment and materials has pushed the index nearly as high as it can go while remaining negative. As in past months, price increases in several key categories were offset by declines in others. Plywood and lumber prices fell two percent, with another two percent drop expected in August. At the same time, late spring increases in steel prices showed up in the cost of steel pipe but other steel products held firm. The lift received by higher tariffs appears to be over and the hyper supply will be the dominant influence again.

“It think the run up in steel prices may be about to end,” predicts Simonson.

It is worth noting that only four of the 12 sub indexes of the IHS PEG survey showed declining prices. This suggests that costs won’t fall from this point in time. One interesting casualty of the energy market dynamics is the rising cost of fly ash. A waste byproduct of coal-fired power generation, the supply of fly ash has fallen with coal usage, sending prices for the concrete admixture up over 20 percent.

Bureau of Labor Statistics (BLS) reported on August 22 that the producer price index (PPI) for final demand decreased 0.3 percent from June to July and 0.2 percent from July 2015. The PPI for final demand construction rose 0.8 percent year-over-year. The PPI for new nonresidential building construction also rose 0.8 percent, driven higher by increases in office buildings (1.4 percent) and warehouses (1.5 percent). Declining investment in energy and manufacturing pushed the industrial sector 0.4 percent lower, the only major sector to decline.

<table>
<thead>
<tr>
<th>PERCENTAGE CHANGES IN COSTS</th>
<th>July 2016 compared to</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Consumer, Producer &amp; Construction Prices</td>
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<tr>
<td>Consumer price index (CPI-U)</td>
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<tr>
<td>Producer price index (PPI) for final demand</td>
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<tr>
<td>PPI for final demand construction</td>
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<tr>
<td>Costs by Construction Types/Subcontractors</td>
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<tr>
<td>New warehouse construction</td>
<td>0.1</td>
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<td>New school construction</td>
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<td>New office construction</td>
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<td>New industrial building construction</td>
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<tr>
<td>New health care building construction</td>
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<td>Concrete contractors, nonresidential</td>
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<td>Plumbing contractors, nonresidential</td>
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<td>Construction wages and benefits</td>
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Compiled by Ken Simonson, AGC Chief Economist
Google’s office design is the prototype that corporations tried to mimic.
To the outside observer, architecture probably does not seem a dynamic profession. Inside the profession, however, practicing architecture has been about managing the pace of change over the past generation. Not all change has been good (see, fee erosion and schedule compression) and not all has been bad.

It usually requires the perspective of a decade or so to judge whether or not something was a trend or a passing fad.

One of the byproducts of advancing technology is the increasing pace of change and so trends take less time to mature into practice or fade into disuse.

Three trends of this decade merit exploration for their durability and impact on the profession.
first of these is the new workplace design. Granted, this trend would seem to fail the maturity test but in just a few years, workplace design has become part of a much bigger trend. Originally driven by the whims of high tech users and perceptions (or misconceptions) about Millennials’ work habits, office design is now an important part of the strategy for attracting, retaining and engaging talent.

Second is the status of green building. Over the past few years, there has been a momentum shift in sustainability and a ground-swell in the emphasis on building performance. Certifications like Energy Star, Living Building Challenge, WELL Building Standard and Passive House have gained in awareness and are adding a layer of performance verification to projects that were aiming for LEED certification. There are those talking about green building moving forward without LEED but the concept of setting standards for design and construction is the foundation that LEED provides the industry.

Finally, the business side of architecture is facing several challenges that are being met increasingly by mergers and acquisitions. In the general business community, profit pressures and the scarcity of skilled workforce are driving industries to consolidate in order for growth to occur. Those same dynamics and a looming wave of retiring principals have pushed mergers among architects to record high levels.

These aren’t the waves of the future. They are the trends of today and a shift in the business cycle could sidetrack all of them. We saw that happen in 2009. For the time being, these trends are simply some things more people are doing now than before.

The Workplace as Strategy

It would be safe to blame the whole new workplace design on Google. But it would also be wrong. The Internet search giant has been lifted up as an example of what really smart young workers want in a workplace and the Google space is somewhat legendary for its heretofore outrageous amenities. Game rooms, free food in cafes, volleyball courts and sliding boards were among the play spaces that Google employees had to complement their workspaces. There was an element of rebellion in this new concept of what the workplace could be but there was also a method to the madness.

Google was founded by brilliant young engineers, not unlike most of the second wave of tech companies. The work schedules of these founders were different from traditional businesses. Marathon coding sessions were punctuated by spells of brainstorming as groundbreaking algorithms were grown into new businesses. Tech workers spent extended hours at their jobs and companies like Google and Apple and Yahoo recognized that the office had to have places for the employees to blow off steam or just take a break. Certainly workers could go to their homes for that but it was in the best interest of the company to have the employee find that respite at the office. A new formula emerged for workplace.

The physical manifestation of that formula was a large open floor plan, sprinkled with places that workers could collaborate and spaces that were private for meetings. The office included some element of play or a space where workers could unplug from their work. The formula gained adopters. It got notoriety and plenty of publicity. Open plan became a trend.

The origins of the trend were not just a response to new work habits. When the economy began recovering in 2010, companies reevaluated how they did all aspects of their businesses, including how they used real estate.

“The new office trend started when market pressures grew and clients looked at their expense side and asked how they could decrease in terms of the overall space provisioning,” recalls Donna Becco Schroeder, principal for facility and occupancy strategies for Stantec in Chicago. “Then we shifted the conversation to making the workplace more effective.”
Schroeder is an architect who has spent most of her career planning and designing offices. Her role in this new way of looking at the office was that of workplace strategist. Rather than simply trying to accommodate clients’ wishes by figuring out how to fit the same number of people into smaller spaces, workplace strategists looked at how people used the places where they worked. Designers conducted ethnographic research, studying how employees behaved during the work day and tailored office layouts to their findings.

“We look at the function of the space. Time studies show how much time each space is used. Surveys of workers find what people need to do and where they need to do it,” Schroeder explains. “We do studies of what is used and what is not. There is no rule of thumb but what usually results is a need for smaller personal spaces and larger common spaces.”

This area of study and design—now also referred to as occupancy strategy—has expanded to include the broad spectrum of building types. The aim is to look strategically at spaces to translate how the client wants the occupants to experience the building. Hotels aren’t just a collection of bedrooms with a reception area and dining. Because of how corporations function now, hotels are also offices. Hospitals, for example, serve their patients in office settings as often as they do in clinical spaces. The desired result is to create the best design for the specific experience within a facility, so that the hotel guest enjoys the working space as much as they do the sleeping space or exercise room.

In practice, of course, most clients don’t know they need a workplace strategy. Far too often over the past few years, architects tasked with designing an office find a client who has read up on the trends in office design and has a laundry list of cool things they want in the new space (usually accompanied by the article from Architectural Record or Interior Design that inspired them). Without proper guidance or research from their architect, clients can end up with open floor plans that function no better than the cubicle farms they replaced, but with a lot more distractions for their workers.

“More and more companies are asking for this kind of design, referencing what they think is going on at Google,” notes Jeff Young, associate principal at Perkins Eastman. “There is not a one size fits all solution to workplace design. Cultures are different. Departments within companies are different.”

Young echoes Becco Schroeder’s comments about studying how the space is used, pointing out that where the collaborative spaces or private spaces are positioned relative to work stations makes a difference in how or whether those spaces will be used. Putting gathering places halfway across the office from where engineers sit will inspire the engineers to create a collaboration space of their own choosing. Fitting break or play space into the floor plan poorly can result in noise or visual distractions that reduce productivity. As with most architectural problems, the key is good early planning.

“We do strategic planning and programming differently than we used to,” says Dan Delisio, principal/owner at NEXT Architecture.

Delisio, who has designed new spaces for Rice Energy, Ansys and Autodesk within the past year, makes an interesting point about the difficulty clients are experiencing. Even seasoned facility managers may have little or no experience with newer office concepts and find it difficult to articulate what they want. It’s often easier to react to images of what exists than it is to visualize something new. Clients that have done open plan projects have the benefit of knowing what worked and didn’t work, like not anticipating the noise level that would result from a floor full of multi-station work tables.

“Many clients still want an open plan but request we deal with acoustics and privacy,” says Delisio. “We can utilize interstitial spaces that are hard to plan with collaborative spaces to suit the client’s need and maintain that open plan. We can make better use of the space and keep the buzz and collaboration areas.”

Buzz and collaboration are two words J.C. Pelusi uses to describe the new space at JLL Center at Tower Two-Sixty. Pelusi, who is international director and market leader for Jones Lang LaSalle Pittsburgh, says the opportunity to create a new workplace had a direct bearing on its choice of property and floor location. As the anchor tenant in the new 18-story building developed by Millcraft Investments, JLL could have been expected to take the top three floors but Pelusi had a different goal in mind when he made the decision. Rather than the obvious location, Pelusi opted for the lowest office levels because of the access to a roof-top garden and patio on the 12th floor.

“We were going to a new way of working. We were going to bench seating and it was really dense. The ability to have that kind of amenity is important with 400 people working here,” he notes. “I
just felt having that outdoor space overlooking Market Square was huge. The deciding factor truly was the ability to get that patio.”

Pelusi sensed that his staff would want to step away from their sit/stand desks during the day and believed that having the option to take a laptop to an outdoor space on a sunny day would be an attractive option. The JLL offices (which were designed by Perkins Eastman) have other collaborative and private spaces to break up the tedium of the denser workstations or to work on a problem with colleagues. JLL staff has the option to work regularly at one desk or to “free address” where they land every day. Rumor had it that Pelusi worked at a different station every day for the first month. While that was not the case, the 30-year veteran of traditional offices is effusive in his pleasure with the new way of working.

“I do bounce around. I find myself gravitating to the same area but I am free address,” he admits. “There’s energy in interacting more with your colleagues. We’re finding people tend to sit in groups and they are learning from each other. There’s more of a buzz in the office. The brokers were the group I was most worried about accepting this but they are really enthusiastic about it.”

One of Pelusi’s colleagues, Jeffrey Ackerman from CBRE, has also adopted the free address style of working, preferring to carry all that he needs to operate with him in his iPhone and tablet. CBRE adopted the open floor plan in 2014 nationwide. Ackerman says about 30 percent of the Pittsburgh office workers are free address. He also agrees that the trend isn’t fading.

Perhaps the trend persists because at its roots, the new workplace is not about being trendy but rather about meeting the workforce where it wants to work. There was a certain motivation for the new office that came from the perception that young workers – the Millennials – had very different expectations about work and life. To attract Millennial talent, the theory went, you need to have cool space that allows the younger generation to work and play and use all its new technology.

With the benefit of a few years and some research it turns out that the expectations of the next generation aren’t much different than their elders. That actually says more about the older generations than it does about the Millennial generation. Companies have discovered that all of their workers want space to collaborate, recreate and concentrate. They have also discovered that the workforce strategy needs to be about attracting all kinds of talent, not just young talent. It’s employee engagement that is the goal.

“Suggesting that toys or whatever are the differentiation for Google is wrong. It’s the engagement of employees, the mobility of employment,” Young offers. “Within the workplace, the ability to have a cup of coffee and interact with fellow employees is huge. This generation of workers wants the option to work multiple places.”

Jeff Young says that when Perkins Eastman was programming the new Google space at Bakery Square 2.0, the software giant was clear about focusing the architect on making the workplace more effective. Google wasn’t concerned about doing the fun stuff but
rather making the workplace more productive. Its motive wasn’t to take away the fun; instead, they wanted to better identify what constituted work for the staff and how to create the environment where the workforce would be best equipped to do that work. He says that goal is common to other clients.

“Companies want improved performance, measured in productivity but also in engagement of the employees at the workplace,” Young concludes. “Supporting the different way people work is vital to success. I don’t think it’s the pinball machines and ping-pong tables.”

**Green Building: Performance Not Prescription**

It’s surprising to recall that a decade ago the number of LEED-certified buildings in the U.S. numbered in the hundreds. Back then, Pittsburgh was one of the cities that took leadership in green building. The Green Building Alliance (GBA) had been in existence for a dozen years by that time. In 2006, Pittsburgh was home to the most LEED-certified buildings (22) of any U.S. city.

At that time, LEED was a six-year old certification standard. With its combination of points for achieving standards in site design, energy, indoor environment and materials, LEED certification encouraged architects and property owners to plan to build more sustainable buildings that were better for their occupants. More importantly, it established a standard for design that did not previously exist. As consciousness about green building was raised, LEED certification was enhanced. Today LEED v.4 is the standard for the industry. More than 201,000 LEED-certified buildings exist. The United States Green Building Council (USGBC) and its certification arm, the Green Building Certification Institute (GBCI), are continuing...
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GBA was an early adopter of the 2030 Challenge, establishing a 2030 District Downtown in 2012 – adding Oakland later – when only two other cities were on board. The District now includes 470 buildings encompassing 74.5 million square feet, 69 percent of the total for the district. The owners of those buildings have committed to a 50 percent reduction in energy and water usage and transportation emissions by 2030.

As awareness and capabilities about green building expand, so do the advocacy groups that want to take the progress made thus far to a higher level.

Sharrard points out that the number of third-party certifications that exist have multiplied, making green building certification more complicated. GBCI is involved in the verification of seven different certifications, only one of which – LEED – was developed by USGBC. In August 2015, it added the WELL Building Standard to its roster. The International WELL Building Institute is now chaired by retiring USGBC CEO Rick Fedrizzi. WELL Building is one of the newer of the supplemental certifications to which Aurora Sharrard referred.

WELL was founded by a New York-based developer of apartments, Delos Living LLC, in 2012 as a way to promote better design for occupant health and to differentiate Delos properties. The WELL Building Standard® sets performance requirements in seven categories – air, water, nourishment, light, fitness, comfort and mind – that are relevant to occupant health in the built environment. WELL certification is based on performance and requires comprehensive project documentation and an onsite audit.

Its founders saw WELL as a complement to LEED, providing more in-depth attention to health factors beyond LEED’s scope and verification after occupancy. WELL Building Standard has a mission similar to what LEED’s in raising awareness about indoor occupancy wellness and it appears that there is plenty of work to do. The Phipps Center for Sustainable Landscapes is the only WELL-certified building in Pittsburgh and one of only nine in the world. Phipps is also the only building to be certified by the Living Building Challenge (although the new Frick Environmental Center is in the process). A very rigorous standard, Living Building Challenge has had a secondary benefit to the industry in its impact on products.

“Living Building Challenge has done a great job of transforming how manufacturers are doing business,” says
Moshier. “They are getting materials labeled or focusing on green manufacturing processes. Again, it’s market transformation.”

“We don’t often have clients who ask about the health and wellness of the building but that is something I try to keep in mind when designing,” notes Bruce Pollock, principal at RSSC Architecture. “It has gotten much easier to select materials that are good for the environment. Manufacturers have done a good job – especially with the finishes – of removing VOC and toxic materials that are bad for the health of the occupants.”

Moshier sees an opportunity for Living Building Challenge and another standard, Passive House, to be more transformative than LEED. He likes the fact that Passive House lays out a path to certification, although it’s a difficult one.

“Passive House gives a kit of parts. It gives tools to achieve the goals,” he says. “It explains how to build a better envelope.”

Like WELL Building Standard and LEED before it, Passive House faces the challenge of gaining mainstream market awareness. To start with, the name itself is confusing. Adapted from the German word Passivhaus, which meant passive building, the name translated to house in the U.S., giving the impression that it was a residential standard. Passive House started in Europe, where many jurisdictions and whole nations have adopted the standard as building code. While more than 30,000 projects have been certified under the international Passive House standard, there are currently only 126 certified or pre-certified Passive House projects in the U.S. Four of them are in Western PA, where only two residential projects have been certified.

Craig Stevenson, executive vice president of James Construction and Certified Passive House Consultant (CPHC), is confident that the dynamics of the Passive House market are changing.

“There is a major push for Passive House outside of residential in the U.S. There are a lot of commercial projects in the design stage and under construction that will be Passive House standard,” asserts Stevenson, who is one of the founders and board members of the Passive House Alliance US (PHAUS) Pittsburgh chapter. “I’m confident that commercial projects will outweigh residential by 2017.”

“The trend in Passive House is going to move more to commercial than residential,” agrees Nathan St. Germain, RA CPHC, principal at Sewickley-based Studio St. Germain. “One reason behind that is that the physics of the system – the metrics that you need to hit – work better in commercial because there is a higher surface to volume ratio.”

The Passive House standard focuses mainly on reducing energy usage, mainly through the design of an airtight building envelope. The certification requires a blow test result of no more than 0.6 changes of air per hour at 50 Pascals of pressure. That’s roughly the amount of air than can penetrate a poorly insulated electrical outlet. The result is a building that uses 75 percent less energy, is quieter to occupy and has superior indoor air quality. Proponents of Passive House also feel that the concept moves the conversation about performance in the right direction, going from passive to active to renewables.

“There are a lot of ways to get to the metrics [of low energy use], but if you deal with the envelope first – that’s the passive part – that helps the active parts of the system. If you get the passive part right, the active parts can be smaller,” explains St. Germain. “If you go to renewable energy then, the need will be less because the demand will be reduced.”

St. Germain points out that the research for Passive House originated at the University of Illinois in response to the oil embargo in the mid-1970s. When the price of fuel stabilized for 25 years, the enthusiasm for the concept moved to Europe.

“Why?” asks St. Germain. “Because the cost of fuel was much higher.”

An unintended consequence of the Passive House method is that even when a project falls short of certification, the result is an extremely efficient building. James Construction built the Hilltop Community Healthcare Center in 2014 with a design that Thoughtful

The Hilltop Community Healthcare Center in the Beltzhoover neighborhood uses 80 percent less energy. Photo by Denmarsh Photography. Used courtesy Thoughtful Balance Architecture.
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Balance Architects intended to get certified. The building narrowly exceeded the level of air infiltration to qualify but the building thus far has been using 20 percent of the energy consumed in comparable buildings.

“The project was a successful failure,” laughs Stevenson.

Progress on Passive House in the U.S. is moving fastest in San Francisco, the Pacific Northwest and New York City – where Mayor Bill de Blasio is pushing through code changes that will require Passive House for construction. But, like with green building in the 1990s, Pittsburgh is taking a leadership role right behind those cities. Pittsburgh is in line to host the 2017 North American Passive House Network annual conference.

Stevenson points out that PHAUS Pittsburgh secured funding to have GBA provide Certified Passive House Designer and Consultant training through the Passive House Institute's educational platform. The training is the first outside PHAUS and it will allow syndication of CPHC certification in the region at a more rapid pace. Three classes are scheduled, beginning with one in September. All three classes are full.

All these incremental gains will add up to better performing buildings. If the economy of Pittsburgh continues on its current arc, there should be fewer hiccups to disrupt the continued advance of the conversation. For a veteran of the conversation like Gary Moshier, the rewards of pushing higher performance are palpable.

“Awareness is much higher about why we should do better buildings and I think more people are capable of designing higher performing buildings, with or without LEED,” he observes. “When they were talking about the Google projects, Walnut Capital said there used to be just a couple specialist architects who could do green building. Now it’s business as usual.”

For an advocate like GBA, there isn’t going to be a time when the organization feels like there is enough progress to stop advocating. For certain, until all the resources consumed by the built environment can be renewed – an unlikely scenario this side of Star Trek – there will always be higher performance to achieve. But GBA’s executive director concedes that the argument about sustainable design and construction has been moved forward.

“It’s to the point where the question isn’t should they do LEED but whether it should be LEED plus something else,” observes Sharrard. Asked if she can see a time when the industry so thoroughly accepts LEED standards that certification would become obsolete, Sharrard jokes, “I can dream.”

**My Firm/Our Firm**

The extreme nature of the business cycle that began with the financial crisis in 2008 spawned some extraordinary merger and acquisition (M & A) deals. While the number of deals pales in comparison to those done in the 1980s, the dollar volume of M & A deals has set records as the recovery expanded. Last year marked the highest volume of M & A activity on record and there is a possibility that 2016 will top that.

There are a number of reasons why mergers are up. Global competition is intense but a volatile economy has left some companies vulnerable financially and a logical target for a takeover. The amount of private equity available for investment is staggeringly high and with few places to get return without fracturing risk models, private equity is backing more M & A deals. The trend in M & A has even been creeping into the architecture and engineering business as the downsizing and fat-trimming of the last business cycle left many firms unprepared to manage the workflow of the steady uptick in activity over the past few years.

“There are a few reasons for M & A deals in engineering or architecture, mostly about personnel and scale,” says Peter Lieberman, a partner in the Corporate Finance Division of Schneider Downs & Company. “Another is gaining complementary skill sets and expertise within an industry or type of project.

“Firms may also be looking at [M & A] for a succession plan. One of the biggest challenges in professional services is management and succession planning. Owners need to transfer the management responsibility and create the liquidity to withdraw the value of their equity in the business.”

How hot is the M & A trend in architecture and engineering? Zweig Group’s 2015 Merger and Acquisition Survey found that 42 percent of all firms were considering buying another firm and 68 percent had a merger or acquisition as part of their five-year strategy.

Mergers and acquisitions among architectural and engineering firms have made a significant impact on the regional market. Since the downturn, two of Pittsburgh’s largest A/E firms were
acquired, as have several others of note. At their respective pin-
nacles, both Astorino and Burt Hill were the region’s largest firms. Today, Astorino has been absorbed into CannonDesign, with its remaining principals – Louis D. and Louis P. Astorino – leaving the firm during the summer. The integration of Burt Hill into Stantec has been accomplished for several years and, while it was a bumpy ride at first, the firm has been growing its billings and head count steadily.

Other noteworthy deals include the merger of IDC Architects into CH2M Hill and L. Robert Kimball & Associates acquisition by CDI. Gary Lapera is senior vice president and division manager for architecture and engineering at CDI/L. R. Kimball. He says the reasons for M & A in architecture and engineering are pretty simple and similar to those in other industries.

“It’s all about growth and driving revenue,” Lapera explains. “There are three main reasons to acquire another firm. There is an absolute synergy between what you do and what they do. Another reason is to expand geography. The third reason is to enter a new market. You see an up-and-coming sector of the market and buy a recognized leader in that market.”

GBBN’s merger with EDGE Studio in 2013 was an example of one firm adding to its footprint by merging with another with similar portfolios, although GBBN likely also found the size of Pittsburgh’s healthcare construction market enticing. The acquisition of Paul Slowik & Associates by Architectural Innovations LLC gave an immediate expansion of the latter’s experience into commercial and healthcare markets that it hadn’t worked before. In the case of the Stantec/Burt Hill deal, the synergies between the two firms have proven to be the value added to the resulting firm.

“The marriage has been good. Stantec had things that Burt Hill needed and Burt Hill had things that Stantec needed,” remarks George Halkias, principal and leader of Stantec’s Pittsburgh Commercial and Industrial practice. “Stantec provided a broader platform for me to work with more clients and with our existing clients in more places.”

Halkias says he depends on the networking with Stantec colleagues around the country to gain knowledge he might not otherwise have. He gives an example of the kind of expertise upon which he can lean.

“Because of our size we’ve found we have experts for subject we didn’t know existed. In California, I had a project for a Pittsburgh client that required a study on burrowing owls. I didn’t know burrowing owls existed,” Halkias jokes. “Within the space of a couple hours we found we had an expert on burrowing owls in Southern California.”

That deal was unusual for the Pittsburgh market because of the size of the firms involved. In the case of LGA Partners – the new firm formed by Lami-Grubb/Glance – the merger joined a thriving five-person practice with a growing 40-person practice. But the driving motive of the merger was not unusual, given the demographics of architecture.

“That [demographics] is one of the main issues our profession is facing,” says Suzan Lami. “There are a whole bunch of firms headed by people my age who are looking for ways to retire.”

Lami commented on the options she and husband and partner Bob Grubb faced when considering selling or merging the firm. In the end they chose one that was most respectful of the culture they had built, even at the potential cost to themselves.

“The easiest thing to do is to sell to a large firm. When Bob and I started to think about this we had conversations about selling to big firms. I think for an owner, selling to a big firm is quicker and probably brings more money,” she explains. “If you do an internal purchase you don’t get paid up front because your employees usually don’t have the money. But the reason we did an internal transition was because we had such great employees and great clients.”

Lami and Grubb are still just as involved in the new partnership as before. In part that’s because the two are committed to seeing the cultures of the two firms integrate. Lami says the new culture is critical to the continued development of the staff and the retention of clients.

“We have had such loyal clients, some who have employed us for 15 or 20 years. For our clients to have to deal one day with a totally new firm and management wouldn’t be fair,” she says. “The same is true for the employees. A new culture could limit their effectiveness and their happiness. We didn’t want to do that to them.”

Lapera echoes Lami’s sentiment on culture. “Almost everybody will tell you that success is based upon the cultural fit,” he says. “You have to know from the principal level down to the technical people, the architects detailing the projects, that there is a compatible fit. If there isn’t, people leave.”

Asked how to judge compatibility, Lapera allows that there is more art than science.

“You can’t judge it by the balance sheet. You almost have to have a courtship period. There are no pre-nups in M & A,” he chuckles. “At the end of the day you have to have a motivated workforce to make a deal work.”
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If necessity is the mother of invention, it appears that desperation can be the mother of better design. In the case of Revel + Roost, the new dining and drinking establishment at the Tower Two-Sixty, the last-minute loss of a deal prompted a reboot that ultimately created a more elegant solution.
One of the anchors of Tower Two-Sixty, an 18-story mixed-use building that is the crown jewel in Millcraft Investment’s Downtown Pittsburgh development, is a Hilton Garden Inn. As a full-service hotel, the Hilton requires a restaurant that serves breakfast at minimum. Because of the different access points of the three main components to the building, the second floor was the logical position for the breakfast restaurant. Millcraft secured an agreement for Burgatory to locate on the first floor beneath the hotel’s restaurant, with access on Forbes Avenue. ThenDesign Architects was commissioned to design the spaces, which were put out to bid in early spring 2015. Before a contractor could be selected, however, the deal with Burgatory fell through. The hiccup in plans turned out to be a blessing.

“That opening allowed Millcraft to think further about the space,” recalls Lauren Scioscia, who leads ThenDesign’s hospitality practice in Pittsburgh. “They didn’t really want a hotel restaurant. They wanted a restaurant that would draw people in from the street. The hotel opening was delayed slightly so it was decided to redesign the space. The whole team kicked into high gear.”

Burgatory’s leaving provided the designer and owner with a clean shell. Both the hotel and restaurant would be operated by Millcraft Hospitality and brothers Marcus and Lucas Piatt wanted to aim for something higher and more in line with the kinds of restaurants that were populating Pittsburgh, especially since they would be competing with dozens of destinations in the adjacent Market Square. What they and ThenDesign came up with was a multi-level bar/restaurant that would have different ebbs and flows of customers. Their vision was that the clientele would change as the day progressed.

A folding aluminum window system was used in place of fixed storefront to bring the outdoors into Revel. Photo by Craig Thompson.
Revel is the ground-floor casual dining space, which includes a large bar. Open for lunch, Revel competes with the other fine casual restaurants and watering holes in Downtown. Roost is located on the second floor, connected by a central open stairway. It is designed for fine dining in the evening, with an ambience that is geared towards quieter meals and drinks after dinner, especially for those late-arriving hotel guests looking to unwind.

To achieve the setting that Millcraft was seeking, there were some design obstacles to overcome. The two restaurant concepts were meant to be integrated into one, two-level space but there was no physical connection between the two floors. The configuration of the building meant that much of the 6,000 square foot space was not adjacent to the exterior windows and there was a long section of the footprint that adjoined the hallway that serves as the connection to the second-floor hotel lobby.

“It’s a long space that goes pretty far back into the block,” notes Scioscia. “We wanted to access as much natural light as possible. The design did a good job of integrating the restaurant interior to the entrance and the outdoors.”

Floor-to-ceiling windows allow natural daylight to flood the interior and the layout of Roost, which also has windows on the Market Square side to the west, puts as many of the diners within a few tables of the exterior as possible. That gives all of Roost’s diners the feeling that they are right at the street, although there was one problem with that solution.

ThenDesign took advantage of the size of the connecting hallway to give Roost some additional dining space and flexibility. Just beyond the main dining room, several rooms were placed that can be partitioned separately or opened up to create a banquet room.

Conference and meeting rooms located adjacent to Roost’s kitchen and the access to the Hilton Garden Inn lobby can be opened up to serve as dining or banquet rooms. Photo by Craig Thompson.
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“The building is in a great location but the view of Market Square from Roost is of the roof of Moe’s Southwest Grill,” says Scioscia. “To shield diners from the view of the roof-top equipment and a dirty roof we debated putting gypsum board up or some sort of half-wall. We ended up using a red film applied to the window to screen the lower half.”

ThenDesign took advantage of the size of the connecting hallway to give Roost some additional dining space and flexibility. Just beyond the main dining room, several rooms were placed that can be partitioned separately or opened up to create a banquet room. The connection to the hotel provided that opportunity.

“That area was needed for conference and meeting rooms for the Hilton Garden Inn, but they can be private dining rooms when the hotel isn’t occupying them,” Scioscia says. “That makes sense if it’s a Steelers weekend and the restaurant is overbooked. People could be seated in the front room with the large doors open and not feel like they are in a meeting room.”

When the revised design went back out to bid again, the three low bidders from the first bidding round were asked to price the new concept. That group included Facility Support Services (FSS) and Turner Construction, which was the construction manager for the core and shell of Tower Two-Sixty. The project involved a lot of high-end finishes but the work was fairly straight-forward. During the bidding it became obvious that the challenges of the job were going to be managing the logistics of accessing and supplying the project. When he was informed that FSS was the successful bidder, Michael McCormack, the company’s vice president of operations, feared that those logistical challenges could become worse.
"Logistically, this was going to be tough because we have a general contractor in the building that is dealing with a difficult schedule, with its own team of subcontractors to manage and now we have to work side-by-side with them," McCormack chuckles.

"There were access issues with two contractors on the same site but we already had two contractors on site because Scalise was a prime mechanical and electrical contractor on the tower," notes Brandon Guy, project manager for Millcraft. "The two superintendents for FSS and Turner were really good guys and worked well together. We had to do a little bit of babysitting at first but there weren’t any problems."

"To Turner’s credit they ended up working well with us but it was definitely a [logistical] struggle," says McCormack.

Most of the logistical problems stemmed from the fact that the core and shell portion of the building was not done. The contract for Revel + Roost was executed in September 2015 and the hotel had to finish in December. As the core and shell contractors worked feverishly to complete their scopes of work, FSS wouldn’t have access to their material hoists. The elevators weren’t yet working and there was no access to the second floor. FSS saw an opportunity to take advantage of part of the design to solve some of the access issues.

"Part of the scope was to build a separate stairwell inside the space. One of the first things we did was to saw cut the slab at night and drop that slab down" explains McCormack. "We had Universal Scaffold come in and install a scaffold and material hoist for our project. That was pretty much day one. The other problem was that it was now October and we needed to be done in December or January."

McCormack says that virtually all normal aspects of a project required extraordinary measures. Any movement of people or materials had to be coordinated with the core and shell team. FSS couldn’t assume that a means of access that was available one day would be there the next. Lay down space was minimal and shared. One of the more mundane parts of a construction job – trash removal – became one of the most maddening because of the limited facilities.

"There were no dumpsters on site so all trash had to be collected a couple times per week and then delivered to a dumpster out here [at our offices]. That included all the concrete from the 20 foot by 20 foot saw cut," McCormack says. "We’d arrange to have a trailer at the site at 2:00 in the afternoon on a Tuesday so we could hurry and load it to get it out of Downtown without getting in the way."

The exterior of Tower Two-Sixty was another area that required regular coordination. The façade was not closed in when work on the restaurant began so FSS had to build a temporary enclosure to keep the restaurant site dry. The enclosure had to be removed and rebuilt several times to allow work on the core and shell that was outside the scope of FSS’s work. The temporary enclosure was hardly energy-efficient, however, and there were days when
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1: the premier commercial real estate association in North America.

2: not an acronym. (Seriously, it’s just a name.)

3: an organization representing the interests of investors, developers and owners of commercial real estate.

4: home to companies and professionals focusing on retail, office, industrial, mixed-use and multifamily, to name a few.

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the ambient temperature was below freezing, making finish work impossible. That was another complication in a schedule that called for drywall finishing in December.

“It was one of those things that Jim DeWitt – our superintendent – and our carpenters took care of, but it wasn’t easy,” McCormack points out. “We were able to work with Scalise to expedite the rooftop air-handling unit so that we could get the building’s heat operating sooner.”

Like with the core and shell, EMCOR Scalise had a prime contract directly with Millcraft for the HVAC, plumbing, electrical and fire protection for Revel + Roost. McCormack says that relationship worked very well, eliminating one potential headache. But others still remained. Market Square was closed down as an access area on December 15 when the Christmas festival began. At the same time, Forbes Avenue reopened to traffic for the holidays, eliminating another area where FSS had been able to lay down materials and equipment.

An earlier design decision also added stress to the project. The storefront was not originally part of FSS’s scope but in October, Millcraft decided to use a NanaWall – a folding glass wall that could open to the street in warm weather – and shifted that responsibility from the core and shell to FSS. That meant field measurement and shop drawing approvals for a product that wasn’t part of FSS’s planned schedule and it was a product with a 17-week lead time. Manufacturing and delivery of that wall system was a crucial milestone in the critical path before opening.

Despite the slow start and setback from the long lead time on the exterior, the restaurants opened as planned. When the Hilton Garden Inn opened in December 2015, Roost served the breakfast for the hotel while the final touches on Revel were being done. FSS completed most of its work before February ended and once the NanaWall was installed, the two-story Revel + Roost opened officially on March 11, 2016.

“It was a great project. It certainly got a little stressful as we got close to the wire but for the most part we stayed ahead of the schedule; we stayed on top of the wave,” McCormack recalls. “We’re really proud of it and the owner is really happy with it.”

Millcraft’s satisfaction with the project is demonstrated by the fact that FSS has been brought back to bid and build other projects at Tower Two-Sixty and other Millcraft properties. Having never worked with Millcraft Investments prior to Revel + Roost, FSS will be building the developer’s new offices in Tower Two-Sixty.

“I think the final product turned out great. A lot of the design was done in house. Lisa Surmacz and Lucas Piatt himself picked the finishes and the layout,” notes Guy. “I think they did a really good job of creating space that is attractive and comfortable. So far, it’s been a great success.”

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W. G. Tomko built and expanded its large fabrication shop with the intention of prefabricating 65 percent of its projects prior to installation in the field. Another $2 million addition is planned for later this year.

W.G.TOMKO
INCORPORATED
CONTRACTORS

Leopards don’t change their spots. Old dogs don’t learn new tricks. But mechanical contractors apparently can, especially if there’s a change in leadership.

“The change in the company’s philosophy has been a 15-year thing. The focus on excellence has been more of a 10-year thing,” says William “Billy” Tomko III, president and CEO of W. G. Tomko Inc. Billy Tomko moved from the field into a senior leadership role when the company moved into its Finleyville headquarters in 2001, taking over operations in 2005 and was named president in 2007. It was his time in the field and as project manager that convinced him that the future of the company should look different from its past.

From 1978 until Billy was named president, W. G. Tomko was led by Bill Tomko Jr. During those nearly three decades, Bill Tomko managed the company through growth that saw the plumbing company his father and mother had founded in 1954 become a $99 million enterprise with 300 employees.

The path Bill Tomko followed to achieve that growth was a tough one. Working primarily as a prime contractor on publicly-funded projects, W. G. Tomko was built to get low on bid day and then fight its way through the project. That modus operandi was not necessarily Bill Tomko’s choosing but it was a management style the market demanded. Pittsburgh’s economy was struggling in the 1980s but there was public funding for construction in the region. In the 1990s there was a prolonged boom in the K-12 school market. For a plumbing company looking to grow, there
was plenty of market to pursue in public construction. The trouble with the public market, however, is that the intense competition and separate prime contracts set the stage for battles over change orders and claims. To Bill Tomko, that was just how the market worked and he made those dynamics work for W. G. Tomko & Son.

In 2001, the company moved to its new 85,000 square foot Finleyville headquarters on Route 88 in Union Township, Washington County. The move was both physical and symbolic, as the company shed its Streets Run address and changed its name, to W. G. Tomko Inc. By this time Billy Tomko had moved from the field to management and he didn’t find the confrontational nature of the industry W. G. Tomko served to be sustainable.

“When I started managing work, I felt this is no way to run a project,” Billy says. “I’m not saying you can’t run a project that way but when I saw how much we were spending in legal fees, in the end we were losing. In the public market you have to do that but then you get a bad reputation because you end up suing everyone.”

Billy began the process of refocusing the company and, after becoming president in 2007, he spent a few years driving more change before realizing that he needed someone to help with the HVAC business. In 2012, he hired Dan White for that role.

Dan White was brought on to change Tomko's market mix. W. G. Tomko was primarily a plumbing contractor that did HVAC work. White’s mission was to help grow the HVAC business, and upgrade the staff.

White worked at W. G. Tomko for five years beginning in 1998 but left to work for another HVAC contractor for ten years, helping to build that company into a $25 to $30 million a year contractor. White returned to Tomko when Billy recruited him to build the HVAC business. W. G. Tomko was finding itself boxed out by its competitors who were stronger on the heating and air-conditioning side, missing out on projects where its plumbing bid was strong but its combined mechanical bid was not.

“Going from that prime contractor model, you’re going in as a plumbing contractor or an HVAC contractor,” observes White. “On a private negotiated job, you’re going in as a mechanical contractor. Our goal was to be known as a mechanical contractor.”

As might be expected, the biggest obstacle to changing its model was its people. W. G. Tomko Inc. had plenty of what White refers to as “old school plumbing guys” trying to run HVAC work. Projects took too long to close out and opportunities were missed. White was given the latitude to bring in talented people to build the HVAC business. A mechanical engineer was hired. Tomko began to have the horsepower needed to grow.

The retooling of the staff also gave Billy Tomko a chance to refine a system he had begun to develop in 2010 to approach the mechanical contracting business in a way that maximized the opportunities and got the most out of lessons learned. White’s experience helped apply that systemic approach across Tomko’s business.

W. G. Tomko takes an analytical look at its estimating each month and has become very good at forecasting its volume to come. White takes what he calls the “widget line” approach to production and expects to know where the lulls and bottlenecks might be in the coming year. Project managers are required to forecast their projects’ financial performance monthly, on a rolling 12-month basis. For the coming three months, the managers are expected to be within five percent of their forecast and for the following nine months, the expectation is to be within ten percent. That gives the executive team a strong indication of what the company’s performance will be and what resources will be required to support that volume of work.

That systematic approach is also an accurate forecaster of when its workforce is going to need more work. By working at being nine or ten months ahead of that slowdown, White believes they can work with estimating to be strategic about pursuing work. He says there are times when they might pursue a particular building type to match the strengths of a specific project manager.

“That way you can get the project manager involved in the bid if you want. You can get everyone to buy into what we call a true cost estimate,” explains White. “We’re going in at a true cost so that if we have to lower our price, we’re lowering profit not raising risk. If I have to cut a number I know what our true cost is.”

Tomko’s system puts a premium on taking advantage of opportunities early in the process. That’s an approach that is also taken with the work the company lands. A preconstruction department takes the project from estimating once the work has been won. Working backwards from the scheduled construction start, the preconstruction team ensures that coordination drawings and submittals are approved. That process takes about two months, leaving precious little time to buy out the project. White believes that without that disciplined preconstruction calendar, key
opportunities were lost because the project was not set up to succeed in advance. Instead, project managers began the job backpedaling. Jeff Folco oversees preconstruction and has been promoted to director of operations.

White believes the company is sales-driven at this point. Steadily doing $100 million to $110 million annually, W. G. Tomko has changed its mix of work as planned so that more than half is HVAC. Rather than bidding to get work and then figuring it out afterwards, Tomko concentrates on trying to sell the right job in the right location at the right time. The sales effort has grown to involve three sales people and 11 estimators, led by Jack Barry, the vice president of estimating.

W. G. Tomko has grown its array of services in the past few years, making inroads in the energy industry with its Oil and Gas Division and starting a W. G. Tomko Transport LLC to take advantage of its trucking fleet. The company has also broadened its geographic reach, splitting its business equally between Pittsburgh, Morgantown and the Baltimore/Washington markets.

It was Bill Tomko Jr. who pushed to find a place for W. G. Tomko
in the gas industry, having watched peers grow phenomenally when the exploration of the Marcellus Shale formation took off. By coincidence, Tomko was approached in 2013 about employment by a sales person that served the oil and gas industry. The team believed its fabrication shop had an opportunity to thrive in the gas industry and was encouraged by a meeting with MarkWest to pursue a niche fabricating pig launchers, receivers and spool pieces for the gas midstream. Craig Cowieson was hired to handle sales. They set a goal of $2 million for 2014 and easily met it. This year, W. G. Tomko expects to do between $7 million and $8 million.

Since building its headquarters in Finleyville, W. G. Tomko Inc. has expanded three times, adding 10,000 square feet in 2008 and 20,000 square feet to its fabrication shop in 2010. In 2015 Tomko put another 40,000 square feet on the shop to support the growth of its natural gas business and is considering investing another $2 million to further expand the capacity of the Oil and Gas Division.

Billy Tomko hasn’t been shy about using resources to promote growth.

“To do what we’re doing now, you can’t run it with low overhead. We can’t be a low bid contractor,” Billy asserts. “We have to have sales people. We have a big estimating department because we’re estimating a lot of projects we’re not going to get. We have to have a CAD department because we do everything in BIM. And we have to have the right project management staff.”

Billy figures that the system he and Dan White have put into place is just about perfected; but he also figures it won’t be long before that system will need to be changed and improved. White has been promoted to chief operating officer. He knows that W. G. Tomko Inc. has been through a lot of change in the past decade and expects more to come. White believes that the company is now forward-looking and positioned properly to take advantage of the opportunities that will come.

“The hard part of the transition for Bill Jr. was changing from every time we saw a $10 million school or a million dollar school in the South Hills, we had to bid it,” he recalls. “It took us two or three years to get to the point where our business model now is to work on a napkin. We want to work on a job when it’s a napkin budget. We’re trying to look ahead of the curve and go after the conceptual estimates and follow those through so that we’re adding value to the client or the general contractor.”

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Effective December 1, 2016, new standards for overtime will go into effect and the rule changes may have a disproportionate impact on architects and engineers. The Department of Labor more than doubled the minimum salary that can be used to exempt professional workers from overtime premium pay, jumping eligibility from $23,000 to $47,476. More relevant to design professionals is the ruling that closes a federal exemption from overtime pay for so-called “creative workers.” That exemption has been used by design professionals to avoid paying overtime wages.

The impact of the change may be significant but as of now few firms have commented on it. The response from the American Institute of Architects (AIA) has been muted. At the local level, the revised overtime rules have received little fanfare and few A/E firms seem to think the changes will have a significant dent on their businesses.

In cities like New York, Dallas or Chicago, where there are a greater share of large firms, the practice of paying young architects and engineers low salaries while demanding long hours is more prevalent. Professional certification or registration requires a certain level of professional experience in concert with successful passing of examinations. Until young designers have reached those levels of experience, the firms have the leverage needed to expect architects or engineers to put in heavy work weeks in order to complete projects. That will change in December, as the rules will require anyone making less than $47,476 to be paid time-and-a-half for hours worked after 40 hours in a week.

The practice of paying graduate architects lower salaries isn’t confined to big firms, however. According to the AIA, the median salary of a graduate architect in 2015 was $42,000. PayScale.com research in February 2016 found that graduate architects earned a median salary of $40,691, while unregistered architects with four years experience earned $45,488. That means a lot of architects could fall into the non-exempt category.

Anne Swager, executive director for AIA Pittsburgh, says that thus far she hasn’t heard from member firms concerned about the coming changes.

“Of course it’s been a while in coming, so people had time to adjust what they were doing,” Swager notes. Ironically, she says the subject arose at a recent board meeting because one of AIA’s employees may be affected if it’s determined AIA is eligible. Swager echoes a sentiment held by many small businesses.

“I’d much rather give a nice raise to our employee,” she says. “We don’t accrue that much overtime so the money is not the issue but I want to avoid all the record-keeping.”

Because the creative workers loophole will be eliminated, it appears that design firms are at risk for having a significant number of employees qualify for overtime pay. Whether or not that is a potential problem for an architect or engineer seems to depend on where the firm is and how it currently treats overtime for its non-exempt staff.

As might be expected, the supply of architects in a given location has everything to do with how well workers are paid. The downturn seven years ago was devastating for design professionals. Unemployment was higher for architects than for most professions in the construction industry and many architects left the industry. As a result, firms in many cities find it difficult to recruit architects. That has created some interesting anomalies. You might expect San Francisco, Atlanta and San Diego to be among the cities with the highest-paid architects but it’s not likely you would know that the city with the highest median salary for an architect is Lancaster, PA, where an architect’s median pay is $99,570. It’s unlikely that firms in Lancaster will have as many employees under the new minimum.

The supply of available architects has become limited in Pittsburgh. The average architect’s salary was just below $80,000 as of July 29 and the median salary for an architect in Pittsburgh is currently $47,639, just above the new minimum. That doesn’t mean firms won’t find a few employees impacted by the revision.

mossArchitects is a 12-person firm, which President Andrew Moss says has only a few non-exempt workers. IKM Inc. is among the largest four or five firms in Western PA. Currently there are 25 exempt employees on its staff of 48, a ratio that is slightly less than the 44.3 percent average of the past four
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years. IKM’s president, John Schrott, says that the firm tracks the hours of overtime worked by all employees and compensates the non-exempt staff at the 150 percent rate, even though the rules didn’t require it. Since 2013, that has added between $32,000 and $92,600 to IKM’s salary expense.

“I’ve been at IKM 34 years and the policy has always been to pay hourly staff time and a half if they work more than 40 hours in a week,” Schrott explains. “We recognize that if you work more than 40 hours you’re giving up something in order to put in that extra time. Everyone’s personal schedule is different and we try to respect that so we don’t do mandatory overtime.”

Schrott points out that the working environments of large and small firms are vastly different, and that small firms offer opportunities that offset lower pay.

“The attraction of a smaller firm is that you gain experience at a heightened level,” he notes. “Small firms offer more responsibility and client interaction to its younger architects and that has benefits for their career.”

Advocates for the rule changes argue that allowing design firms to avoid overtime premiums devalues the time that its staff spends and keeps architecture underpaid relative to other professions. There is also a silver lining in the regulations for the profession, which is often characterized as behaving less like a business than an art. For those firms that weren’t diligent about tracking the hours that staff worked, the new regulations will give a new appreciation for the labor involved in their projects. It’s likely to give principals an incentive to manage their practices more closely.

“Many companies don’t pay overtime and don’t watch the clock. I think the changes will make owners bump their people’s pay or they will start watching the clock,” predicts Debra Pitschmann, partner at Case / Sabatini, a South Hills based accounting firm. “If their people are in the break room for 15 minutes, owners are going to be watching. If employees are supposed to start at 8:30, they will be expected to be at their desks working at that time.”

There will probably be firms that will become better project managers as a result of the regulation. It’s human nature to be less attentive to hours worked if there is no penalty associated with working more. Like with many professions and small businesses, architects and engineers are usually motivated by the practice to start their companies, rather than being driven by the desire to manage their business. At the same time, most practices are led by architects who have project management skills and are actively monitoring their business. Overtime can be a function of too little discipline but it is usually the byproduct of factors beyond the firm’s control.

“Our staffing is based on workload and the projected workload. Often, when a big crunch comes we don’t see enough work coming down the road to justify adding to staff,” explains Schrott. “We just say let’s buckle up and get through this bump. The last thing we want to do is add staff on a project-specific basis and then let them go when the work is done.”

Schrott admits that there are going to be times when overtime is a result of a missed estimate of the time needed or a misunderstanding of a client’s needs, but he says more often than not it’s because the project unfolds differently from how it was planned.

“Normally overtime happens because the schedule elongates. Maybe the owner doesn’t have the financing in place and so construction documents start in September instead of June. If we have other projects lined up for September, we’ll have more work than we planned,” Schrott says.

Andrew Moss is among those for whom the premium pay will add to overhead. His non-exempt employees are paid for all hours worked but at their normal rate, even after 40 hours. Moss tries to respect his employees’ personal time and his strategy for retaining good workers includes paying them better than average, meaning that only two or three of his staff will fall below the revised minimum. Likewise, he believes the firm is intentional about managing the hours spent on its projects.

“We actually strive to run a company that doesn’t require much overtime. We try to manage the business so the staff doesn’t need to work extra hours,” says Moss. He says that he tries to work at the problem from both ends. “First and foremost we try not to overpromise to our clients, which is getting harder and harder to do these days. Second is having enough staff to do the work.”

Pictured from left, IKM’s Kassandra Garza, Kara Berteotti and Jason Hindes, AIA. Courtesy IKM Incorporated.
Owners who are dissatisfied with their contractors’ performance increasingly assert fraud-based claims in addition to breach of contract claims because fraud-based claims are not typically barred by contractual waivers and limits of liability. Fraud-based claims may also create the potential for punitive damages in addition to compensatory damages. Contractors and their counsel, however, can limit their potential exposure for fraud-based claims through careful contract drafting and thoughtful selection of the law to be applied to disputes.

When selecting the law to be applied to disputes, contractors should first consider the codified law of the jurisdiction where the project is to be built and of any jurisdiction whose law they are considering. They should first determine whether the state in which the project is located is one of the approximately 26 states that has a “home court rule” that deems void any choice of law clause that applies the law of another state to domestic construction projects. See, e.g., Va. Code Ann. § 8.01-262.1; Tex. Bus. & Com. Code Ann. § 272.001; N.Y. Gen. Bus. Law § 757. If the state in which the project is located has such a statute, a contractor’s selection of another state’s law will likely not be enforced unless the parties agreed to arbitrate their disputes (in which case the Federal Arbitration Act [FAA] may supersede state law) or the project was located in a federal enclave, such as a military base (in which case state law does not apply). See Ope Int’l LP v. Chet Morrison Contractors, 258 F.3d 443 (5th Cir. Tex. 2001) (deeming preempted Louisiana’s home-court rule as applied to an agreement to arbitrate subject to the FAA); United States ex rel. Milestone Contractors, L.P. v. Toltest, Inc., No. 1:08-cv-1004-WTL-JMS, 2009 U.S. Dist. LEXIS 44382 (S.D. Ind. May 27, 2009) (Indiana home-court rule had no effect given that state law did not apply to training base of Indiana National Guard).

Another group of statutes that contractors should consider are those that regulate the availability of punitive damages. Approximately 25 states cap punitive damages at specified amounts or multiples of actual damages. For example, New Jersey caps punitive damages at five times compensatory damages or $350,000, whichever is greater, N.J.S.A. 2A:15-5.14; Ohio caps punitive damages at two times compensatory damages under most circumstances, O.R.C. 2315.21(D)(2)(a); and Nebraska does not permit punitive damages at all, see Neb. Const. art. VII, sec. 5, note 3 (citing State ex rel. Cherry v. Burns, 602 N.W.2d 477 (Neb. 1999)). Contractors should also consider differences in common (aka judge-made) law. For example, in most jurisdictions, the economic loss rule bars plaintiffs from asserting tort causes of action to recover for “economic loss,” typically defined as any loss other than personal injury or third-party property damage. Some jurisdictions, such as Missouri, include fraud among the tort causes of action for which plaintiffs may not recover for economic loss. See Self v. Equilon Enters., LLC, No. 4:00CV1903 TIA, 2005 U.S. Dist. LEXIS 17288 (E.D. Mo. Mar. 30, 2005). Wisconsin and Michigan apply the economic loss rule when the alleged fraud is interwoven with, as opposed to extraneous to, the contract. See Kaloti Enters., Inc. v. Kellogg Sales Co., 699 N.W.2d 205 (Wis. 2005); Huron Tool & Eng’g Co. v. Precision Consulting Servs., Inc., 532 N.W.2d 541 (Mich. Ct. App. 1995). California is among the many jurisdictions that exclude fraud entirely from the economic loss rule, citing concerns about deceitful contracting. See Robinson Helicopter Co. v. Dana Corp., 102 P.3d 268 (Cal. 2004).

Pennsylvania’s “gist of the action” doctrine is another example of a helpful common law rule. Similar to the economic loss rule, it precludes owners from asserting extra-contractual claims, including fraud-based claims, that “merely duplicate” their contractual claims. See Bruno v. Erie Ins. Co., 106 A.3d 48 (Pa. 2014). In Washington, courts have dubbed the doctrine the “independent duty” doctrine, reasoning that a contracting party has a duty in tort to another contracting party only if that duty is independent of the agreement. See Donatelli v. D.R. Strong Consulting Engineers, Inc., 312 P.3d 620 (Wash. 2013).

Most jurisdictions require plaintiffs asserting fraud claims to prove a multitude of factors — including materiality, intent, justifiable reliance and proximate cause — to a stringent standard of proof. Several jurisdictions, however, permit unique causes of action that present a lower barrier. South Carolina has a cause of action known as “breach of contract accompanied by a fraudulent act,” which permits a jury to award punitive damages for a breach of contract so long as the plaintiff can prove that the breach was “accomplished with fraudulent intention” and “accompanied by a fraudulent act.”
Most jurisdictions require plaintiffs asserting fraud claims to prove a multitude of factors — including materiality, intent, justifiable reliance and proximate cause — to a stringent standard of proof.


The common law can also be a source of guidance on the language that contractors should employ in drafting their contracts. Courts in some jurisdictions, including Delaware, Illinois, New York and Texas, have held that so-called “non-reliance clauses,” in which the parties expressly represent that they relied only on information within the agreement, bar plaintiffs from subsequently asserting fraud claims based on extrinsic representations. See RAA Mgmt. v. Savage Sports Holdings, 45 A.3d 107 (Del. 2012) (applying New York law, but concluding decision would have been the same under Delaware law); Schraeger v. Bailey, 973 N.E.2d 932 (Ill. App. Ct. 2012); Danann Realty Corp. v. Harris, 5 N.Y.2d 317 (1959); Schlumberger Tech. Corp. v. Swanson, 959 S.W.2d 171, 179 (Tex. 1997). A non-reliance clause is more specific than a standard integration clause, which merely recites that the contract is the sole agreement between the parties and replaces any prior agreements. A standard integration clause is generally insufficient to limit the parties’ obligations to promises within the agreement. See, e.g., Schraeger, 973 N.E.2d 932. In any jurisdiction, the more clearly and precisely a non-reliance clause details the information the contracting parties rely on in forming their agreement, the more likely it is to be enforced. A non-reliance clause that is bargained for between sophisticated business entities is also more likely to be enforced than is one in a boilerplate consumer contract.

Contractors should also keep in mind that their choice of law will likely impact the conduct and cost of any litigation, as well as the best choice of outside counsel to handle the matter. Choice of law should also be coordinated with choice of venue; they need not be the same, but counsel should consider how likely courts in the chosen venue are to conscientiously and effectively apply the law of another state. Contractors should work closely with their counsel to select the law most appropriate for their projects.

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Creating a Collaborative Dialogue
By Jason Hindes

Earlier this spring I entered a phase that is familiar to many newly registered architects: the “now what?” phase. Despite many months of eagerly envisioning a study-free future, I began to feel restless soon after passing my last exam. The opportunity to compete in the Carpenter’s Annual Design Build Competition came at the right time, and was the perfect way to put the knowledge gained from the exams into action.

The Carpenter’s Competition isn’t like many design competitions that architects typically take part in, which focus largely on design and eye-catching imagery and less about minute details. In contrast this competition highlights those minute details by giving real life limitations of budget, materials, design goals, dimensional restrictions, etc. to a design team composed of an architect, contractor and carpenter. The end result of which is a full-scale build of the team’s design concept. Due to the nature of the project, and the makeup of the team members, it is inherently a great way for a young architect to experience the cross-discipline collaboration that can take place on a project.

The night of the first kick-off meeting is where each person was assigned their teammates and given this year’s design objective for the competition, an arbor. My teammates included Estimator Lucia Sanchez of PJ Dick and Carpenter Ron Vargo of Local Union 230. While we had only just met, the collaboration between us began instantly. Following the meeting the three of us brainstormed until the Carpenters Training Center was ready to close for the night; working overtop of a single sketch, each of us adding our ideas to it. The instant feedback given in that setting was invaluable for the remainder of the design phase. Details were sketched out, a general list of materials within our budget was generated, and most importantly each one of the stated design goals was discussed and a solution was generated on how we intended to meet each one. Having personally never worked on a design-build project, it was unlike anything I had experienced to that point in architecture; it was so efficient and direct. Understanding that the most successful projects for any client are rooted in collaboration among team members working towards a common goal, I felt good about our chances of creating a successful arbor.

Having the right people with the right skill sets on any given team is critical for the success of a project, but just as important is fostering an open dialogue among everyone involved. With a short design and planning phase of just three weeks, the majority of our team’s discourse occurred via technology. Daily we would send updated drawings, 3D images, design details, spreadsheets, material suggestions, and even photos of small-scale mock-ups. While each discipline had a defined role in the project based around the talents of each profession, no role was done in a vacuum.

Lucia Sanchez from PJ Dick, IKM’s Jason Hindes and Carpenter Ron Vargo rest on the arbor they collaborated to build at the Carpenter’s Annual Design Build Competition.
Even with that advance preparation, Lucia noticed that there were plenty of gaps in our communication.

“We needed to have learned more of each other’s experience before the contest and, more than anything, to really know what each other knew and did not know. The day of the contest we discovered that some measurements, based on the actual sizes of the wood we chose, were not right. There were also other details and systems Jason designed that I believed were fast to build, but Ronnie proved that every cut needed more thought than I had considered. We also did not figure out every construction detail before the day of the contest, believing it would be simple to think them through once we have the wood in our hands, and that was a mistake,” she said.

Every project comes with its own set of unique challenges that will test the team and the goals it sets out to achieve. For us, by far the biggest challenge was also probably the one most commonly experienced in each of our professions: lack of time. The day of the competition was extremely fast-paced and time did not stay on our side as we completed roughly 80 percent of our build before the competition finished.

It isn’t the construction and the fact that we were not able to complete the project that stuck out most to me during the competition. Instead it was everything about the environment as hundreds of industry peers and high school students interested in the field of construction walked around the Carpenters Training Center and took in the day’s events. Perhaps the best perspective of the build-day was from Ron who, in talking before the day started, expressed that being involved in the competition is not solely focused on finishing your build. Rather it’s about taking the time to pick your head up and talk to everyone walking by. He stated, “You never know where down the line you could be talking to your future boss.” That mentality speaks volumes for garnering success on a project.

I find the most successful projects are the ones where you have the best working relationships with everyone involved. There’s value from taking the time to pick your head up and create a dialogue with others, whether that person is a team member of yours or simply an observer who can benefit from hearing about your experience. Successful projects tend to be as much about creating these relationships as they are about creating a product.

My experience during the Carpenters Design Build Competition was one that I learned a great deal from. While I recognize that collaboration is a common buzzword in our industry today, I was able to learn first hand how powerful a tool it can be between disciplines on a design build project. Having people with the right skill sets on your team is critical, but what I found to be even more valuable is having the right people who are willing to create the dialogues necessary for a successful collaborative build.

As Lucia says, “Take nothing for granted. Realize what you know and what you don’t know yourself. Actively search for answers. And get a good night’s sleep!”

Jason Hindes is a registered architect, working for IKM Inc.

2016 James Kling Fellowship Award
Recipient – Joseph A. Massaro Jr.

By Jon O’Brien

On the last Wednesday evening of the month, at the MBA headquarters, the AIA-MBA Joint Committee meets to discuss current industry trends and issues. This Joint Committee is comprised of around 30 owners, architects, and general contractors and a little before 8:00 PM this meeting breaks up. Most go home. A few stick around to talk and most of the time the talk gravitates to the “good ole days.” During the discussion of yesteryears, Joe Massaro is often mentioned.

“He has touched so many people that work in our industry. He was a role model for so many contractors, architects, heck you would be hard-pressed to find anyone in our region’s construction industry that’s in their 40s or older who doesn’t have a memorable story about Mr. Massaro,” said Rob Sklarsky, president of RJS Construction, current AIA-MBA Joint Committee co-chair and former Massaro employee.

“What impressed me most about Joe is he was always the gentleman and he treated all people with respect and fairness,” said George Ehringer, member of the AIA-MBA Joint Committee and an architect who worked on numerous projects with Massaro over his career. “Joe had his issues and he nearly went out of business. He could have easily closed the doors and went to work for any contractor in town, but he decided to rebuild Massaro. He learned from his mistakes and this company rebuild was tremendous. You could see Joe’s personality through this rebuild. The people he was bringing on board were high character individuals and the projects were built the right way – the Joe Massaro way.”

Mr. Joseph A. Massaro Jr. has been posthumously named the 2016 James Kling Fellowship Awardee by the AIA-MBA Joint Committee. This award was established by the Joint Committee to recognize individuals who best exemplify collaboration in the construction industry.
These individuals, through their action and example, provide construction professionals of all ages a standard of excellence to strive for in an effort to improve cooperative behaviors in construction. To qualify for the Kling Award, contractors must be nominated by architects and vice versa.

“Joe Massaro was an absolute visionary,” said Chip Desmone, the individual from the AIA-MBA Joint Committee who had the honor of nominating Mr. Massaro for the 2016 Kling Award. “The East Liberty we see today would not have been possible without the transformation and restoration of Motor Square Garden that Joe Massaro undertook at great personal risk. Everyone who came after him owes him a significant debt. His company has flourished because of the work ethic he instilled in his sons and the banner they picked up and ran with. I know he would be immensely proud.”

Mr. Massaro’s path to industry leader began upon graduating from the University of Pittsburgh’s Civil Engineering Program in 1958. After Pitt, he began working for Graziano Construction – first as a laborer and then he started estimating work. After a few years working for Patsy Graziano, he left to work for Pete Dozzi and his young company, Jendoco Construction. At Jendoco he was hired as a project manager and worked closely alongside Mr. Dozzi, handling many aspects of the business which resulted in Mr. Massaro being promoted to vice president at Jendoco.

In 1967 Mr. Massaro was ready to take the leap and he started his own construction company. With four young kids at this time, it was a challenge to successfully grow a new business. Eldest son Joseph Massaro III recalls his mother Carol saying, “we have faith in you” and the younger Joseph remembers his father saying, “I’ll get a second job, pumping gas at night if that’s what it takes for my family.” He always placed family first and made sure to be home for the family dinner. “I’ll always remember and cherish the Sundays we spent together as a family. Yes the Sundays were special, but Dad made sure to make it home every night for dinner which can be difficult in this industry,” recalls youngest child Steven.

From the company’s inception in the late 1960s through the 1970s, his company continued to grow, being ranked during the mid-1980s in the Engineering News Record’s list of the country’s largest contractors. But then he ran into some issues in the late 1980s and the company was on the brink of extinction. Then in 1991 there was a new beginning. The large contractor was down to a skeleton crew of four people working at Massaro, but Mr. Massaro was able to instill faith in the Sisters of St. Francis in Millvale, who selected him for a major construction project. The Massaro Company began trending up again from this point on.

In 2002, Mr. Massaro named his son Joseph president, stepping down from the company that he twice built into a highly respected construction firm. Continuing what their father taught them, his children Linda, Joseph, David and Steven have used the strong work ethic he taught them to lead the company.

The AIA-MBA Joint Committee will present the Massaro family the 2016 Kling Award on Thursday, October 27 at AIA Pittsburgh’s annual Design Pittsburgh Awards Gala.

Jon O’Brien was director of industry relations at the Master Builders’ Association from January 2005 to August 2016. To reach him: JonOB.PA@gmail.com. ☎️
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Jan Brimmeier is blessed. As she tells the story of her architectural firm, she is emphatic that good things have happened to her at the right time over the past 12 years. Certainly, the circumstances surrounding the founding of Architectural Innovations (AI) and the 2015 merger with Paul Slowik & Associates included some good fortune; but Brimmeier has also approached her business with an eye towards practicing architecture differently than she had observed early in her career. Underlying her management philosophy is a vision of bringing art to architecture. That vision is built upon a foundation set early in her life, when her precocious artistic ability won her scholarships and awards from elementary school through high school.

“I always felt that by the time I became an architect it was my second career,” jokes Brimmeier.

After graduating from Penn State, Brimmeier followed a typical career path for an architect, working for several firms, gaining more experience and responsibility. While she has nothing negative to say about the companies or the experiences, Brimmeier came to the conclusion that the way she had practiced architecture wasn’t the way she wanted to work. Here is where one of those divine intervention moments occurred.

After being laid off on February 18, 2004, Brimmeier was mulling her options for her career when her fortunes changed with one phone call.

“Over the years I had a number of people tell me I needed to open my own business. So, the next day that’s what I decided to do,” she recalls. “I received a call a few days later from a client that I had worked with at my previous employer. He called to say that I needed to open my own firm because they wanted me to finish the job. I said, are you kidding me? I just did.”

Brimmeier felt that there was a better way to deliver architectural services and had worked with a broad spectrum of firm sizes. She thinks there was something to take from each firm.

“Small to medium firms tended to be more client-focused and as I moved to larger firms, the focus was always the bottom line,” she notes. “There were many things about the medium-to-large firms that were more organized, more focused than a smaller firm. I had the advantage of taking the processes and focuses of how a larger office should function while still remaining focused on the client and putting the two together.”

Architectural Innovations is focused on the process of project management for its clients. Brimmeier has several components to the firm’s processes that she thinks are critical to the firm’s culture, if not its success.

During the early stages of a project, Architectural Innovations goes through an internal charrette, assigning members of the team different programs or schemes to develop and compare. She believes that process better vets the client’s needs and prepares Architectural Innovations to present the best solution.
The entire design approach is governed by what Brimmeier calls the “Five-point harmony” process, which focuses the team on building program, budget, square footage, schedule and quality. Throughout the development of the design and construction documents, Al’s architects are expected to ensure that all five elements of the project are in harmony before continuing to the next phase. While that concept may seem both obvious and mystical at the same time, the disciplined application of five-point harmony means that no critical aspect of the design is overlooked or taken for granted.

In practice, this approach means that design decisions have to be tested for cost regularly so that client expectations about the size, quality and schedule are met.

It’s the estimate of construction that is often a stumbling block for architects. Brimmeier feels it is unrealistic to expect architects – who are not in the market every day – to have an accurate understanding of costs. To work around that lack of regular real world interaction she invests in experts to handle what she calls “4Q estimating.”

Al includes four detailed quantitative estimates to its clients during preconstruction, checking design decisions made during programming, schematics, design development and construction documents. Brimmeier works with Blundall Associates to provide third-party estimates.

The approach Al takes requires more investment during the design stage of the project but Brimmeier believes her process ultimately does not add cost to the project and results in happier clients. She sees the process as adding to Al's profitability and repeat business. Brimmeier points to the firm’s low 0.25 percent change order rate due to errors and omissions as proof of the concept’s value but she said the proof of her concept wasn’t apparent overnight.

“I had a philosophy before I started my business but never knew if it would really work. The philosophy was that you don’t really have to look at the numbers if you’re running the process correctly,” she explains. “The first couple years of the business, I didn’t have time to check the numbers because I was the architect designing and running the projects. What I learned was, it’s critical to have very experienced, seasoned people because your projects run smoother; the client benefits by it because they have less change orders; and then you’re not explaining why your project went awry.

“Putting all of those key components together, at the end of the day, when I had the ability to look back after two or three years I discovered this is really working.”

As a practitioner heavily steeped in public construction, Brimmeier felt the slowdown in those projects and was looking for opportunities to broaden Al’s portfolio for several years. Again, she feels fate took a hand at an opportune moment. In June of 2015, architect Paul Slowik passed away and his family was in the process of trying to sell the practice. Slowik’s accountant was Jan Brimmeier’s brother-in-law. After a potential sale didn’t work out with another firm, the accountant connected the two firms. The connection became an immediate match.

“When you think of mergers, a lot of them don’t go well, but this felt right for me from the first five minutes,” Brimmeier says. “I met with Paul’s wife Joyce and her daughter Stephanie around 9:30 one morning and we hit it off perfectly. By 11:00 the three of us decided we wanted to move forward together with this. We didn’t have the financial details figured out but we made a commitment that we would work through it and make it happen. By 11:00, I said let’s go talk to your staff. After that meeting I invited them to come back to our office for lunch. There was some Champagne in the refrigerator and I said let’s make this official.”

The merger was concluded August 10, 2015. The combined Architectural Innovations has 16 employees with seven registered architects on staff.

Brimmeier says she likes the size the firm is now and isn’t trying to grow for the sake of growing. Brimmeier is more concerned about the atmosphere she has helped create for her employees.

“I set out a couple priorities when I decided to start my own business and one was that I would have a firm with the environment that I would like to work in. I’m down to earth and that’s the environment I’d want for my staff.”

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Plan Ahead: Using Master Planning for Financial Success

By Nitin B. Desai

At the end of 2015, Pittsburgh made headlines in the national and international press when the Danish architecture studio, Bjarke Ingels Group, unveiled its master plan for the Lower Hill. BIG was hired by McCormack Baron Salazar and Pittsburgh Arena Real Estate Redevelopment to reimagine a long-overlooked site that has untapped potential. The master plan has drawn considerable public input and interest. But it's not only former stadium sites that need new master plans. Beyond the Hill, Pittsburgh today has various pockets of land that are ripe for development, and while many developers are quick to build in order to maximize their returns, a little planning can go a long way for large and small site developments.

It is easy to forget that master planning is an essential step in designing an effective and profitable real estate development strategy. The master plan helps strike the balance between investment objectives and programmatic requirements, taking the nature of site and control parameters of zoning, building, and environmental ordinances into account. Therefore, it is a key tool for both economically and environmentally sound decision-making.

The investment of time, money, and energy in master planning has paid off in a number of well-known cases beyond Pittsburgh. Seaside, Florida, a beachfront community by Andrés Duany, FAIA, and Elizabeth Plater-Zyberk, FAIA, proved that the process of master planning and designing of our communities can be innovative, environmentally sensitive, and still profitable. In India, Auroville has become a symbol of spiritual and sustainable living, based on an “integrated” masterplan that holistically integrates the city and its hinterland. Foster and Partners’ masterplan for Masdar, in Abu Dhabi, has evolved to be high-tech and yet a sustainable city in the middle of a desert that accommodates growth “while avoiding the sprawl that besets so many cities.” Architects and planners are adept at such envisioning. Real estate investors, developers, and corporations can use this tool in a plethora of ways to maximize the success of a project, before and even after breaking ground.

Forecast Needs and Vision

Healthy corporations seem to grow gradually, and so do their spatial needs. Acquiring real estate and building facilities are long lead-time processes. Well-run corporations feel the need to proactively develop strategic facility plans well in advance of the actual demand. The planning efforts ensure that the right type and quantity of land, buildings, and services exist in the right place at the right time to house corporations’ burgeoning resources. This can have a significant impact on the future financial success of the company. Corporate clients, targeting specific market sectors, require specialized built-to-suit facilities with specific quality and quantity of space in mind. Thus, master planning and design become incredibly important to resource planning as corporations start allocating finances, assemble expertise, develop schedule, and build facilities in the right quantity and with the desired results. Further, corporate image, or vision, is a part of the client’s competitive advantage, which the architect can integrate most thoughtfully and effectively through the process of master planning.

Evaluate the Site

Location, location, location: Some sites may offer strategic advantages in terms of zoning, topography, access, and geometry. When selecting the site, it is crucial to evaluate the physical aspects of alternative sites as they can have enormous financial impact on the development. Highly contoured sites, of course, are expensive to build upon. A complex program can be relatively easy to reconcile with a site’s regular geometry, while the presence of a ground water table may limit below-grade expansion. Soil quality has direct impact on the type and cost of foundation, and contaminated soil will require mitigation. Sites with similar topography and regular geometry may also have other competing characters that only can be discerned through a master planning exercise.

Clients seeking to find an appropriate site should work in close coordination with architects to determine the suitability of the site with respect to the program in mind. Some sites may offer better development density and flexible zoning benefits than others. Access to the existing roadways and utilities reduce infrastructure development cost. The financial attributes of various sites such as initial purchase cost, tax incentives, and resale value can be determining factors as well. Environmental restrictions, undesirable neighboring properties, covenants, easements, deed restrictions, entitlement restrictions, and even archeological impediments are other compelling factors to be taken into account.

Holistically Consider Regulations

Master planning is an ideal tool to convey the intent and benefits of the proposed development to regulating bodies. All large-scale public projects are subject to the requirements of Environmental Impact Assessment, for example. They are also subject to public scrutiny and interest. The process of
master planning addresses zoning regulations and building codes in detail, since these may have considerable impact on the outcome of the development. Easements may limit the development of a portion of land. Stipulated zoning tends to exact certain conditional development by requiring developers to perform certain activities (providing low cost housing, development of open spaces, provision of public amenities, etc.) in order to permit development. On the other hand, incentive zoning provisions make projects desirable for both public and private developers by encouraging developers to integrate certain amenities or qualities (open spaces, plazas, public art, public amenities, etc.) in their projects in return for identified benefits such as an increase in development density or rapid processing and approval of applications. Historic districts may have specific conditions that may limit the appearance and extent of development permitted, just one of many considerations it’s important to understand early.

**Plan Efficiently for Infrastructure**
Other value-adding parameters are pursued concurrently during master planning as well. Efficient and thoughtful vehicular and pedestrian circulation can help reduce infrastructure development costs by maximizing green space, increasing porous paving, and reducing hardscape to bare minimum requirement. Sustainable principles and urban design features make projects more attractive for prospective tenants and buyers. Views and vistas fetch high premiums on unit sales, thus defining premier locations of the site. Early geographic and geological considerations can significantly reduce construction cost by proposing location of buildings in congruence with the existing topography and ground water. Cut and fill encourage re-use. Locating pathways along the contours reduces excavation costs and does minimum damage to the sensitive geography. The occurrence of hard strata escalates the excavation cost and thus vertical stacking of the program may be economically feasible. Population density derived through a master planning exercise helps to determine the cost associated with the provision of utility infrastructure for water, gas, and power.

**Avoid Over- and Underdevelopment**
Overdevelopment and underdevelopment are both detrimental to the financial success of real estate investments, and can be avoided with a bit of planning. A project is overdeveloped when the pace of demand lags the pace of development. Developers invariably run the risk of delayed return on investment in a sluggish market, sometimes even incurring significant financial losses. Phasing through master planning can prevent overdevelopment as it addresses key aspects such as available financial resources and thoughtfully planned scheduling. Strategic phasing enables the development that is gradual: supplying as the demand occurs.

A project is underdeveloped if the site is not put to best and most appropriate use, and thus fails to realize its full potential. In this case, the master planning exercise can help determine the maximum possible development by taking into consideration both positive and negative impacts of zoning and building ordinances, and by analyzing a site’s strengths and weaknesses. A prudent developer may seek a feasibility study to understand the nature of market demand in this case. Also, no two investors have the same appetite for risk. Some dare to invest aggressively, others invest conservatively. Economic conditions also suggest whether phased development might be appropriate. Lower inflation marked by lower material and labor costs tempts some developers to complete projects in a single phase. Hence, a market analysis backed by a well-conceived master plan only helps to turn critical economic challenges into viable decisions.

Not all markets are predictable. Developers can best take advantage of master planning to assess the financial viability of their development by beginning with a soft launch. By releasing a small portion of a development to market early and testing the product, the developer will have a clear sense of the market demand, allowing the possibility to pivot the development strategy if necessary, thereby avoiding over- and underdevelopment.

**Create a Cohesive Sense of Place**
The intangible benefits of master planning can increase the success of a development. Common design controls developed during master planning can help make a large-scale project a seamless experience by arranging buildings into a coherent pattern irrespective of the phase in which they are built. Urban design guidelines enhance the place-making experience by specifying aesthetic characteristics. Programmatic requirements backed by a unifying aesthetic have proved to work as a magnet and a selling point in many successful real estate ventures around the world.

**Keep the Plan Responsive and Flexible**
Long-drawn planning projects bear the brunt of ever-evolving market conditions. Large-scale projects span over a number of years and evolve through constantly changing social, economic, and political conditions. For that reason, it is wise to consider periodic updates to the master plan in order to study the suitability of the original program against present circumstances.

For all these reasons, developers are well advised to select architects and planners that can integrate the expertise of planning, urban design, architectural design, and environmental design to deliver a master plan that helps clients to set up pragmatic and achievable financial goals. The master plan is a crucial first step to ensure the success of any site and, by extension, the vibrancy of the Pittsburgh region.

*Nitin Desai is a registered architect at AE7 Pittsburgh. He has worked on numerous building types and master plans of all scales both in the US and internationally.*
James Frauen joins the Massaro Construction Group as the new vice president of finance and chief financial officer. Mr. Frauen has more than 25 years of progressive experience in financial leadership, most recently as CFO of Astorino. He is a graduate of the University of Maryland with a degree in accounting and of Duquesne University with a MBA.

Todd McKinney recently joined Massaro Corporation as a project executive and brings with him more than 13 years’ experience in organizational management at the executive level. He most recently held the regional director position for Healthcare Services Group where he delivered property management, operational oversight and strategic logistics to 85-140 facilities across Pennsylvania and the Midwest. Todd is a graduate of the United States Naval Academy with a Bachelor of Science degree in engineering and economics.

Trevor Williams joined Mascaro as a project engineer in June. Trevor is a recent graduate of Johns Hopkins University with a degree in civil engineering. He is currently working in Mascaro Building’s estimating group.

Kelly LaBrasca joined Rycon’s Special Projects Group as assistant project manager. She received a degree in Structural Design and Construction Engineering from Penn State University. Project Engineer Matt Highlands was hired in Rycon’s Building Group. He graduated from the University of Pittsburgh with a degree in Civil Engineering.

Rycon’s Special Projects Group hired estimator Jerome Machnik. He attended Penn State University and earned a degree in Mining Technology. Jerome brings over 20 years construction industry experience to the team.

Rycon’s Building Group added Tyler Simko as project engineer. He earned a bachelor’s degree in Building Construction Technology from The Pennsylvania College of Technology.

Carolina Terife, an experienced office assistant/estimating assistant, was recently hired at Rycon’s Ft. Lauderdale office.

Dawn Wiedl joined Rycon Pittsburgh as staff accountant. She has ten years experience and is working towards a bachelor’s degree in Finance at Carlow University.

New to Rycon’s Atlanta office is Senior Project Manager Steve Wysocki. Steve has a degree from Kennesaw State University in Accounting and brings over 17 years experience to the company.

Corey Lostetter has joined PJ Dick as a marketing coordinator. Mike Lehr has joined PJ Dick’s Exton office as a preconstruction manager.

Maiello, Brungo & Maiello announced that Julia Wu recently joined the firm as an associate. She will focus her practice in the areas of corporate, business and real estate law. Ms. Wu obtained her juris doctor from the Michigan State University College of Law, where she graduated in two and a half years. She received her undergraduate degree from the University of Texas, located in her hometown of Austin.

Maiello Brungo & Maiello was appointed solicitor for the Riverview School District.

Pennoni is pleased to announce the hiring of Brian L. Fischbach PE, LEED AP, as site design division manager for its Pittsburgh office. Fischbach has more than 25 years of project management and leadership experience in the civil and municipal engineering, solid waste, energy, and site development industries. A graduate of the Pennsylvania State University, Fischbach is a licensed engineer in Maryland, Pennsylvania, and Virginia. He is a member of the NAIOP Pittsburgh Chapter and the Keystone Chapter of the Association of Physical Plant Administrators, as well as the Green Building Alliance and the National Society of Professional Engineers.
The MBA Young Constructors donated $5,000 to the ACE Mentor Program of Western PA. Jon O’Brien (left), a longtime supporter of ACE, hand-delivered the contribution to ACE Chairman Mike Barnard.

(From left) Donnie Zahorchak from Amelie Construction with Bob Toretti, Bob Fleckenstein, and Jason Steiner from Maxim Crane.

(From left) Nathan Boxx from Fort Pitt Capital, CBRE’s Rich Gasperini, Huth Technologies’ Zack Huth and Kirk Burkley from Berstein-Burkley at the MBA Young Constructors’ clay shoot.

(From left) Bill Kristan from Pieper O’Brien Herr, with Facility Support Services’ Nick Kochis, John Mroz and Mike McCormack.
(Left-to-right) Mike Cosgrove from Lemieux Doors, Matt Matlak from Veka Inc. and Nash Golon from Golon Inc.

(From left) Burchick’s Andy Rose, Brian Chlop and Joe Burchick with James Mazzocco from Babst Calland.

MBA President Steve Massaro (left) with Allegheny County Executive Rich Fitzgerald and David Massaro (right) at the MBA Education Center. Fitzgerald presented an update on the county’s economy at a luncheon hosted by Massaro Corp.

Trumbull Corp.’s Jake Ploeger, Justin Bryan from Bryan Materials, Trumbull’s Tim O’Brien and Kevin Heher from Liberty Insurance at the Constructors Association of Western PA golf outing.
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(Left-to-right) Glenn Hendrickson and Jim Wheeler from Dollar Bank, Nick Scigliano from CH&D Enterprises and Gennaro DiBello from Schneider Downs at the CAWP outing.

Ray Vogel, retired apprenticeship director for the Carpenters, with Jon O’Brien (right) at the farewell reception for O’Brien at Bar Louie on the North Shore.

Maggie Moore from Foresight Construction Services with Burchick Construction’s Dave Meuschke.

John Paul Busse (left) with Neal Rivers from Easley & Rivers.
Bottleneck Management awarded a contract to A. Martini & Co. for the build-out of 10,744 square feet for the City Works restaurant at Two PPG Place. The architect is Dacre & Youngquist LLC.

The Catholic Diocese of Pittsburgh awarded a contract to A. Martini & Co. for the renovation and addition to St. John Vianney Manor in East Carnegie. Hayes Design Group is the architect for the $5.5 million project.

A. Martini & Co. was the successful contractor for the 89,500 square foot tenant improvement for Eckert Seamans’ lease space at 600 Grant Street. The architect is Strada Architecture LLC.

Facility Support Services was the successful contractor for the tenant improvements for Coury Financial at the JLL Center at Tower Two Sixty. NEXT Architecture is the architect for the 10,000 square foot space.

Facility Support Services LLC (FSS) was selected as one of the Top 100 Fastest-Growing Private Companies in Pittsburgh. The Pittsburgh Business Times recognized FSS as the third Fastest-Growing Private Company on the Real Estate, Construction, and Development List. FSS placed 18th overall on the Top 100 Fastest-Growing Private Companies List, growing its construction business by 112 percent.

FSS was recently awarded a $9.5 million contract by the General Services Administration for the Internal Revenue Service’s (IRS) Enterprise Computing Center (ECC) Consolidation project. Located in Kearneysville, WV, the Main Building areas will undergo approximately 120,000 square feet of interior renovations.

Faros Properties awarded Turner Construction a contract for the general trades portion of its Nova Place Concourse renovations, which involves repurposing 44,800 square feet of former garage and ground level space. The architect is Perkins Eastman.

RIDC of Southwestern PA selected Turner Construction as construction manager for the $20 million first phase of its Mill 19 redevelopment at the Almono site in Hazelwood. The project involves 65,000 square feet of what will eventually be a 280,000 square foot multi-tenant building. MSR Design is the architect.

Dick Building Company was awarded a $3.4 million task order to Repair Pump 4 on Dry Dock 8 at Norfolk Naval Shipyard, Portsmouth, VA.

Nicholson Construction Company has been selected by the California Department of Transportation (CalTrans) as part of the team led by USS Cal Builders to inject chemical grout into ten loose soil zones in three separate locations.
causing distress in embankments along the Route 133/5 Separation in Sacramento, California. These locations, which carry up to 45,000 vehicles each day, will be strengthened as a significant part of the overall $12 million freeway interchange project.

Nicholson Construction was recently awarded a $2.8 million contract for the secant pile wall for the Malone Creek combined sewer overflow (CSO) facility project in St Louis, Missouri. The facility, which will collect CSO from three outfalls, is located in northern St. Louis, within the Bissell Point Service Area.

Nello Construction has broken ground on the Ralph J. Sommers Jr. Operations Center for Community Bank. The new 22,500 square foot facility will be located in EverGreene Technology Park in Franklin Township, outside Waynesburg PA. The architect for the project is SASI Inc.

Mascaro is providing general trade services to the Clairmont Municipal Authority for Phase 1 of the wastewater treatment plant upgrade project. Phase 1 work includes construction of a new sewage pump station, headworks facility, and aerobic digester; relocation of the interceptor sewers; and replacement of water pumps and dewatering equipment.

Mascaro’s Client Services Group was recently awarded two contracts from Allegheny Health Network to install and upgrade digital x-ray units at Forbes Hospital and Moshside Medical Arts.

The University of Pittsburgh awarded Mascaro a contract for the phased renovation of existing lab space into new offices at Scaife Hall. Construction began in July 2016 and is scheduled for completion by March 2017.

Mascaro ranked number 15 of 30 in the mid-size companies category for the Pittsburgh Post-Gazette’s Top Workplaces survey. Workplace Dynamics, which conducts the survey, bases its rankings on employee responses to a series of questions about organizational health.

Rycon continues construction at the $45 million Shoppes of Parma redevelopment in Parma, Ohio. The Open Air Mall is currently underway and will contain various retail stores and eateries such as Rue21, Ulta, and Pizza Fire. Modifications to the mall’s anchors, JCPenney and Dick’s Sporting Goods, are also in progress.

Rycon was selected by Tanger Outlets to act as construction manager on a $23 million, 151,000 square foot expansion of its Lancaster location. Construction recently began and will continue until late summer 2017.

Rycon’s Special Projects Group started renovation work on a 44,000 square foot Cinemark movie theatre located in Louisville, KY. The $1.2 million project is scheduled to last three months.

Rycon’s Special Projects Group is in the process of completing roof storm water improvements to St. Joseph Hall at Carlow University. LGA Partners is the architect.

In Suwanee, GA work is underway on a new $7 million Main Event Entertainment facility which is utilizing the tilt-wall construction technique. Rycon is completing the 50,000 square foot job, which is set for completion before the 2016 holiday season.

Rycon is currently responsible for constructing new National Tire & Battery (NTB) stores in South Carolina and Georgia. In total, Rycon has been selected for over $4.2 million of work for NTB.

Park 7 Group contracted the services of Massaro Corporation to build its mixed-use housing project located in the heart of the Oakland neighborhood. The 17-story building named Empire Apartments is planned to begin this summer and will include six floors of parking. The 587,580 square foot building has an estimated construction value of $78 million. The architect is Humphreys & Partners Urban Architecture, LP out of Dallas, TX.

PJ Dick was selected to provide CM Agency/Clerk of the Works services on the $17 million Crawford County Courthouse Judicial Center and Public Safety Building project. The architect is Weber Murphy Fox.

PJ Dick was selected to provide CM at Risk services to First Niagara Bank for interior and exterior ADA renovations to various bank locations.

Allegheny Health Network awarded a contract to PJ Dick Inc. for major renovations to the NICU at West Penn Hospital. The architect is CannonDesign.

The Tower at PNC Plaza was awarded ENR Mid-Atlantic Best Project Award in the Office/Retail Mixed-Use Developments category. PJ Dick provided CM at Risk services for this project.

Volpatt Construction was selected as construction manager for the new $4.4 million Forest Hills Municipal Building. Pfaffmann & Associates is the architect for the 13,500 square foot building.

Seton Hill University awarded a $306,000 contract to Volpatt Construction for the Clay Studio Lounge. The architect is Design 3 Architecture.

Volpatt Construction was the successful contractor on Duquesne University’s Mellon Labs Renovation. Renaissance 3 Architects designed the $500,000 project.

Carlow University awarded Volpatt Construction a contract for the renovations to Kiernan Hall Kitchen. The architect is Jason Roth Architect.

Volpatt Construction was awarded contracts for window replacement at two Carnegie Mellon University buildings. CH2M/IDC Architects is the architect for the College of Fine Arts Building and PWWG Architects is the architect for the $1.4 million Hammer-schlag Hall window replacement.

The Carnegie Museum awarded a $352,000 contract to Volpatt Construction for renovations to its Café. The project was designed by Shea Architects.
Engineering News Record (ENR) published its annual ranking of the Top 400 Contractors and its top contractors in ENR Mid-Atlantic region. Pittsburgh contractor PJ Dick/Trumbull/Lindy Paving ranked #8 in the Mid-Atlantic and #81 in the Top 400. Mascaro Construction was ranked #21 and #228 respectively. Rycon Construction ranked #30 and #290.

Landau Building Company was awarded renovations to Hope Lutheran Church, located in Cranberry Township, PA. This is Phase Two of renovations, which includes renovations to the existing church facility as well as a two-wing addition of classroom spaces, a large event area, and new restrooms. Renovations are expected to be completed by May 2017.

Landau Building Company was awarded the UPMC Mercy IT Closets Upgrades, located in downtown Pittsburgh. The upgrades will be performed in thirty-two existing closets across nine buildings on campus.

Heritage Valley Beaver awarded Landau Building Company their Heliport Renovations and Expansion project. The three-step project includes setting up a temporary helicopter landing pad in the Emergency Department parking lot, replacing the existing helicopter landing pad and lighting, and restoring the emergency lot after the helicopter pad replacement is complete.

Landau Building Company will begin handicap accessibility improvements to Immaculate Conception Parish, located in Washington, PA. Landau will create a new elevator addition and site improvements, as well as new public restrooms in the social hall basement.

Landau Building Company and Southern Tier hosted a groundbreaking ceremony on August 3rd for its new brewpub at North Shore Place, which featured the Southern Tier beer truck for sampling. Construction is slated to finish November 2016.
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Managing Change

By Michael P. McDonnell, AIA

The march of time has one consistent element, and that is change. Whether we recognize it or not, we are constantly surrounded by change. Our families change. Our friends and work associates change. The industries we work in and represent - in my case, AIA Pittsburgh - change. Our city/region has certainly seen change. The extent to which change is welcome has a lot to do with how prepared you are for it.

As a parent of a new high school freshman, I am focused on dealing with change. I understand that change is inevitable, but not all change is welcome as I discovered recently while dropping my son off at the high school. Pulling up to the drop-off lane I was greeted with a head shrug and a grunt rather than the goodbye I had typically been used to. This was meant to both acknowledge that we were about to part ways and to let me know that he was way too cool to continue with our normal goodbye routine. This change was a bit jarring because it came out of nowhere and was not communicated in a way that helped me understand what was going on or what to be expected. A plight every parent of a high school student goes through at some point I suspect.

The head shrug moment started me thinking about change and the potential impact it has when it is unexpected or unplanned. While change is always with us, it is important to push change toward desired goals to the extent possible. I was recently asked by a client how I planned to manage change that we both knew would come as the project we were working on progressed through design and into construction. So I began to think about how change can be managed. In order to manage something, you must know some of the characteristics of the thing being managed, have the ability to influence those characteristics, and know the outcome you are trying to achieve. For my client, this meant removing uncertainty and limiting the impact to the defined project goals. Those are worthy intentions, but don’t really get to the heart of the issue. After some thought, I believe there are five components to manage change effectively:

- Know where change comes from
- Be able to assess the impact of change on current circumstances
- Be strategic in response to change
- Update expectations
- Be an effective communicator and agent of change

After thinking about this one client and project, I started to reflect on the change our region has seen in the last several years. Are we effectively managing the change we are experiencing, and can we avoid the mistakes or missed opportunities of the past?

We have seen the end of declining populations, the start and remarkable growth of urban housing, the dominance of “Eds & Meds” and the emergence of energy and advanced manufacturing. We have seen sleeping neighborhoods like Lawrenceville and East Liberty come back to life and there hardly seems to be a month that passes without some magazine or news outlet identifying Pittsburgh as the most livable, restaurant-packed, hippest city in the country. Decades of work have gone into getting us to this point, and now that we are here, we need to be sure these changes truly benefit and transform our region.

There are two critical elements to focus on when trying to manage change in our region. We must be strategic in our response to change, and we must be effective communicators of information to become effective change agents. Once the wheels of change start turning, it can be unsettling. Longstanding norms can fall away and things that seemed impossible to accomplish are suddenly open for discussion. Being strategic means asking questions about what else can be changed now or what else needs to be changed now that the circumstances are different. Sometimes the secret of getting something unstuck is knowing when to push on it. Times of great change are not simply about the things you can see, but also imagining what else can be tackled.

In our roles as professionals who shape the region through design and construction, we must ask what our region is missing and can it be changed now? How should our transportation networks change? What does the emerging energy economy mean for our water and air resources? What does it mean to be resilient in the face of climate change and the resulting social and economic challenges we will face? How do we continue to lead the way as other regions begin to remake themselves? How does what we design and build reflect the new attitude of the region? The AEC community will need to help manage this change and provide strategic leadership so true persistent change can be achieved and deliver the Pittsburgh we are planning for.

It is incumbent upon us as leaders in the design and construction industry to communicate the details of the change that is upon us and lead others through the difficult transition from the familiar to the new. This means we will need to be well-versed in the details of the new. We will need to deliver analysis of the changes, clearly making our case and explaining what will be different and why. We cannot offer up guesses or opinions about a new approach without solid documentation and backup. Any other approach will put us at risk of repeating mistakes of past generations.

We must take an active role in defining the change, work with political, business, and financial leaders of our region to not only craft the vision, but also present a united front that articulates one vision, one story that will help others understand why change is needed and how directly or indirectly it will benefit all and we must be ready to stand up to the challenges that will come. When we see opportunity to challenge the status quo, we must be ready with ideas, knowledge, and passion. We must be strong communicators and agents of change so that change can be managed with the outcomes we want.

Mike McDonnell is principal and COO for architect IKM Inc. and president of the Pittsburgh chapter of the American Institute of Architects.
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