Breaking Ground

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Green Building Update

Focusing on high performance

Asking instead of selling

Underutilized tax credits

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Fort Couch Middle School
Upper St. Clair

Photo by
Katie Hofer Photography

Publisher's Note

I recently had the opportunity to sit down with retired Greater Pittsburgh Chamber of Commerce president Barbara McNees as she reflected on her career in economic development and her tenure at the Chamber. Barbara joined the Chamber in 1997, so she's seen amazing transformation in the region. When I asked what was the biggest change she had seen during that time she surprisingly said that it was the change in Pittsburghers themselves. Given all the economic and technological changes of the past couple decades, I was surprised that this was the most salient difference to her.

When BreakingGround was launched in 2006, one of the overarching goals of the magazine was to promote the positive aspects of the industry and region. At the time, the media in Pittsburgh reflected the prevailing attitude of the people (or was it the other way around?) in that it was quick to report downsizing and loss of business and seemingly blind to good news. Since then, for a number of reasons, Pittsburghers have turned much more positive about their hometown. I don't think it's a coincidence that the region's prospects have also improved.

One of the first features we did back in 2006 was a story of how Pittsburgh had changed from one of the worst physical environments to a leader in green building. Perhaps the biggest factor in that cleanup was a negative one – the absence of heavy manufacturing – but it was apparent that the leadership of a few dozen individuals was also responsible for the focus on green building. What those leaders did was work to change attitudes and behavior first.

In 2006, PNC was just emerging as a corporation committed to sustainability. While the company seems to have been genuinely embracing that ethic by 2006, it was clear from talking with PNC's head of real estate, Gary Saulson, that it was the persistence and persuasiveness of Rebecca Flora – then the executive director of the Green Building Alliance – that made him and PNC ask for the Firstside project to be redesigned to achieve LEED certification back in 2000. What is overlooked in the telling of the Firstside story is that the building's architect, Astorino had also suggested a 'greener' design. Sometimes it's just one more voice that tips the opinion of a decision-maker.

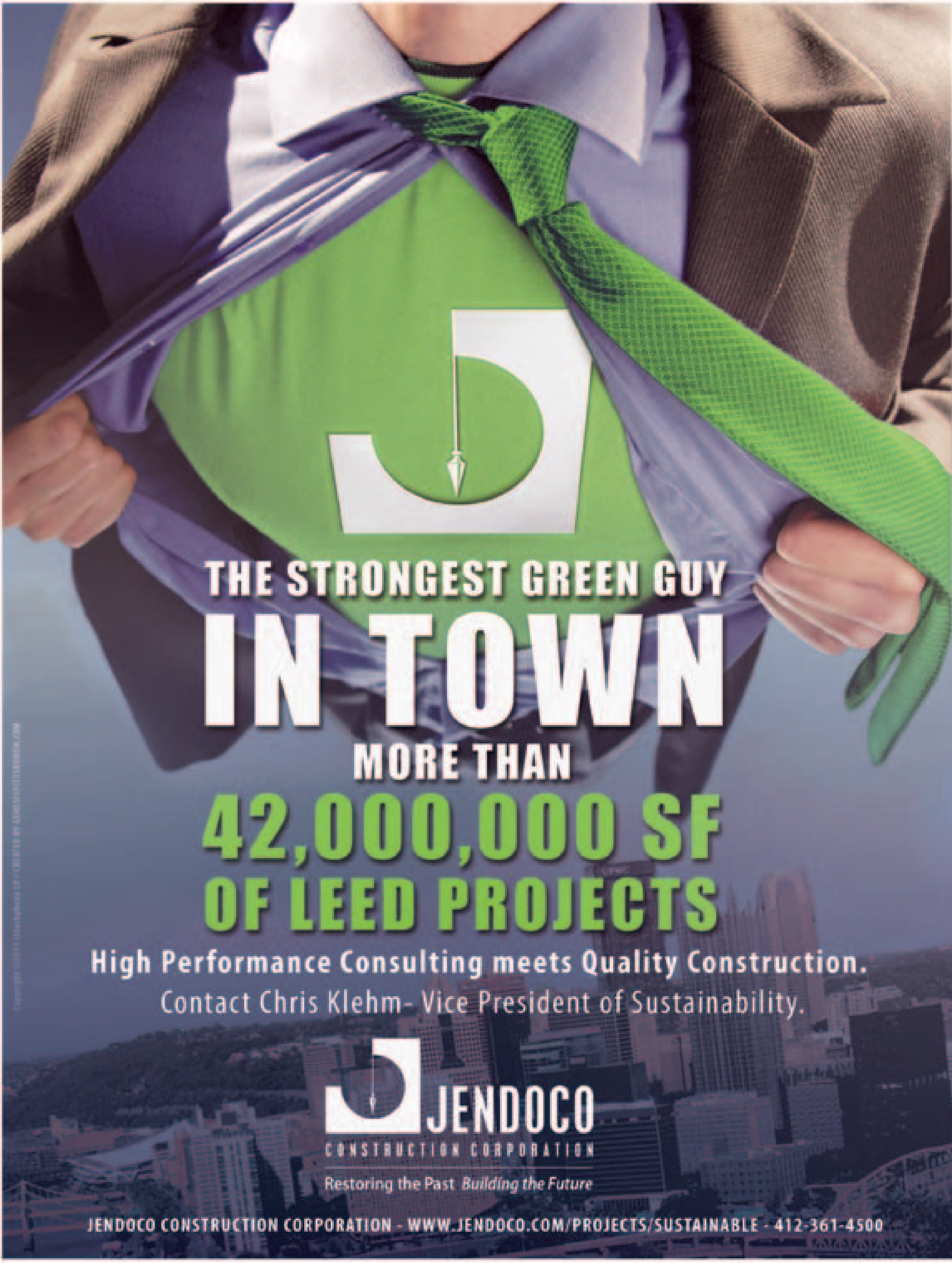
This edition of BreakingGround is the fourth 'green building update' we've done. Each time we've checked in on the topic I've been surprised by a significant shift in the attitude of the industry. In 2006, the attitude was something along the lines of 'I'd love to do a green building if I could afford it.' By 2008, the prevailing sentiment had taken on a sense of urgency driven by corporate mandates. Developers were finding they had to do a LEED-certified building in order to attract tenants they wanted. A couple years ago you could sense that anyone announcing a new project was going to also announce that the building was pursuing LEED certification (although there seems to have been many more announcements than there are now LEED-certified buildings).

What came through loud and clear this time was a palpable sense that LEED was not enough anymore. Whether from advocates or owners or designers, the conversation has moved to doing more than just making LEED more encompassing or demanding. There is an attitude that the industry is ready to look at all aspects of the building, whether in construction or just occupancy, to see that the built environment is the best it can be. The bleeding-edge attitude is focusing on air quality and resource conservation and energy performance and human productivity. That kind of conversation doesn't render LEED obsolete but the change in attitude elevates the expectations about how a building should perform, regardless of where it is in its life cycle. If you consider the ramifications of that kind of attitude, there is a real change in how property owners will operate buildings in order to be competitive.

Regional advocates like the Chamber of Commerce or the Allegheny Conference want to see that the attitudes of the residents and business owners are positive about their hometown. To those civic leaders, upbeat Pittsburghers aren't just cheerleaders. Companies and executives considering doing business in Pittsburgh can sense when the people they visit are excited to be working and living in our region and that attitude is infectious.

An attitude about high-quality living and working environments – whether that's a new corporate headquarters or the neighborhood high school – is also infectious. Owners, who sense that their corporate neighbors or competing developers are creating a place where people will be happier, healthier and more productive, will respond in kind. That's a 'greener' attitude in 2013.

Jeff Burd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REGIONAL MARKET UPDATE

In the interest of separating subjective analysis from the actual performance of the marketplace, it is instructive to look at data on the various segments within the overall construction market in metropolitan Pittsburgh. Using benchmarks for construction activity in bellwether building types like residential property, public education, office, industrial and hospital projects, you can see whether or not the information you take in through the headlines or your bid board is accurately reflected in what is actually being built.

Through August 31, the benchmark data is relatively consistent with the perception of what is going on in the regional economy. Like in most markets, housing construction of all types is significantly higher than during the same period in 2012. New home construction in Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland Counties totaled 3,652 units through August 31, a whopping 64.9 percent year-over-year increase. While not growing to the same magnitude, non-residential construction was also up significantly. Contracting from January through August was at $2.08 billion, some 22 percent more than the same period in 2012.

You see a couple of interesting trends emerging by drilling into the non-residential numbers more deeply.

Public expenditures for K-12 education projects plummeted further through the first eight months to $136.8 million. For a market already dramatically diminished from its historic levels – last year's $205.2 million in additions and major renovations was about half the ten-year average – the K-12 market may have reached bottom. A handful of projects over $15 million are expected to bid between Labor Day and the holidays but the total for 2013 should be less than $250 million. The state's PlanCon moratorium and, to a lesser degree, continued constraints on increasing school district tax revenues have impacted the K-12 construction negatively. Improvement in that sector of the industry won't occur until the latter half of 2014 at the earliest.

Another typically strong and consistent sector of the industry that is lagging in 2013 is hospital construction. Although Highmark has invested dramatically more in the Allegheny Health System during 2013 – more than $100 million in contracting year-to-date – the steep cutback in capital spending by the University of Pittsburgh Medical Center has resulted in lower-than-normal volume thus far. Because construction at then West Penn Allegheny Health System was very limited in 2012, however the year-over-year volume is actually higher in 2013. In contrast to the $300-$500 million that has been invested annually by UPMC during the past decade or more, hospital construction will be much lower overall in 2013 than normal.

Commercial real estate categories have been among the strongest areas for new construction and major renovations in 2013. Much of that strength can be traced to the continued expansion of the energy sector and the very tight supply/demand dynamics within the existing building stock.

Hospitality is a market segment that is hot in most U. S. markets in 2013 because of the significant uptick in consumer travel and the improvements in the overall economy. Compounding that global trend in Pittsburgh is the energy-driven demand for hotel rooms. Drilling activity is no longer producing the demand of a few years back but travel from the home base of the gas industry in the Southwest to Pittsburgh has grown. Revenue per average room and occupancy are at record high levels in the region. New hotel/motel construction has nearly tripled from $49 million in the first eight months of 2012 to $128.9 million in 2013.

Construction of industrial facilities is actually down slightly, off about 8.8 percent, but the volume of warehouse and industrial space is well above the historical norm. Given what is in the pipeline to start in the remaining four months of 2013, the final tally for 2013 should be up over 2012.

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The construction of office space in 2013 is also much stronger than the numbers suggest because the $535.4 million in new construction during the first eight months of 2012 included two large owner-occupied projects – Tower at PNC Plaza and Mylan's headquarters in Southpointe – that accounted for more than half the volume. For the first eight months of 2013 there were $289.7 million in contracts for new construction and improvements to office space. Like with the industrial market, additional projects in the pipeline suggest that 2013 will be a better than average year for office construction.

Recent news that will impact the office market fundamentals seems negative on the surface – Heinz, American Eagle and BAE downsizing – but notwithstanding the loss of jobs, there could be a silver lining for the office market. Especially in the case of the Central Business District, the Heinz news puts a large chunk of space on the market. Expected to be in the neighborhood of 250,000 square feet, the Heinz sublease will make available contiguous space that creates opportunity for leasing that hasn't existed in a while. With the Embassy Suites conversion leaving the Oliver Building at roughly 94 percent occupied and the James Reed Building coming off the office inventory with its conversion to a Kimpton Hotel, the Downtown office market becomes that much tighter. For several years, real estate veterans debated the actual CBD vacancy rate because of the vacancy of these older office properties. With that space now out of the office inventory, the Heinz 57 Center space gives a large user a relief valve that wouldn't exist elsewhere Downtown.

BENCHMARK	JAN-AUG 2013	JAN-AUG 2012
Total SFD units	1,408	1,276
Total SFA/Multi-unit	2,244	939
Total residential $$	$685.5 million	$473.5 million
Total non-residential $$	$2.08 billion	$1.7 billion
K-12 Additions/renovations	$136.8 million	$205.2 million
Hospital construction	$174.1 million	$107.2 million
Hotel construction	$128.9 million	$49.0 million
Industrial construction	$208.9 million	$228.3 million
Office construction	$289.7 million	$535.4 million

Heinz's sublease should create a domino effect that increases construction in the office market Downtown. With the anticipated start of the modernization of 441 Smithfield Street by Oxford Development later this year, the Downtown market should present options for tenants in 2014 that haven't been there for a couple years.

In the coming six months or so, the activity in the suburban markets should be a good indicator of the vitality of the Pittsburgh economy. Vacancy rates remain unusually low but a number of speculative or partially speculative projects are under construction or in the pipeline. DiCicco Development's Westpointe IV, the third flex office at Pittsburgh International Business Park and new building at the Airside Business Park add significant inventory to the Parkway West corridor. Burns & Scalo's Zenith Ridge and additional spec space by Horizon add several hundred thousand square feet at Southpointe. Lease-up activity at these properties – which are not the only office product proposed for the submarkets – will be a barometer for employment and expansion of the economy.

The early indications are that demand is there for these projects. Occupancy is still climbing along the Parkway West and the business draw from the two largest office projects in that market – the new Chevron regional headquarters and the Dick's headquarters expansion – suggest that all of the new space will be absorbed quickly. While future occupancy growth in Southpointe is not assured, no one expects vacant space to remain there for long. Both these submarkets have benefitted largely from the natural gas industry's expansion. How quickly this new space is absorbed over the next 15 months will be a window into the health of the gas industry as well.

For those trying to read the tea leaves to know whether or not the near future includes a new cracker plant in the region, the information trickling in over the past two months indicates a positive decision.

Horseheads Corp. CEO Jim Hensler made remarks at his August 5th conference call that assured his shareholders that Shell was moving ahead with the project. While Horseheads does not speak for Shell, the sale of the Monaca plant is strategic to Horseheads and its knowledge of Shell's plans would be first-hand. Reports of significant space and land searches by engineering and EPC firms Bechtel, Jacobs

New hotel/motel construction has nearly tripled from $49 million in the first eight months of 2012 to $128.9 million in 2013.

Engineering and Fluor Corp. in the Beaver Valley were tied directly to those companies' involvement with the Shell project, although again no contracts have been confirmed. Just as telling is the fact that additional pipeline and infrastructure projects have been awarded and started by midstream companies in Beaver County to connect collection systems in the fields to transmission systems along the Ohio River in the Monaca area.

Shell has officially extended the option to purchase with Horseheads until January 2014 but the company has also issued a request for proposals to gas suppliers to gauge the volume of ethane that it could anticipate as a feed stock. Shell continues to talk cautiously about its evaluation and its desire for feedback and expressly denies that a decision will occur at the end of this recent option extension. Virtually all private and government parties involved in working with Shell seem optimistic that the energy company should have sufficient information to make a decision in early 2014.

Thumbs up for the petrochemical facility won't mean an immediate start to construction activities; however, a positive decision should give a boost in confidence to the region's business owners and kick start a large-scale mobilization by the supply chain and downstream users of the ethylene and byproducts. A confidence boost would be welcome, as even the generally good regional economic news has not shaken the lingering uncertainty and indecision among business owners.

Activity in 2013 has increased as the year progressed. Nonresidential contracting is on a pace to finish above the $3 billion level, with construction spread more broadly than at any time since the 2005-2008 expansion. Residential construction is being constrained by limited lot and land supply for single-family detached housing but development of multi-family projects continues at a brisk pace. Housing starts should top 4,600 units and may reach the 5,000-unit level for the first time in a decade should another apartment project start.

The low vacancy rates for commercial properties, record high levels of employment, robust housing market and early signs of a recovery ahead for publicly-funded projects should be yielding more construction than is currently ongoing. That is a recipe for continued growing pent-up demand that should eventually mean booming construction. What remains missing is a catalytic factor, like real business confidence or another period of acceleration for the energy sector. Absent such a factor, expect grinding progress that will offer little relief to the extremely competitive environment.

NATIONAL MARKET UPDATE

Despite the uncertainty shown in the stock and bond markets about the direction of the global economy, much of the basic economic data continued to be mildly more positive than expected as the dog days of summer wound down.

Economists were surprised when the Commerce Department announced on August 29 that second quarter gross domestic product had grown by 2.5 percent, after initial estimates of 1.7 percent one month earlier. The upward revision was almost entirely due to a smaller trade deficit and increased demand for U. S. made products. That is particularly good news for manufacturers – assuming it is a trend rather than an anomaly – that had seen declining output much of 2013. Consumer spending remained at 1.8 percent higher. Because economists don't expect any improvement in the general conditions for consumers during the balance of 2013, estimates for GDP growth in the remaining two quarters are 2.4 and 2.8 percent respectively.

Part of the reason for the muted outlook for consumer spending is the consistently higher savings rate. While inflation-adjusted income growth was between 3.2 and 3.4 percent, the 4.5 percent savings rate shows that Americans are essentially not spending half of their growth in wages.

Data for the past several quarters has continued to surprise the experts, particularly as the government's original estimates were revised in the following months. While GDP growth under three percent is below the historical definition of robust, the health of the U. S. economy looks progressively more supportive with each quarter, especially when you consider that each successive growth rate is built upon a larger overall output volume. In fact, taking into account the length of the current business cycle, growth should be declining more rapidly, along with business earnings. Earnings are still relatively strong for the same reason that the economy still seems relatively weak: higher unemployment.

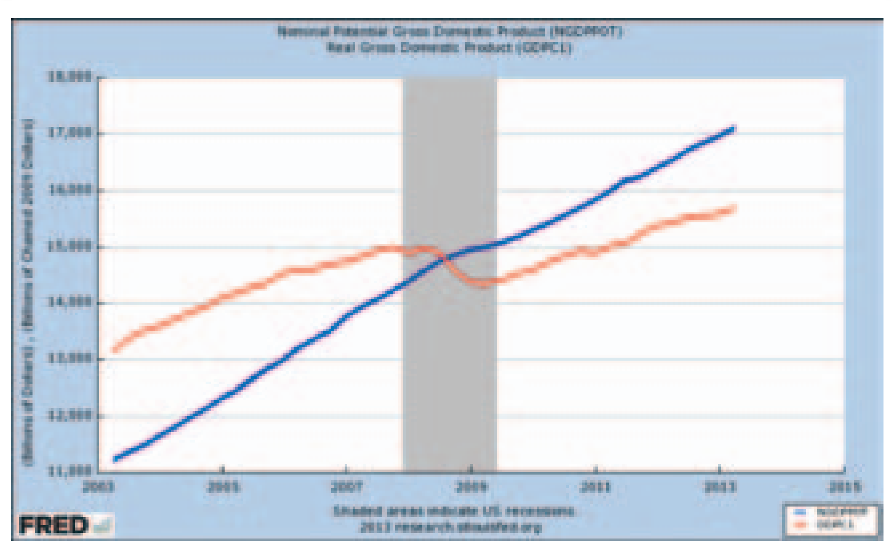
Total gross domestic product reached $16.7 trillion in the second quarter in current dollars ($15.7 trillion in 2009 dollars – the unit of comparison used by the Bureau of Economic Analysis). That's six percent higher than the dollar-adjusted total at the 2007 peak of employment. The growth in population and workforce during that time means that a higher GDP is needed to reach the same employment rate; however, actual payrolls remain 7.2 million workers fewer than in January 2008. A higher level of output is supporting much lower employment. This is good for earnings but bad for economic growth.

Lagging employment growth remains the main missing piece of the puzzle. The key to a more robust economy is whether or not employers will invest their earnings in hiring or keep their powder dry as a hedge against a decline in 2014 or 2015.

As it relates to construction, one bit of revised data that was especially surprising was the jump in investment in buildings and plants. Originally pegged at 6.8 percent, the revised data showed investment grew 16.1 percent between April 1 and June 30. Forecasters expect this accelerated rate of investment to be limited to the second quarter.

McGraw-Hill Construction is among those predicting that the increase in construction will be unaffected by the second quarter's revised data. According to the company's Mid-year Update to the 2013 Construction Outlook, construction spending will rise six percent this year to $506 billion. This is the same rate of increase for total construction starts that McGraw-Hill predicted last October for 2013.

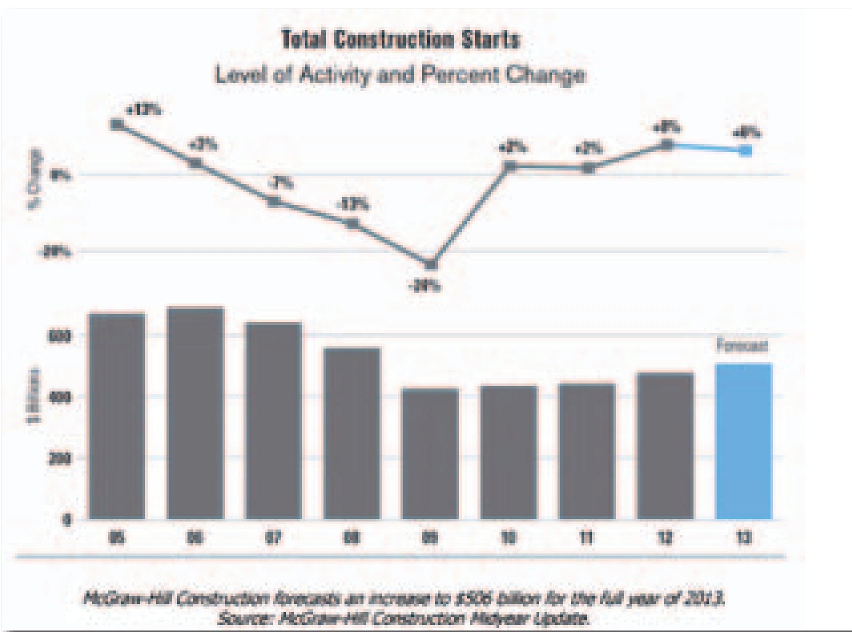
"The recovery for construction continues to unfold in a selective manner, proceeding against the backdrop of the sluggish U.S. economy," says Robert Murray, vice president of economic affairs for McGraw-Hill Construction. "While the degree of uncertainty affecting the economy seems to have eased a bit from last year, tight government financing continues to exert a dampening effect on both the economy and



The extended slow rate of GDP growth has left U. S. output behind the long-term nominal GDP trend. Source: St. Louis Federal Reserve Bank.

the construction industry. On the positive side for construction, the demand for housing remains strong, market fundamentals for commercial building are strengthening, and lending standards for commercial real estate loans continue to ease gradually. On balance, the recovery for construction is making progress, but at a single-digit pace given the mix of pluses and minuses by major sector."

Sectors that McGraw-Hill sees growing are single-family housing (28 percent), multi-family housing (23 percent) and commercial buildings (15 percent). Offsetting the growth are significant declines in electric utilities (-40 percent), manufacturing plants (-8 percent) and institutional buildings (-5 percent). McGraw-Hill forecasts that public works construction will be mostly even with 2012, predicting a three percent rise that will be due to the inflation in materials rather than an overall increase in infrastructure construction.



McGraw-Hill Construction forecasts an increase to $506 billion for the full year of 2013.
Source: McGraw-Hill Construction Midyear Update.

In their analysis, McGraw-Hill forecasts a 24 percent increase in single-family housing to 640,000 units, which is being boosted by increasing home values and low inventory for sale; and a 20 increase in apartments due to continuing increases in occupancy levels and rising rents. Increased retail, warehouse and hospitality projects are driving the growth in commercial projects, with office construction still muted due to tepid employment growth and decreased demand from government.

On the downside, uncertainty about the impacts of the Affordable Care Act has shelved hospital projects and state/local budget problems have dampened school work, keeping institutional construction in decline. Manufacturing is being held back by global weakness and worries about the U. S. economic growth. The steep decline in electric utility construction is due mostly to the 2012 spike caused by construction of two nuclear facilities. While electrical generation demand continues to grow, additional capacity is coming on line from construction in previous years, which is keeping pressure on prices and limiting the need for new capacity at the moment.

Reed Construction Data – the other private national construction report – reported slightly larger declines in non-residential segments through the first six months. Year-to-date starts for January through June combined were down 22 percent from the same period in 2012, with nonresidential building starts falling 14 percent and heavy engineering starts plunging 33 percent. Commercial building starts were down 6.6 percent over that span, although retail was up 5.7 percent and private office by 2.9 percent. Educational construction fell 28 percent and medical facility spending was down 6.5 percent. The largest heavy engineering categories, road/highway and water/sewage, each fell 26 percent.

A third data source, the Census Bureau reported August 16 that the number of housing starts increased 5.9 percent in July over June and 21 percent from a year ago. Single-family starts climbed 15 percent from July 2012, while multi-family buildings with five or more units jumped 34 percent. Building permits for single-family units were up 18 percent over 12 months and multi-unit permits gained 4.5 percent.

Census also reported on September 3 that construction spending in July reached a four-year high of $901 billion at a seasonally adjusted annual rate, up 5.2 percent from July 2012. Construction totals for May and June were also revised upward by $7 billion and $12 billion, respectively. The biggest gains year-over-year have been in private residential spending, which was up 17 percent primarily due to multi-family projects, and in hotel/lodging construction, which was up 33 percent. Public construction fell 3.7 percent compared to the first half of 2012. Within the public sector, construction of educational buildings declined the steepest at 15 percent.

The National Association of Realtors reported on August 21 that existing-home sales increased 6.5 percent to a seasonally adjusted annual rate of 5.39 million in July from 5.06 million in June. Sales in July were 17.2 percent above the 4.60 million-unit pace in July 2012. July was the 25th consecutive month of year-over-year gains. The increase in sales came in spite of a mortgage rate hike of one full percent.

"Mortgage interest rates are at the highest level in two years, pushing some buyers off the sidelines," says Lawrence Yun, NAR chief economist. "The initial rise in interest rates provided strong incentive for closing deals. However, further rate increases will diminish the pool of eligible buyers. Although housing affordability conditions will become less attractive, jobs are being added to the economy, and mortgage underwriting standards should normalize over time from current stringent conditions as default rates fall."

Except for new home construction, which has been constrained because of extraordinary overbuilding and financing problems beyond the normal business cycle, recovery in non-residential segments has echoed the movements in the overall economy. The strong year-over-year growth and declines in the respective commercial, institutional and heavy/highway projects mirror the macroeconomic conditions, which are better than a year ago. That makes for a predictable, if not altogether positive market.

If the AIA's Architectural Billing Index (ABI) can continue to be equally as reliable, the trajectory of the construction market should turn slightly more positive into the early months of 2014. The ABI reading – which is a binary measure of member firms increased or decreased billings – was over 50 again in July for the eleventh month in the past twelve. The higher billings represent more design activity, portending increased bidding and construction activity some six to nine months out.

Looking down the road into 2014, it's easy to see more green lights than red; however, a number of obstacles still remain to a comfortable ride.

Threats of U. S. intervention in Syria have unsettled financial markets and pushed oil prices up as much as ten percent. An extended military involvement in Syria will drive gas and diesel prices to levels that will impinge upon consumer spending. Upward pressure on interest rates also looms as both a short-term and longer-term drag on the housing recovery and commercial real estate development. Another round of fiscal battles is likely in late September as the federal debt ceiling is approached. Beyond that is the holiday shopping season, which has the potential for further optimism or gloom.

The long view of the U. S. construction market reveals that the under-building of 2009-2011 created a pent-up demand for space that has not yet been satisfied. Likewise, the under-investment in infrastructure since the stimulus in 2009-2010 has created a growing need that will eventually be met. Yet, as we have learned over the past decade, long-term trends are susceptible to short-term and painful disruptions. BG

WHAT'S IT COST?

Prices for construction materials rarely move in lock step. While it's true that the prices of most products fall in steep declines or rise in extreme growth cycles, it has been the norm for a number of basic construction prices to be moving in opposite directions since the spike in oil and diesel prices in early 2008. As the recovery from the 2007-2009 recession stretches out, however, prices for most materials seem to be trending towards the mean.

The August 14 report from the Bureau of Labor Statistics showed consumer inflation that was virtually flat in July 2013 and producer prices that were up 2.1 percent over the past 12 months. That two percent magnitude of inflation was the amount of increase for the products used in construction and consumed by contractors – like diesel fuel or lubricants. Moreover, the inflation rates for major construction categories, as measured by the producer price index (PPI) were all within a slight variance from the two percent mark. The PPI for residential construction inputs fell 0.1 percent in July and was up 2.1 percent from a year earlier; and for nonresidential construction, -0.1 and 1.8 percent. PPIs for new nonresidential construction accelerated slightly: schools, 0.6 percent in July and 1.2 percent year-over-year; offices, 0.5 percent and 1.4 percent; health care construction, 0.6 percent and 1.5 percent; industrial buildings, 0.5 percent and 2.2 percent; and warehouses, 0.4 percent and 2.9 percent.

While the inflation rate for specialty contracting lagged that of the overall construction market, the year-over-year increases for major subcontractors was fairly consistent. The PPI for work on nonresidential buildings by electrical contractors rose 1.5 percent in July and 1.7 percent for the year; for concrete contractors, 0.1 percent and 1.6 percent; for plumbing contractors, 0 and 1.6 percent; and for roofing contractors, -0.5 percent and 1.2 percent.

Among the materials that dropped in price in July and for the year included copper and brass mill shapes, -2.2 percent and -6.2 percent; aluminum mill shapes, -0.7 percent and -2.3 percent; and plastic construction products, -0.9 percent and -0.1 percent. Prices rose in July but fell year-over-year for steel mill products by 0.4 percent and -6.1 percent respectively and asphalt paving mixtures and blocks by 0.6 percent and -0.7 percent.

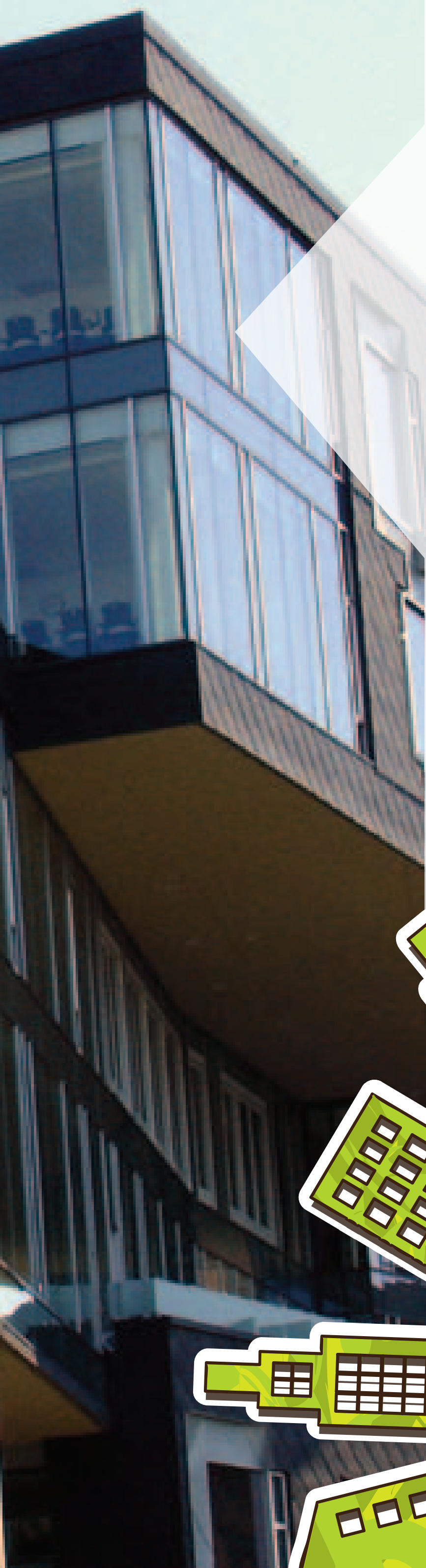
For the second straight month, some of the materials that have experienced notable increases over the past 12 months have cooled off as capacity has been added to meet the rising demand from the growth in housing construction. Gypsum products prices fell by 1.6 percent in July but rose 14.5 percent over the past year, while lumber and plywood dropped 1.9 percent, paring the 9.7 percent increase since July 2012. Two other inputs used in construction that have experienced inflation that has outpaced the overall construction inflation are diesel fuel, which rose 1.9 percent and 4.4 percent respectively, and concrete products, up 0.5 percent in July and 3.2 percent compared to the previous year. Renewed potential unrest in the Middle East has pushed the price of fuel higher since the August reports and with hurricane season just getting underway, the threat of supply disruption looms as a factor that could push prices higher than expected this fall. BG

PERCENTAGE CHANGES IN COSTS	July 2013 compared to		
	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	0.2	0.3	1.8
Producer price index (PPI) for finished goods	-0.2	0.7	2.1
PPI for construction	0.0	-0.1	2.0
Costs by Construction Types/Subcontractors			
Residential buildings	-0.1	-0.3	2.1
New industrial building construction	0.5	0.6	2.2
New warehouse construction	0.4	1.2	2.9
New school construction	0.6	0.7	1.2
New office construction	0.5	0.5	1.4
Concrete contractors, nonresidential	0.1	0.1	1.6
Roofing contractors, nonresidential	-0.5	0.2	1.2
Electrical contractors, nonresidential	1.5	1.7	1.7
Plumbing contractors, nonresidential	0.0	0.0	1.6
Costs for Specific Construction Inputs			
#2 diesel fuel	1.9	-2.3	4.4
Asphalt paving mixtures and blocks	0.6	1.1	-0.7
Concrete products	0.5	0.2	3.2
Brick and structural clay tile	0.4	0.2	-0.1
Plastic construction products	-0.9	-0.4	-0.1
Gypsum products	-1.6	-1.3	14.5
Lumber and plywood	-1.9	-8.0	9.7
Architectural coatings	0.0	0.0	-0.7
Steel mill products	0.4	-1.6	-6.1
Copper and brass mill shapes	-2.2	-5.6	-6.2
Aluminum mill shapes	-0.7	-2.2	-2.3
Fabricated structural metal	1.1	1.9	2.7
Prefabricated metal buildings	0.0	0.0	0.0
Crude petroleum (domestic production)	10.6	10.7	23.8
Asphalt (at refinery)	1.8	6.7	-9.6
Cement	0.0	0.4	5.1
Iron and steel scrap	6.3	-1.8	6.8
Copper base scrap	-4.7	-8.5	-4.9

Source Bureau of Labor Statistics, Updated August 14, 2013
Compiled by Ken Simonson, AGC Chief Economist

Gates Center for Computer Science and Hillman Center for Future-Generation Technologies at Carnegie Mellon University.

Green Building Comes Back To High Performance



It almost feels wrong to say 'green building' anymore. The advocacy of making the built environment less detrimental to the natural environment has been called the 'green building movement' for a decade or more. Like other effective marketing slogans, green building entered the lexicon and was used extensively to describe conservation and efficiency efforts in construction. In Pittsburgh, the advocacy group that formed to promote these values called itself the Green Building Alliance and the group with the same goal nationally was named the U. S. Green Building Council (USGBC). Green building stuck.

What the proponents of green building were aiming to do when organizations like the GBA was formed was to further the efforts of a relatively small number of pioneers who had worked in architecture, engineering, contracting and academia to make buildings perform better. For many years those efforts focused mainly on research to help homes use less energy or waste less water.

Over time, awareness of a host of issues impacting the sustainability of how we built and lived expanded the vision of green building advocates. As businesses began to realize that consumers and other businesses cared about being more environmentally responsible, green began to take on its more pervasive marketing mantra. Everyone had green products or services. There even came a green term to describe this phenomenon: "greenwashing."

The dynamics of the adoption curve for new ideas are almost inevitable. Green building was no exception. As more industry professionals adopted the idea that what was built could be done more responsibly, it became easier for the development of standards and measurements. The USGBC created Leadership in Energy and Environmental Design (LEED) as a rating system to encourage sustainable construction projects. LEED projects were ambitious at first; within a few years, it seemed every new building would be LEED-certified.

Growing the base of LEED-certified buildings was a noteworthy accomplishment but at the same time gaining broader acceptance also carries with it the risk of focusing on the majority of adopters instead of pushing the envelope.

City	# LEED Projects
Chicago	400
New York	361
Washington	357
San Francisco	290
Houston	264
Seattle	211
Atlanta	202
Los Angeles	187
Portland	182
San Diego	176
Denver	144
Boston	140
Dallas	137
Charlotte	129
Arlington	121
Pittsburgh	111
Cambridge	108
Philadelphia	101
Austin	99

Although significantly larger cities have moved ahead of Pittsburgh, the city still ranks 17th in the number of LEED-certified projects. (Source: USGBC)

At the leading edge of sustainability there is a shift in the conversation and focus of advocates. Groups like the GBA aren't abandoning LEED for construction projects but they are increasingly concerned about how all buildings are performing and how building owners are thinking about their impact on the environment.

"GBA and I would make the argument that there are lots of ways to become a green building – we should stop saying green building because we really mean a green place or space – and there are lots of ways that you should think about a green space beyond your building," says Mike Schiller, GBA's CEO. Schiller explains that property owners can look at the full spectrum of how a building impacts the environment – how stormwater is captured, how the building is blocking another's daylight, how much air is coming in and out of the space, how much pavement there is – to make reductions and improvements to the impact a building has on the planet.

What seems to be a new point of emphasis is encouraging improvement in performance of all buildings, whether or not there is a construction project involved. For all the success that LEED has had in attracting projects to participate in the rating system, many times more buildings exist in the building stock than the number of construction projects each year. Undertaking the complete renovation of an occupied building solely for the purpose of making it more energy efficient isn't practical without some return on the investment and heretofore there has been little actual performance data that would support that decision.

Everyone had green products or services. There even came a green term to describe this phenomenon: "greenwashing."

Developing reliable performance data across the full spectrum of building systems and climate zones is a daunting task that will not be completed quickly. Absent that kind of supporting information, advocates are promoting that property owners think instead about the steps they can take that are practical. Boilers become obsolete. Light fixtures wear out. Roofs have to be replaced. Decisions about how these maintenance and repair projects are done happen with much greater frequency than a major renovation. By emphasizing performance, an owner can make a more manageable improvement during the course of a routine repair or replacement that is more easily justified.

For example, the replacement of fluorescent light fixtures with LED fixtures is a simple but not inexpensive improvement. While the payback for the project is fairly quick, the expense is easier to justify if the project is done at a time when the light fixtures reach the end of their life cycle.

Focusing on performance gets owners considering all aspects of their building. How efficiently the building operates is an obvious consideration but the building also has expectations for performance with regard to how healthy and safe the indoor environment is. The occupants or tenants of the building should be satisfied with it and the building must add – or at least not detract – from the productivity of those who work and live in it. Finally, properties have a financial performance to be considered. Improvements in a building should have a reasonable return on investment but the value of improvements can also be measured in higher rents, better tenant retention, increased property value or improved productivity for the occupants.

Pittsburgh's first passive house, designed by architects Thoughtful Balance and constructed in Heidelberg.

For much of the period of green building awareness, most of these improved performance values have had to be theoretical or borne out by common sense. A 2012 study done by University of Notre Dame management professors Edward Conlon and Ante Glavas looked at the measurable impact of green building on the business of PNC Financial Services and uncovered some surprising results.

Conlon and Glavas chose PNC because of its record of LEED certification and it was a business with some easily measured metrics. In their study of 562 PNC branches, of which 93 were LEED-certified and 469 were not, the professors found that the value of the LEED certification was $461,300 per employee. That figure was the result of comparing the amount of the deposits per branch – LEED branches attracted significantly more – and dividing by the number of employees per branch. The Notre Dame study could not discern whether the better performance was due to more productive and engaged employees or the fact that a LEED-certified branch was more attractive to customers. What could be determined was that the increased business was much greater than the costs associated with LEED certification.

PNC's commitment to green building wasn't based on energy savings returns; the corporation chose to make sustainability a corporate value to differentiate itself, build a reputation for better banking and working environments and improve employee satisfaction. That decision also appears to have attracted more business.

Green building advocates should be reluctant to promote performance improvements using the incentive that sales will grow as a result. Studies like the one done by Notre Dame help prove that all three aspects of triple bottom line performance can be addressed by choosing to improve the built environment.

A call for measuring green building by how the building performs is in some ways a return to the roots of green building but it also has an interesting dual effect on owners. Focusing on performance virtually eliminates any counter argument from a reluctant owner. LEED or EnergyStar ratings can be argued as "too hard" or "too expensive" but how do you argue against making your building work better?

At the other end of the adoption spectrum, focusing on performance gives the pioneer the license to push for even more. Rating systems have limits at the top end but performance-based improvements only stop when nothing is left to improve. That's the motive behind innovations like the Living Building Challenge and Passive House.

Focusing on performance pushes incremental gains whether the goal is to reduce electricity usage by a few percentage points or to build a home that consumes no electricity at all. It makes green building a more inclusive option.

Pittsburgh 2030 Update

About 18 months ago the Green Building Alliance quietly began working on an initiative that was a big first step in this shift towards performance as a leading value. Following the leadership of architect Edward Mazria in Seattle, GBA approached property owners in the Central Business District to secure commitments to an ambitious resource reduction program called the Pittsburgh 2030 District.

Mazria founded Architecture 2030 in response to his concern that the built environment is a major contributor to global climate change. He saw buildings as one of the possible solutions to the problem and calculated an approach that could reduce greenhouse gas emissions to a level in 2030 that would arrest the warming effects and avert disaster. Mazria's vision of global warming is hardly shared by all and the politics of the subject are somewhat counterproductive for green building advocacy; however, the goal of the 2030 District – to reduce energy, water and transportation usage by 50 percent in 2030 – aren't difficult to support regardless of where you stand in the global warming debate.

The specific goals of the Pittsburgh 2030 District are to reduce energy and water consumption and transportation usage immediately by 10 percent, with the commitment to reach a 50 percent reduction by 2030. The base line for the energy reduction is the 2003 Commercial Building Energy Consumption Survey, a standard that a number of the buildings downtown already pass.

When GBA began planning for the Pittsburgh 2030 District, only Seattle had a functioning district and Cleveland was in the process of launching one. Schiller and his associate, Aurora Sharrard were aiming to get commitments from 10 or 15 percent of the properties in downtown Pittsburgh to give the launch some gravity. When Pittsburgh 2030 was announced in August 2012, however, property partners had committed to meet the challenge for 61 buildings, accounting for 23.5 million square feet or 38 percent of the space in the entire district. That was a commitment for space that nearly equaled that of Seattle's 2030 District after a two-year head start.

By Labor Day 2013, the Pittsburgh 2030 District had grown to 36 partners who committed to the challenge for 100 buildings, totaling about 30 million square feet. That level of involvement equals 55 percent of the total space in the CBD. According to GBA vice president of knowledge network Michael Sobkowiak, participation should be 60 percent by the end of 2014. Those leading the 2030 District also anticipate being able to provide performance data for participants and prospective partners by the end of 2013.

Pittsburgh 2030 District is still one of only four districts in the U.S. (Los Angeles has added one since 2012) and it has become the largest such district thus far. The goals of the 2030 District are hard to ignore but the response in Pittsburgh is more likely due to the legacy of more than two decades of leadership in green building. That leadership extends beyond the universities and advocacy groups to include foundations like the Heinz Endowments and Colcom Foundation, as well as many corporate citizens.

Green Giants

Pittsburgh is home to three private owners – one institutional and two corporate – which have distinguished themselves from the mainstream in their commitment to green building. The motivation for each entity is different but each has been unwavering in maintaining a sustainable approach to design and construction.

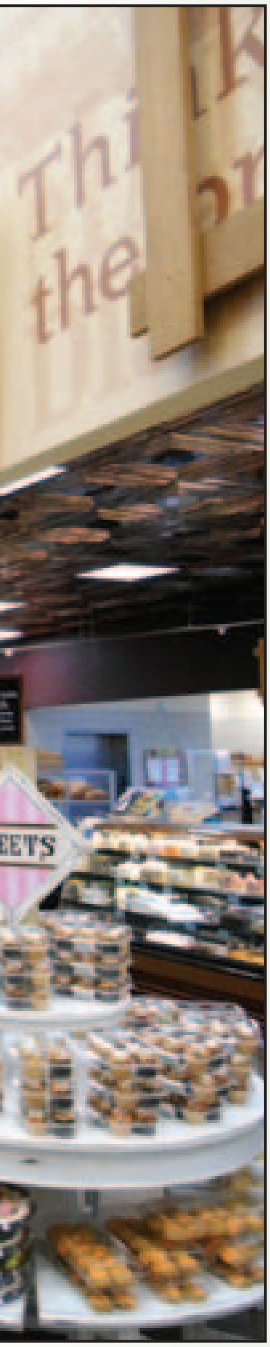
Carnegie Mellon University (CMU) was one of the early adopters of green building, actually working to implement ways to increase energy efficiency before green building became a buzz word. Its faculty and curriculum in architecture and engineering have focused on sustainable design for more than two decades; in fact, CMU established the Robert L. Preger Intelligent Workplace for the purpose of regularly evaluating new products and processes to improve building performance.

In 2005, the university adopted the USGBC standards for LEED silver as a baseline for all new construction and major renovation projects. At this writing, 12 buildings on CMU's campus were certified LEED-Silver or higher – not including the Preger center that pre-dated the USGBC – and there are three more projects under construction that will pursue certification.

"The policy started as a one-off decision when we built Stever House in 2003," recalls Don Coffelt, CMU's director of facility man-

Giant Eagle's Market District store in Shadyside was the first project to be certified LEED Silver for Commercial Interiors in the United States.

Giant Eagle was also an early proponent of energy efficiency and a lower carbon footprint. In 2001, the grocery store chain became an EnergyStar partner ...



agement. "We're pioneers at CMU and we had been looking at this evolving standard and wanted to try it. We sort of said, let's build a LEED building."

Stever House was the first LEED-certified dormitory in the United States, achieving LEED Silver. In 2004, CMU's leadership decided to pursue LEED certification for another housing project, which was the complete renovation of Henderson House. Like Stever House, Henderson House was certified LEED Silver.

Coffelt says that the architectural and facilities leadership felt that it was part of their charge from CMU's board of directors and President Jared Cohon to push the standards for environmental responsibility higher for their own buildings. Shortly after the completion of Henderson House, CMU made a commitment to move from choosing to pursue LEED on a project-to-project basis to something more comprehensive.

"Like other universities we have design standards and we made the decision in January 2005 to codify that said instead of LEED by decision it would become LEED by policy," says Coffelt. "In other words, unless you proved why we wouldn't do a LEED project then the default decision is LEED."

Coffelt points out that the evolution of CMU's own standards has rendered the decision almost moot. LEED's documentation costs make certification of the university's many small projects unfeasible, even though the standards and specifications used on the projects would be the same as if certification was being sought. Because CMU looks to optimize the performance of its buildings, the costs of LEED certification are virtually limited to the certification process itself.

"We've found that it's only one percent or so of the construction cost. We're nearly doing it [LEED] anyway so it's an easy return on investment," he says.

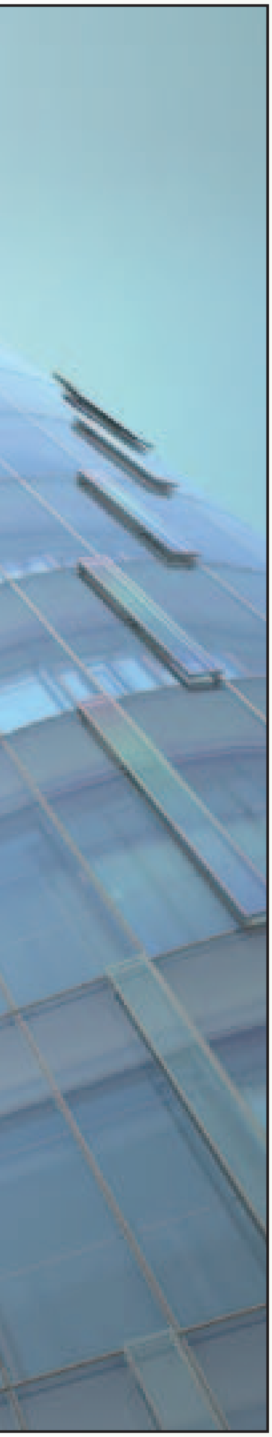
Giant Eagle was also an early proponent of energy efficiency and a lower carbon footprint. In 2001, the grocery store chain became an EnergyStar partner, making commitments to constantly reducing its energy usage. EnergyStar recognized

Automated windows – called 'poppers' – open on the exterior curtain wall of the Tower at PNC when optimum conditions exist for natural ventilation.

Giant Eagle for sustained excellence from 2006 through 2010 and named the store, Partner of the Year in 2004 and 2005. The company is a partner with the EPA in another initiative, called GreenChill, which is a cooperative alliance within the supermarket industry to reduce refrigerant charges and emissions of ozone-depleting substances and greenhouse gases.

Part of Giant Eagle's commitment to sustainability includes measures to reduce waste, encourage recycling or elimination of plastic bags, purchase more products from local sources and the increase in the usage of alternative energy sources. The company's current renewable power purchasing exceeds 20 million kilowatt hours annually.

In the areas of design and construction, Giant Eagle was also an early sponsor of LEED standards and certification. Giant Eagle was the first supermarket to build a LEED-certified store. It built Pennsylvania's first retail store of any kind to achieve LEED Silver



Commercial Interiors certification and Ohio's first LEED Gold certified store. According to the USGBC's certification database, the grocer has 10 LEED-certified stores, six in Ohio and four in metropolitan Pittsburgh, plus three GetGo stations. Four of the stores are LEED Silver and two achieved LEED Gold certification.

Perhaps the best known of the three for its sustainable construction is PNC Financial Services Group. For several years, the bank has been the owner of the most newly constructed LEED-certified buildings of any company in the world. PNC has developed and revised prototypical designs for its branches and has developed two high-rise office buildings since 2007, one that is LEED-Gold and the other Platinum. Its new corporate headquarters, The Tower at PNC Plaza, is under construction and is designed with the goal of being the 'greenest' skyscraper in the world.

"Our commitment to sustainability and green building practices allows us to reduce our energy consumption and costs, create healthier workspaces for employees and strengthen the communities in which we do business," explains Emily Krull, PNC's manager of external communications. "

"Our commitment to sustainability and green building practices allows us to reduce our energy consumption and costs, create healthier workspaces for employees and strengthen the communities in which we do business," explains Emily Krull, PNC's manager of external communications. "We recently achieved our 200th LEED certification and currently have 209 LEED-certified projects."

The bank's decision to revise its original design for PNC Firstside Center was something of a watershed moment in green building, as PNC gave green building advocates an early private corporate opportunity. PNC was also one of a small group of pioneers – mostly retailers – who pushed the USGBC to endorse the use of prototypical designs for LEED certification of multiple locations.

The corporation's crown green jewel will be The Tower at PNC Plaza. The 800,000 square foot headquarters was designed by Gensler; it is being built by PJ Dick Inc. and has an impressive body of planning behind it. PNC spent thousands of hours investigating the feasibility of innovative technologies to make the Tower the most efficient building in existence. In the end, many of the most effective techniques are simple applications of physics that have not been applied to high-rise construction.

Although the Tower will make use of new technology for controls and monitoring, the major technologies driving the project are the use of natural ventilation when outdoor air conditions allow, a double exterior façade, natural daylight to reduce electrical lighting and a solar chimney to accelerate the ventilation and pre-heat the intake air during winter. The building will be cooled and heated when ventilation isn't viable by chilled beams and radiators in the ceilings. Through detailed analysis, PNC and its team found that neither geo-thermal heating/cooling nor photovoltaic arrays to generate electricity proved as effective as the measures ultimately taken.

The natural ventilation strategy is particularly interesting given the climate in Pittsburgh. After testing the ambient conditions against the tolerances for temperature, humidity and air quality, the engineers for the Tower discovered that natural ventilation could be used effectively during 42 percent of the working hours each year. The ventilation will work in combination with the building's automation system to open windows in the exterior curtain wall hydraulically to allow fresh air in. These windows, which are nicknamed "poppers" will open approximately eight inches and will visibly change the exterior elevation of the building when open.

The Tower at PNC Plaza is nearly 15 percent completed and is scheduled for occupancy in summer 2015.

Updating LEED

USGBC has brought the standards that apply to LEED certification to a broader slice of the industry over time. Since its inception in 2000, LEED has been updated regularly, adding more rigor

to the rating system and creating standards for different slices of the industry – like commercial interiors or existing buildings – so that more projects can pursue LEED certification. Over the past year, USGBC has put version four of its standards through public review and comment. When the new year dawns, the current rating system will be LEED v.4.

The update is meant to reflect a shift away from limiting the environmental damage a building does to encouraging the potential for contributing to the environment. USGBC has created impact categories to provide higher points for higher performance in areas that have better results for the environment.

Among the more significant changes to LEED v.4 are the emphasis on integrated processes and greater collaboration during the planning stages; adds incentives to consider the transportation of the occupants and users of the project; allocates 20 percent of all LEED points to building energy efficiency; places greater importance on materials by encouraging life cycle assessment of specified products and the usage of products that originate locally or domestically; promotes the use of enhanced commissioning; and takes a performance-based approach to assessing indoor environmental quality.

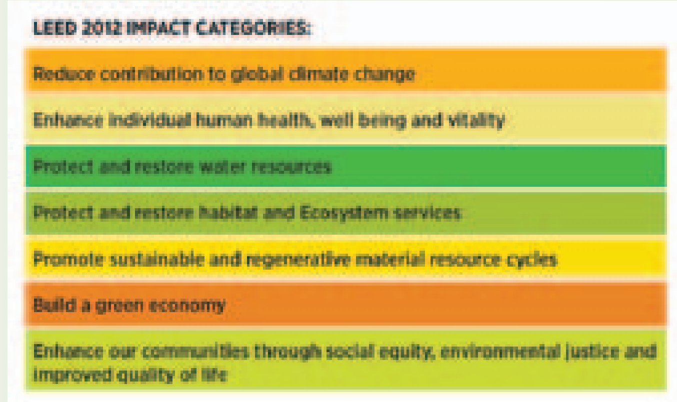
LEED v.4 seeks to cover a larger portion of the market, including specific standards for data centers, warehouses and distribution centers, hospitality, existing schools, existing retail and mid-rise residential.

In an attempt to be responsive to one of the more pervasive complaints about the LEED certification process, USGBC has simplified the submittal requirements and introduced step-by-step reference guide materials and forms that are more intuitive to reduce the complexity of certification. The technical support tools and resource materials for LEED v.4 have been tested and revised through use by actual LEED participants in an effort to ensure that the certification process is not an obstacle to completing certification.

GBA's Schiller appreciates that USGBC is moving more towards how the building performs, especially emphasizing measurement of actual performance.

"I think LEED is a really good standard. There are more than 30,000 buildings certified around the world now," he notes. "That's the leading standard in the world and there's a good reason for that. [LEED] is a well-considered, consensual standard and the things they've done going forward to emphasize performance rather than how you build it and model it, getting the actual results you planned for is really important. That was a big knock on earlier versions of LEED and they are trying to fix that."

LEED v.4 has a greater emphasis on the use of natural materials in a building. Building products and materials comprise a significant share of the project's impact on the environment. The use



LEED v.4 seeks to make improvements in the built environment across a broad range of categories. Source: USGBC.

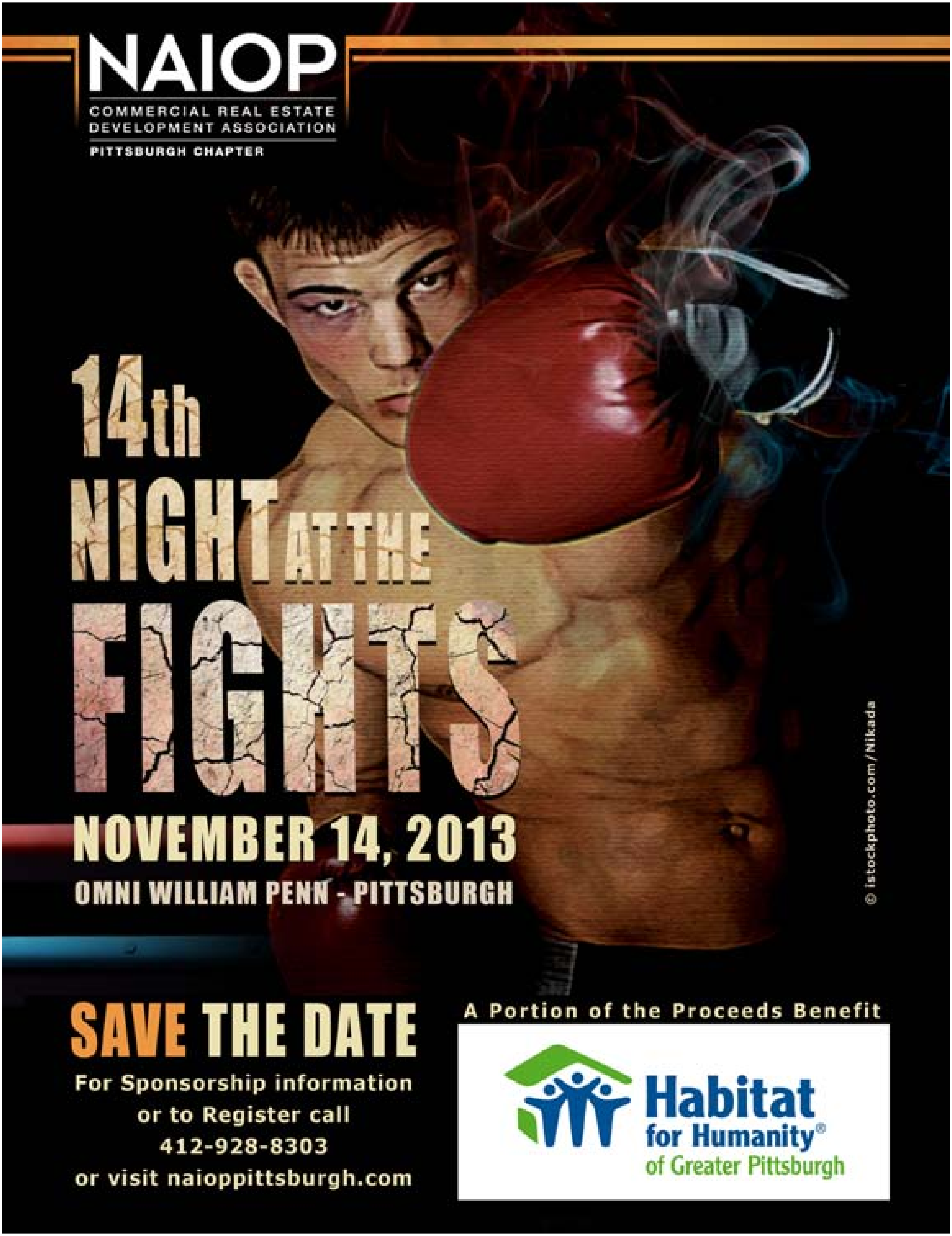
of recycled or responsibly-made products has been part of the emphasis of green building since before LEED was created. As the understanding of sustainability has broadened so has the understanding of what makes a product or material contribute to the carbon footprint.

For example, selecting an exotic hardwood that is easily reforested is a good thing for the environment; however, if the choice requires a 2,000-mile shipping route or the use of underpaid labor to mill it, any benefit may be offset by other negative considerations. Likewise, materials that have little negative impact on the environment once installed but require toxic processes to make are self-defeating. The authors of LEED v.4 hope to encourage the use of natural materials that are available within the region that serves the project site.

That noble goal has a number of practical problems at the moment. For one thing, using natural or regional products is very limiting for the designer. The spectrum of products or materials that meet that requirement is narrow. Moreover, a number of large companies – many of whom are making responsible products for the industry – will be put in a competitive disadvantage if the share of natural materials used in construction grows rapidly. It's a shift in thinking that is not universally popular."

"That's been a source of some controversy because there's a fear from manufacturers that existing materials will be kept out of the construction processes," admits Schiller. "But I think their challenge is to build and supply better products. We're going to keep building buildings so if you want to be in the game get us some products that we can use."

Sobkowiak has faith in the free market, explaining that advances in green building have generally been resisted by those invested in the status quo. "Manufacturers will respond if they are losing business to a competitor," he says. "It only takes one." BG



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FORT COUCH
MIDDLE SCHOOL

The Upper St. Clair School District (USC) is one of the highest-ranked districts in Pennsylvania, rated first in the state based on its Pennsylvania System of School Assessment scores for the past few years. USC spent more than $70 million over the past 15 years to meet its growing and changing demographics but in 2009 the district invested in its two middle schools, not to meet enrollment needs but rather to create an environment that would continue to foster the excellence its residents expected.

Fort Couch Middle School has been serving the young teenage students of Upper St. Clair since it opened in 1958. Like many schools designed in that era, Fort Couch was designed with long narrow corridors and stairwells meant to encourage students to get to their classes without delay and with less windows to minimize distractions from outside the classroom. The building had been remodeled over the years but the basic core of the building was unchanged. Middle school education had evolved over the decades and by the 21st Century, Upper St. Clair was using a team approach middle school instruction. Many of the tenets of team teaching were made more difficult because of the way the old school was put together.

Photo by Jan Pakler Photography

Fort Couch had corridors and classrooms that were too narrow. It was going to be hard to renovate.

McLean Architects was hired as the architect for the modernization of the middle schools. David McLean was aware of some obvious problems even before the programming discussions began. They were problems he couldn't blame on the building's architect.

"Ironically for us [Fort Couch] was designed by Button & McLean, which was a predecessor firm to our present company," he says. "Upper St. Clair has a four-teacher team for middle school. Fort Couch had corridors and classrooms that were too narrow. It was going to be hard to renovate. Upper St. Clair had a building that no longer lent itself to team teaching. That model has some physical aspects to it and they just couldn't do that in a long narrow hallway style of building."

McLean explains that the style of teaching is built on collaboration among the four teachers, who work with the same group of students across all the academic subjects. At Fort Couch there were four classes of seventh and eighth grade students moving from one instruction to another. The ideal setup for this kind of instruction is something more open and flexible that allows for easy circulation for the students within the classrooms of their four teachers. Beyond the physical layout issues with Fort Couch, McLean says that the environment was less desirable than what current standards would recommend.

"The building was not daylighted. There wasn't glass along the corridors and there was no glass at the ends of the building," he explains. "Each floor felt like a basement floor. It wasn't any brighter on the first floor than on the ground floor."

After assessing the opportunities afforded by the Fort Couch building during the programming stage, the school district and architects concluded that the project was going to have to be one that was mostly new construction. Because there wasn't a need for additional space, that meant that a significant portion of the existing school would be demolished and replaced by new construction. In the end, roughly 70 percent of the school was replaced with new space. That afforded the opportunity to reorient the school, moving the main entrance from busy Fort Couch Road to what had been the rear entrance adjacent to the schools playing fields. The new space could be oriented to take maximum advantage of the site and sunlight. But the demolition and rebuilding meant that there would be other challenges.

"We would be phasing various construction projects while school was ongoing. We spent a lot of time ensuring the kids were safe and that the air quality was safe," remembers USC's director of business and finance, Frosina Cordisco. "There were a number of 'open mike' sessions with parents so that we could show that child safety was our first concern."

Photo by Katie Hofer Photography

"During the phasing, the challenge is keeping the central plant running during the demolition of the majority of the building. You have to make sure the new central plant is up and running before shutting down the old one," explains Joe Brennan, who was project manager for PJ Dick Inc., the project's construction manager. "We were also concerned about the environment in the occupied part of the building during construction. Parents were concerned about air quality and any asbestos that was removed. The processes had to be so good that any fears proved to be unfounded."

Another decision USC made during the planning stage was to seek a waiver from the PA Separations Act, the 1913 legislation that requires separate prime contracts for general, HVAC, plumbing and electrical work for public construction projects. Pennsylvania's Supreme Court ruled in November 2007 that school districts could opt to bid a single contract if they thought it would contribute to efficient and economical public school construction. Cordisco says that the past experiences of both administration and board members motivated them to seek the waiver.

"Many of us on the team – including me from past lives – had dealt with multiple primes and we felt that we had the best chance of a successful project without litigation if there was one contractor," she says. "It does make sense that you don't have separate contractor and their subcontractors pointing fingers at each other."

With the delivery method for the project set, design for the project was developed in late 2008 and into spring 2009. McLean Architects was putting the details together for roughly 95,000 square feet of new space that would be the academic wing. That portion of the building would contain a science lab, math classroom and two classrooms with folding walls for flexible instruction, in addition to the traditional classrooms. After demolition, about 40,000 square feet of the existing building would remain to be renovated for the common purpose spaces, like the cafeteria and administrative space.

The modernized Fort Couch Middle School has a new performance-sized gymnasium with a 1,000-seat capacity and a small


Photo by Katie Hofer Photography

auxiliary gym for exercise. There is also a new library and a kitchen technology area.

"We designed a new academic wing that lent itself to style of instruction. It is kind of a pinwheel with a team in the north, south, east and west corners," McLean explains. "In the team area there is a sub-corridor for the students to circulate within the classes of their team. We put oversized stairwells in the pinwheel portion of the building. We used 'borrowed' light in the interior spaces – even the gym – by putting glass in the interior walls that not only lets in light from the exterior windows but also connects the students to the outside."

[The design] adopted more of a college model. On the first level there are almost no academic areas. That's where the gym, cafeteria and technology shops are. The classrooms and offices are on the floors above."

Along with the more supportive floor plan and upgraded spaces, Fort Couch was also going to benefit from extra attention to energy efficiency and improved indoor environment. Moreover, the district decided to leverage the measures taken to improve the building's performance by integrating them into the curriculum.

Fort Couch uses daylight harvesting to supplement the artificial lighting. Sensors monitor the candle feet of natural light and dim the lighting system accordingly. Students monitor and track the harvesting system to see how much electricity is used and compare the consumption in the west side of the building to the east side on sunny days. Photovoltaic (PV) panels were installed to generate electricity. The PV system reports to a database for students to monitor and judge the value of the PV panels during differing kinds of weather.

Much of the attention paid to the building's performance was in the HVAC and electrical systems. Fort Couch's HVAC uses heat recovery and is very efficient. Energy is re-used as much as possible. Glazing on the southern exposure of the building is designed for minimal thermal transfer. The plumbing for restrooms, kitchens and locker rooms optimizes water conservation.

McLean and consulting engineers CJL Engineering encouraged the district to document the measures taken to create a green school and to pursue LEED certification. As a result of the planning process, USC's board was already committed to project goals that were consistent with what would be needed to achieve certification. That commitment didn't waiver throughout the project. As of August 2013, the project was still undergoing the GBIC process but the project team is confident that Fort Couch Middle School will ultimately achieve LEED-Silver certification.

"The board was very supportive of LEED. In my opinion that is critical to success," says McLean. "The architects and engineers have to be the ones to execute the design but it must start with the school board to work. [Upper St. Clair's] board secured com-

Fort Couch uses daylight harvesting to supplement the artificial lighting. Sensors monitor the candle feet of natural light and dim the lighting system accordingly.

missioning, not just basic commissioning but advanced commissioning. There were prototypes run and re-run of the systems and Aramark [the commissioning agent] studied the operations very closely so they could provide training to the maintenance staff."

The project bid in August 2009, with contracts for asbestos abatement and several of the specialty equipment packages in addition to the single construction contract. The project attracted a half-dozen or so bidders and Gurtner Construction submitted the low bid of $20,400,000. With the related contracts also


Photo by McLean Architects.

ing. That level of commitment had a direct impact on the success of the project."

One of the more remarkable characteristics of the project was the low number of change orders. Publicly bid projects have perhaps the highest rate of change orders, as the highly competitive bidding encourages pricing the plans and specs as they are presented rather than as the project will be built. The Department of Education strongly recommends at least a five percent contingency to school districts for this reason. While USC built such a contingency into the Fort Couch budget, change orders for the two-year project were 1.7 percent, saving the district over $760,000 that was budgeted but unused contingency.

Dave McLean would be forgiven if he chalked the low change order rate up to perfect documents but he takes a realistic view of the project.

"I tell my people that you can't build a dog house without change orders anymore," he jokes. "The district got [Separations Act] waivers for these projects and I think that was very helpful but honestly it was a team effort. PJ Dick did an excellent job as construction manager. Joe Brennan, their on-site guy was great. And Gurtner did a great job. We communicated quickly about any issues. Good change order management is about communication that addresses problems quickly before they become bigger problems."

Joe Brennan credits the district for putting the design and construction management team together in a way that got the most from every participant. While he was happy to have the simpler contractual arrangements of the single prime contract, Brennan believes the low number of change orders was due to a good planning process.

"[Reducing change orders] is our focus all the time," he asserts. "If construction managers get involved early for constructability reviews we can look to see what holes may be in the documents or areas where the intent may be unclear. That helps

under budget the USC school board awarded contracts totaling $22,206,118 and work began in late August.

Construction on the project took two years, with the keys turned over to the owner for the new school year on August 15, 2011. Gurtner's project manager, Mike Saliba, worked closely with the district and the architect to navigate the multi-phase demolition and reconstruction project. McLean and Gurtner worked together on other projects and the relationship, as well as McLean's relationship with the construction manager, kept the project moving throughout.

Managing the phasing required some juggling during the construction. Steve Jackson, the superintendent for interiors contractor RAM Acoustical explains that the work took some flexibility. "We were framing the structure while they were doing the demolition. For instance, while we were framing the interiors, the gym was being torn down. We built temporary exterior walls that we boarded on one side to act as a barrier to keep the interior clean and safe. Those walls became permanent interior walls after the area was closed in."

All the parties to the project make a point of acknowledging that the success of the project was due as much to the owner's participation as to their own effectiveness.

"Dr. John Bornyas [now retired from the District] had been through renovations previously and understood what would happen and how to keep things moving," recalls Dave McLean. "And perhaps most importantly, school board members Rebecca Stern and Angela Petersen attended every bi-weekly meet-to minimize change orders. We're not always brought in early enough but at Upper St. Clair we were."

The school that opened in August 2011 bore only slight resemblance to the Fort Couch Middle School that had served Upper St. Clair for five decades. From the new entrance to the complete reorganization of the space, the project made a new place for education of middle school students. USC's Frosina Cordisco was able to bring a first-hand witness's perspective to the results.

"Fort Couch is my neighborhood school. My children went to middle school there," she says. If you went to the old school it was dark and gloomy but now it's so bright and cheerful. We are so pleased with the new school. The end result is beautiful." BG

PROJECT TEAM

Upper St. Clair School District	Owner
Gurtner Construction Co.	General Contractor
PJ Dick	Construction Manager
McLean Architects	Architect
CJL Engineering	Mechanical/Electrical Consultant
Watson Engineers	Structural Consultant
PVE Sheffler LLC	Civil Engineer
Vern's Electric	Electrical Contractor
R & B Mechanical	HVAC Contractor
Vrabel Plumbing	Plumbing Contractor
RAM Acoustical Corp.	Interiors Contractor
Interstate Fire Protection	Fire Protection Contractor
Multi Metals Inc.	Structural Steel Contractor
Miller Thomas Gyekis Inc.	Roofing Contractor

MBA Young Constructors Annual Holiday Party

Benefiting Toys for Tots and The Mario Lemieux Foundation

Ring in the Holiday season with the MBA Young Constructors!

December 11, 2013
6:00 p.m.
Hard Rock Cafe

RSVP by December 6, 2013
MBA at 412-922-3912 or info@mbawpa.org

All attendees are asked to bring an unwrapped gift (approximately $20 value) for Toys for Tots as their admission ticket – which includes hors d'oeuvres and two drink tickets per person. Attendees will also have the opportunity to walk away with some Pittsburgh Penguins memorabilia donated by the Mario Lemieux Foundation. The items available for door prizes and silent auctions will soon be posted on the MBA website (www.mbawpa.org).

TOYS FOR TOTS

The Mario Lemieux Foundation

MBAYC
Master Builders' Association
Of Western Pennsylvania, Inc.

Value Ambridge Properties President Gene Pash with General Manager Debi Leopardi.

Value Ambridge Properties

They say that the greenest building is one that you don't build. Advocates for sustainability mean that adapting an existing property for a new use is more efficient than building a new structure. Against that measuring stick, Value Ambridge Properties may operate the greenest development in Western PA.

The Ambridge Regional Distribution & Manufacturing Center is a former heavy manufacturing plant that was originally developed by Spang, Chalfant & Company, Inc. in 1913. The site changed hands a few times before being purchased by Armco Steel Corporation, manufacturers of seamless pipe, in 1956. Armco operated the facility for almost 30 years, finally closing the doors in 1985 as the steel industry waned in Western PA. Three years after the company closed down, the property was purchased by its current owners, Value Ambridge Associates, in 1988.

The general partner of Value Ambridge is Value Properties Inc., a New York City-based firm that specializes in the redevelopment of former industrial and distressed sites. "The model is to buy underperforming properties or properties in bankruptcy – Ambridge was underperforming," explains Gene Pash, president of Value Properties Ambridge. "They try to understand before going in what it will take to fix the property. In a lot of cases they have flipped property but they decided to hold this one."

Pash says that the interest in the Armco facility was the result of an ad placed by Duquesne Light in the Wall Street Journal advertising excess power capacity. Duquesne Light had just completed upgrades to the nuclear power plant in Shippingport when the shutdown of manufacturing in Beaver County sapped the demand. The chairman of Value Properties sent a team down to investigate what was available and found the Ambridge property.

At the time the facilities included almost one million square feet of space and there was a tenant in place - National Molding & Advanced Alloys. The process of modernizing the property and making it appropriate for multi-tenant occupancy meant investing millions in a different kind of infrastructure. Three miles of paved roads were built to allow access throughout the park to Duss Avenue. Value Properties estimated 100 trucks would be entering the Center each day in a multi-tenant situation so control points at the north and south ends of the property were constructed. Much of the industrial space had dirt floors so thousands of yards of concrete floors were poured.

Pash was with Giffin Interiors at the time of the acquisition and joined Value Properties in 1991 when the company needed a manager for the Ambridge Regional Center. That year they constructed Building #7 for a candy manufacturer and the following year built Building #18 for Document Sources of Pittsburgh, a document control business that was later purchased by one of its biggest customers, Iron Mountain.

That acquisition proved to be a stroke of good fortune for Value Properties on more than one level. Iron Mountain is still a tenant. One of Iron Mountain's employees in its Boyers, PA facilities was Debi Leopardi. Born and raised just a few blocks from the Ambridge Regional Center, Leopardi's family included a number of former Armco employees and when Pash was looking for help in 2004, she joined Value Ambridge as office manager. Leopardi is now the general manager.

While it's the only property in the Pittsburgh area in the parent company's portfolio, Ambridge Regional Center has been a successful project. Pash says that the property was cash flow positive by the third year and has been as high as 95 percent occupied over the years, now hovering profitably around 80 percent occupied. The property has an eclectic mix of tenants, ranging from a high-tech wet lab that is analyzing and improving frac water to a blacksmith shop.

"The park has three tiers of buildout here," says Pash. "There is the startup company, where they are ready to come out of their garage or home. We're also fortunate to have Fortune 500 companies as tenants, like Phillips Lighting and Sherwin Williams here at the moment."

According to Pash, the biggest challenge in growing the center was selling the region because it is located outside of Allegheny County. The Beaver County location, especially on a brownfield riverfront site, offers opportunities for tax advantages, grants and low-interest loans that tenants can access. Pash says that the Beaver County Commissioners have been a big asset for the Center, marketing the Ambridge Regional Center as one of their success stories when touting Beaver County. In fact, the cumulative effect of 25 years of working with state and local government to make Ambridge Regional Center more attractive has created a knowledge base that Value Properties uses to great advantage.

Pash and Leopardi stress service value of having on-site management. They try to take advantage of being there to respond quickly to tenant problems but also to listen for problems their tenants may have that are beyond their responsibility. They work to have tenants get the advantage of Value Ambridge's relationships with local banks, regional and local government, civic leaders and the Governor's Action Team. Over time, Value Ambridge has pursued opportunities to act on behalf of their tenants to gain tax credits or other advantages that they can as the park's landlord. As an experienced conduit for such assistance, Value Ambridge holds semi-annual information sessions for the business owners to keep them apprised of grants and credits that could be available to help the tenants grow.

"What we've found, especially with our small tenants, is the owner is so focused that he may have looked into some programs two or three years ago and didn't qualify." Pash continues, "As these things evolve and the state realizes a program is being underutilized they may change the parameters of that program and today [the tenant] does qualify."

Value Ambridge also hosts crane or heavy equipment training classes at the Center to help tenants get employees OSHA-certified. "If you are a small business with a few employees it helps to send one of them locally for a few hours instead of losing a whole day," says Leopardi. "We do that twice a year."

The attention to servicing the tenants has paid dividends. "Very few of our tenants have outgrown us because of our size. Tenant retention is very high and renewals are up," says Pash.

Ambridge Regional Center's size – the full footprint is 1.2 million square feet – has proven an asset for Value Properties as well. Because of the proximity to the Conway Rail Yards just two miles north and the rail service that remains at the Center, the company created a logistics service called Con-Am that uses some of the 300,000+ square feet of high bay space as temporary storage for manufacturers not at the center. A good bit of that space is now being used to store pipe that is being used in the infrastructure for the natural gas business. That industry is one that Gene Pash feels he must be ready to serve.

"We have hired Desmone & Associates to update the master plan. We're trying to prepare for the construction of the Royal Dutch Shell project, which is located 11 miles away by river," he explains. Pash and his New York management team traveled to Houston with a group from Pittsburgh to get an idea of what develops in the vicinity of a cracker plant. "We want to be ready for the manufacturing companies that will follow the cracker plant. That's where the sustainable business will be."

In the meantime, Value Ambridge Properties celebrates its 25th year in business in 2013 and continues to work keeping their 46 tenants happy and keeping up their 1.2 million square feet with a staff of five.

"It's like painting the Golden Gate Bridge. You start at one end of the property and by the time you get done at the other, it's time to start all over again." BG

COMPANY FACTS

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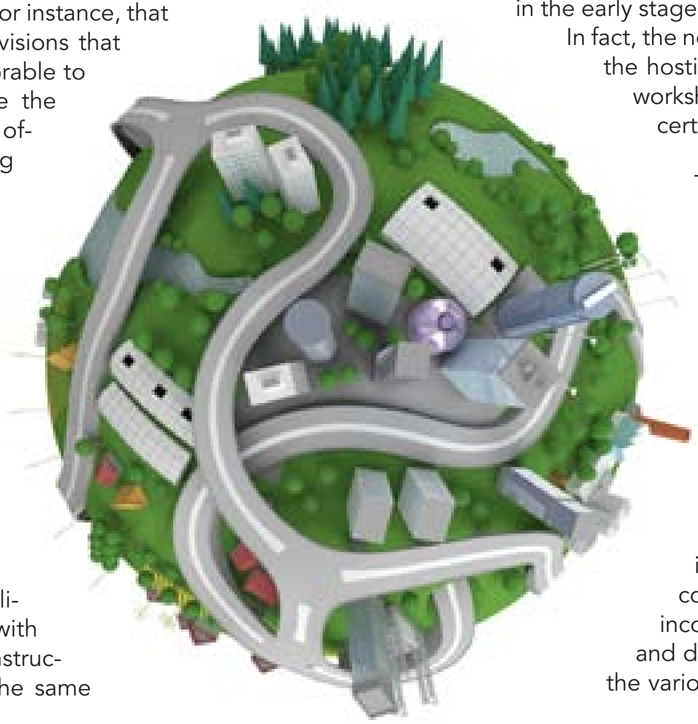
Legal Perspective

Green Building Contracts: Unique Considerations

By Chad I. Michaelson, Esquire

As sustainable design elements and construction techniques become more and more commonplace, contracting parties need to consider how to handle some of the difficulties that can arise in green building projects. Green building presents unique issues that are both commercial and legal in nature, and it is crucially important to deal with these early in the project by precisely defining the roles and responsibilities of each of the members of the project team. This article discusses some of the contractual considerations that are important to green building projects by examining how they are handled by the two organizations that publish the most widely-used standard form agreements for design and construction.

The American Institute of Architects and the ConsensusDocs Coalition both have recognized the need for contractual language to address the challenges inherent in green building, and each has produced standard form agreements to serve that purpose. Although these forms are designed to evenhandedly allocate responsibility and risks among the project participants, at some point they naturally must choose the interests of one class of participant over the other. It is well-known, for instance, that the AIA forms contain provisions that may be deemed more favorable to design professionals, while the ConsensusDocs forms are often characterized as being friendlier to constructors. Legal consultation is recommended in order to tailor these forms to the particular project and attempt to arrive at a fair division of responsibility and risk.



In 2012, the AIA released modified versions of five of its most popular standard form agreements to address the unique roles, responsibilities and risks associated with sustainable design and construction. These forms follow the same numbering system as their forerunners, but bear the suffix "SP" (for "Sustainable Project"). The form that contains the most significant modifications is the B101-2007 SP, Standard Form of Agreement Between Owner and Architect. The AIA's comprehensive scheme for managing sustainable projects, not surprisingly, puts the design professional at the center of the effort. The B101-2007 SP outlines the architect's responsibilities in developing and implementing the project's green objectives and is a good starting point for understanding the manner in which the AIA documents allocate responsibility among the various players.

The B101-2007 SP requires the architect to prepare and submit a "Sustainability Plan" for the owner's approval at the completion of the schematic design phase of the project. To facilitate this, the architect and owner must host a sustainability workshop with the other project participants to develop a clear understanding of the owner's "Sustainable Objectives" (such as obtaining third-party certification, energy savings or reduced operating costs) and to establish the "Sustainable Measures" (i.e., the sustainable design elements or construction methods) by which the owner's objectives will be achieved. The workshop provides the members of the project team an opportunity to discuss the owner's intended use of the project and to advise the owner of the feasibility and budget implications of utilizing the proposed Sustainable Measures. This is not a novel concept, as many architects regularly hold design "charettes" in the early stages of a green building project. In fact, the newest versions of LEED make the hosting of a collaborative design workshop a prerequisite for LEED certification.

The Sustainability Workshop is a critical first step of the project because it serves as the foundation for developing the Sustainability Plan, which is "a road map for achieving the Sustainable Objective that clearly outlines the Sustainable Measures and who is responsible for achieving them." The Sustainability Plan is especially important because, when complete, it becomes fully incorporated into the contract and defines who is responsible for the various steps required to achieve the owner's objectives. In addition to defining the roles and responsibilities of each team member, the Sustainability Plan also describes the manner in which the project will obtain the points necessary for any third-party certification required by the owner. The AIA documents make the architect responsible for collecting documentation and submitting it to the certifying authority, as well as handling any clarifications or appeals of the authority's decision (at an additional cost to the owner).

Although the AIA's SP forms grant the architect the greatest control over the project's sustainability efforts, they also significantly limit the architect's risk. The agreement between the architect and owner states that "achieving the Sustainable Objective is dependent on many factors beyond the Architect's control . . . Accordingly, the Architect does not warrant or guarantee that the Project will achieve the Sustainable Objective." The A201-2007 SP, the General Conditions of the Contract for Construction, includes a similar disclaimer in favor of the contractor. Additionally, both of these form agreements extend the standard waiver of consequential damages to include "damages resulting from the failure of the Project to achieve the Sustainable Objective, or failure to achieve one or more Sustainable Measures, including unachieved energy savings, unintended operational expenses, lost financial or tax incentives, or unachieved gains in worker productivity."

These disclaimers broadly protect the architect and contractor from liability for project failures outside of their control. This is understandable, because no one party can control all of the factors (design, construction and operations) that must coalesce in order to achieve the owner's desired sustainable objectives. Although each project participant remains responsible for fulfilling the specific responsibilities assigned to it in the Sustainability Plan, and for any direct damages resulting from its failure to do so, the owner is left without any recourse if these failures, either alone or in the aggregate, prevent the project from achieving the sustainable objectives. This is significant, because the owner could lose tenants, tax credits, zoning variances and other benefits that are dependent on the project's ability to reach the sustainable objectives.

The AIA's form agreements also allocate responsibility for other risks commonly associated with green building. For example, the designer may specify sustainable materials that are still being developed and have undergone only limited field testing or verification. The AIA forms allow the architect or contractor to disclose the use of such materials to the owner and seek the owner's written authorization to proceed. If the owner approves, the risk of nonperformance is shifted from the architect or contractor to the owner. The A201-2007 SP includes other provisions specific to the contractor's responsibilities, including a requirement that the contractor develop and implement a construction waste management program. This document also requires the contractor to consider the impact of any substitutions on the achievement of the sustainable objectives. This prevents the contractor from making a seemingly innocuous substitution that may jeopardize a sustainable objective. The AIA documents also recognize that certain sustainable objectives cannot be obtained prior to final completion (obtaining third-party certification or verifying building performance, for instance), and therefore provide that final completion (and final payment) is not contingent on those events.

While the AIA's form agreements can be revised to substitute the contractor or a consultant as the leader of the sustainability effort, the ConsensusDocs 310 "Green Building Addendum" anticipates that the contractor or a consultant may serve as the "Green Building Facilitator" or "GBF". The GBF is appointed by the owner, and its duties are similar to those of the architect in the AIA's scheme. This includes advising and guiding the owner through selection of the Green Status (the ConsensusDocs' term for third-party certification); coordinating and facilitating the process of obtaining the Green Status; identifying Green Measures (which are equivalent to the AIA's "Sustainable Measures") and assigning responsibility amongst the project participants. Like the AIA documents, the ConsensusDocs addendum requires the GBF to organize and conduct a sustainability workshop early in the design process and generate a sustainability plan that subsequently becomes a part of the contract documents.

Because the ConsensusDocs addendum contemplates that the GBF may be an entity other than the architect, it addresses how the GBF and architect are to interact and coordinate efforts and expertise. For example, if the architect has an objection to a Green Measure proposed by the GBF, the architect must promptly provide written notice of the objection to both the GBF and owner, and the addendum defines how the project participants should resolve the objection from there. Unlike the AIA forms, which waive all liability for reaching the sustainable objectives, the ConsensusDocs form states that the GBF may be held responsible for the failure to achieve the Green Measures, or to obtain the Green Status or the desired benefits to the environment. However, the liabilities of the parties, as well as the scope of any waiver of consequential damages, are to be found in the underlying agreements between the owner and its architect, contractor and GBF. Thus, it is important to obtain legal review of all the underlying contracts to ensure the allocation of risk is properly coordinated.

In summary, these standard form agreements provide a useful guide to the issues one must consider before embarking on a sustainable construction project. There is, however, no one-size-fits-all approach. In addition to working with legal counsel to properly tailor these form agreements, the project participants need to invest the time and effort to develop a detailed sustainability plan early in the project. That effort will pay dividends in the form of improved communications and increased accountability, and hopefully will lead to a successful project for all involved.

Chad Michaelson is a partner at Meyer, Unkovic & Scott, LLP. He is a member of the Business Litigation and Construction Law Groups and chairs the firm's Sustainable Development Practice Group. He can be reached at 412/456-2819 or cim@muslaw.com. BG

Unique Tax Strategies To Generate Cash And Tax Savings

By Richard E. Spence CPA, CCIFP, CVA

The leaves are starting to turn and the air has that familiar chill. Indeed, fall is upon us with the white stuff and traditional year-end tax planning not far behind. The normal tax strategies of reviewing capital expenditures, key employee compensation, impact of the new tax Act and choice of tax accounting methods are all part of the normal planning process. This article will touch on three potential tax strategies which should be considered for their application to your business since they provide significant cash and tax saving opportunities under the right facts and circumstances.

Research and Development Tax Credits

First, disregard your knee jerk reaction; you do not need to have employees in lab coats in a clean room working on cutting edge industry technology to qualify for R&D tax credits. Second, this credit is available for small business, not just Fortune 500 Companies. The credit may be available for any Company that designs, develops, or improves its products, processes or techniques. More than $5 billion in R&D tax credits are given out annually. And, the really good news is if you do qualify for current year credit, eligible taxpayers can "look back" to all open tax years (typically three years).

Specialty contractors, such as mechanical and electrical contractors, and their activities related to the design and development of systems are prime candidates to qualify their processes as R&D activities. As for general contractors, if the answer is yes to any of the following questions, R&D tax credits may be available.

1. *Does your Company offer "pre-construction" services? Such services may include design assist, value engineering, and Building Information Modeling (BIM) for system coordination?*
2. *Is your Company working in a design build (integrated project delivery) model?*
3. *How much of your Company's labor is devoted to "self-performance"? What disciplines are being self-performed (i.e. mechanical, electrical, plumbing, concrete, etc.)?*
4. *Is your Company evaluating the use of alternative means and methods (construction techniques) on each job or on significant jobs?*
5. *Is your Company involved with LEED or green initiatives?*
6. *Does your Company use CAD (or other tools) for structural steel detailing?*
7. *Does your Company work on projects for customers in highly technical industries (i.e. power plants, petrochemical, manufacturing, research facilities, biotech/pharma, medical, telecom, etc.)?*
8. *Conversely, does your Company work on projects that are "prototypical" in nature (i.e. big-box retail build outs, strip malls, residential, etc.).*

These studies should be conducted by a qualified professional. Typically the process begins with review of tax returns and an initial interview and analysis with the Company's management team to determine the cost/benefit of the potential study. This part of the process requires only minimal time investment by Company personnel. If it is determined to go ahead with the project, the R&D team will follow through with the detailed work on the project, such as documentation gathering and personnel interviews. It all culminates in delivery of the final report and its underlying support to the Company, completion of the appropriate tax forms, and filing the federal and in some cases (state) tax returns to achieve the benefits. Though the process is complicated, the general rule of thumb for estimating the federal tax credit (i.e dollar for dollar reduction of taxes) is 6.5% of qualified wages and related supplies.

Section 179D Deduction

The Energy Policy Act of 2005 created the 179D deduction, which is designed to promote energy savings in building construction. The maximum deduction is $1.80 per square foot to those investing in energy efficient improvements, which were placed in service before December 31, 2013. Commercial buildings of any size, apartment buildings, four or more stories and commercial energy renovations constitute qualifying property. Eligible improvements must reduce energy use for any of the following categories:

- Building envelope
- HVAC
- Interior Lighting systems.

There are different ways to pursue a deduction and all require comparison to ASHRAE Standard 90.21-2001 and certification by a qualified individual. The resulting deduction is simply taken as an additional deduction under Other Deductions on the owner's tax return, with a corresponding reduction in the basis of the related capital expenditure.

It's extremely important to note that, if your Company works on a project, you may be entitled to the 179D for open tax years, even though you are not the owner. Designers of municipal projects (public schools, government, airports, municipal buildings, etc.) are eligible to be assigned the deduction back from the project owner. It has been reported, that many potential 179D deductions, attributable to municipal work have never been utilized by the private sector.

It has been reported, that many potential 179D deductions, attributable to municipal work have never been utilized by the private sector.

A designer is a person that creates the technical specifications for installation of energy-efficient commercial building property (or partially qualifying commercial building property for which a deduction is allowed under 179D). A designer may include, for example, an architect, engineer, contractor, environmental consultant or energy services provider who creates the technical specifications for a new building or an addition to an existing building that incorporates energy-efficient commercial building property (or partially qualifying commercial building property for which a deduction is allowed under 179D). Notably, a person that merely installs, repairs, or maintains the property is not a designer.

Therefore, if you feel you could be considered the designer on a municipal project completed during any of your open tax years you may wish to contact the owner of the project and perhaps be able to mine some additional tax deductions.

Cost Segregation

Cost segregation is a cash flow improvement strategy that accelerates depreciation deductions to reduce or eliminate federal and state income taxes. This valuable tool should be considered by all taxpayers who own, construct, renovate or acquire business or investment real estate.

Cost segregation studies are an engineering-based approach to identify assets within a building that can be reclassified into a much shorter depreciation class than the building itself. Real estate properties, and everything in them except movable furniture and equipment, are generally depreciated using a straight-line method over 39 years (27.5 years for residential rental property). The cost segregation study maximizes the inherent tax benefit of real estate by identifying, quantifying and segregating the personal property and land improvement components of the property, resulting in depreciable lives of 5, 7, and 15 years using accelerated depreciation methods.

Simply put, would you rather get your tax deductions and achieve the cash flow benefit, sooner rather than later? It's purely a time value of money - a significant factor to most business people in their analysis of capital of investments. Our experience, in working with the professionals in this discipline, has been that generally 20% to 40% of the building cost can be allocated from 39 year write offs to the 5, 7 or 15 year write period.

Since any building acquired since 1987 is eligible for cost segregation, you may want to review your Company's fixed asset depreciation schedules for real estate purchased since that time frame, paying particular attention to those purchased or constructed within the last 15 years or so. Current tax law permits a catch up in depreciation in the current tax year if a cost segregation study is performed. The immediate tax benefits and cash flow benefits can be very significant.

For example, a $10,000,000 shopping center was placed in service 10 years ago and depreciated utilizing a 39 year straight line method. In the current year a cost segregation study is undertaken and $1,000,000 is reclassified as 5 year property and $1,500,000 is reclassified as 15 year property. The cumulative depreciation taken for the first 10 years under the original method amounts to $2,564,100, compared to utilizing the cost segregation which generates a potential $3,923,070 in depreciation over the same time period. The depreciation difference of $1,358,970 can be taken 100% in the current tax year by making the proper tax election. The tax benefit (i.e. cash savings) at a 40% tax rate is a staggering $543,588.

The downsides to cost segregations include the cost of the study (although, generally we have found, when appropriate, the net present value ROI on the cost of the study to be at least a multiple of 15 times the cost) and the triggering of ordinary income through depreciation recapture on the sale of the real estate (due to a portion of the real estate having been reclassified as personal property). Therefore consideration of how long the real estate is expected to be held is an important consideration in this analysis.

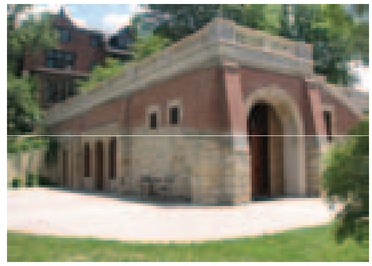
In summary, now is a great time to review your operations to consider if an R&D Study might be appropriate, if you or some of your governmental customers might be eligible for the 179D deduction and after a review of your historical capital expenditures whether a cost segregation study might be in order. Remember, fall is here, and there might be some low hanging fruit ready to be picked!

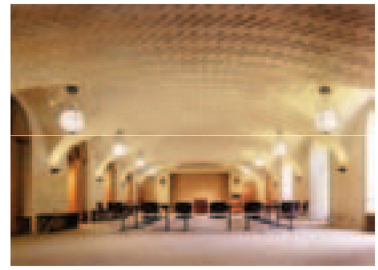
Richard (Dick) E. Spence is a Principal in the Pittsburgh office of Hill, Barth and King, LLC, a nationally ranked top 100 Accounting and Business Advisory Firm, and is Chair of the firm's construction and A/E practice. Dick is also co-chairman of the national organization, The Construction Accounting Network, consisting of BDO Siedman, LLP and approximately 20 other regional firms. Please feel free to contact Dick at rspence@hbkcpa.com or by calling 724-934-5300. BG

"Mosites Construction Company has been a great partner and collaborator through several complex projects. Chatham University views Mosites as a true partner who consistently performs above expectations.

– Walter Fowler, Chatham University

Chatham University





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Be a Counselor Not a Presenter to Win More Proposals

Business is conducted by human beings. For all the improvement in process and technology that American business has fostered in this century, most success and failure still turns on human factors. Perhaps no business endeavor is more prone to human weakness than sales.

It may start with a pretty basic misunderstanding about what makes sales people successful. How many times have you heard someone comment that an outgoing or talkative person should be in sales? Or that someone with the gift of gab is a natural-born salesperson? Or the most back-handed of sales compliments: you could sell ice cubes in Alaska. The stereotype of the fast-talking salesperson persists in part because there are a lot of expressive, outgoing types in sales. And don't be dissuaded from the fact that the ability to articulate and relate are valuable traits. But the stereotype belies the reality that the most successful sales pitch is one that meets the prospect's needs; and you learn those by asking questions, not selling.

With greater frequency, owners are choosing to put a construction team together during or even prior to design. That means that the deciding factor in the selection of a contractor or other professional is going to be something other than the low price. In a competitive environment, that isn't a bad thing. Few businesses would turn away the opportunity to be selected for value instead of low price but therein lies the rub. Most businesses focus on what they feel are their most important values, rather than those that the client values most.

Let's look at a hypothetical – but common – example of a value-based opportunity. Your sales or business development person has been tracking a project that seems right up your alley and the project owner has issued a request for proposal (RFP) to your company. Now what?

If you are like most companies, the RFP means firing up Powerpoint, choosing the best of the relevant project sheets, pulling together all those biographies and company information. You'll schedule a rehearsal or two for the presentation and try to find out as much as you can about who you are competing with and what relationships your key people (and your competitors) have with the owner. But according to owners, what you won't do is spend time asking them questions. Preparing a response to an RFP is an expensive proposition yet more often than not, design and construction firms will invest in a response without understanding what the person across the table really wants.

"We're looking to see if they understand our needs. Do they understand what we want them to do and does their presentation support that," says Tom Gregg, vice president of operations for Grove City College. "I look for them to explain how their skills and capabilities will affect us, whether that is through words or a picture or a model."

What Gregg speaks of may seem like common sense but it is hardly common practice. In part, that is because it's human nature to respond to an opportunity by telling about how great we are. It's also human nature to make assumptions rather than digging for answers. Two of the most deadly assumptions you can make are that the owner is too busy to answer your questions and that you already know what the owner wants because you have done – fill in the blank – projects before. Even for an owner with a focused purpose – a small college for example – the reasons behind a project can be as varied as the stars. Did an alumnus donate money with a 'nothing but the best' attitude or did an unplanned disaster force an unbudgeted project? Would your response be the same for both?

Getting to the winning response requires questioning. In the ideal situation, you would have begun the process of finding answers long before the RFP was issued. Whether through a project lead or just the prospecting of likely opportunities, your sales force should have already made contact with the owner. But if that isn't the case, the request for proposal should be the wake-up call to make that contact with real urgency.

One of the other truths about human nature is that most of us would rather talk about ourselves than listen to others. This then is your secret weapon. The goal may be to find out what the client is looking for in an architect or contractor but that can be a hard thing to articulate. What isn't hard for your prospect or client to articulate is his or her business. The best part about this part of the process is that you don't have to know anything about the business to succeed. Just start asking questions.

Professionals don't ask probing questions of his or her clients to get the secret answers; they do it because they care.

Good sales professionals all have a story about the client who grudgingly agreed to take 15 minutes to talk and three hours later were still touring the client's plant. Asking questions about what the company does, how they go to market, their customers, last year's results, their other locations, growth objectives or even his or her personal objectives are all queries that will start the process of building a relationship.

People are proud of their business and want to share what they have accomplished. That gives you an opportunity to learn what is important to them as an individual as well as what makes their business tick. The best questions are the ones that get your prospect talking, not necessarily the ones that get to the answers you think the RFP requires. If there are enough questions asked and enough time spent together – and enough can be an hour for some people – you can get to the real gold for which you have been mining: your client's or prospect's problems.

Professionals don't ask probing questions of his or her clients to get the secret answers; they do it because they care. This kind of give and take builds trust. And people will choose to work with those whom they trust to help solve their problems.

Scott Pollock is Oxford Development's vice president of development. He says that when they are issuing an RFP for a client they are looking for technical responses that include relevant project and team experience but that he also is interested to see who is thinking about the project in the way Oxford is.

"We look for relevant experience and an appropriate staffing plan for the project. We also want to see that there are appropriate fees for the risk we're asking them to take. Appropriate, not the lowest fees," he explains. "We don't ask for general conditions or any of that kind of thing. We're looking for someone we can collaborate with to get the project done. When we look at the best project teams we've worked with they have the right staff in place for collaboration."

Putting together the 'right staff' that Pollock refers to is less a matter of experience than of comfort level and empathy. Construction isn't one of those fields where people talk about their feelings, yet more often than not a final choice comes down to how the client feels about the people that will be on the team. It's rare that a company proposing to work on a project brings along a team member with no relevant experience and rarer still that the experience is undersold. Everyone who proposes has a great resume. Everyone on the team has been waiting their whole career to work on this project. And with technology, almost everyone can put together a presentation that looks professional or better. So how do you differentiate your team from all the other 'great' teams? For starters, you can make sure that your presentation is about your prospect and their project instead of your company. If your team has done its job, there will be plenty of information available to ensure that you know your prospect's needs. All you have to do is make sure that you focus the presentation on that first. Talking about your company's competence may come naturally but it will also likely leave you asking for a debriefing instead of a contract.

"We had a presentation from an architectural firm that spent almost their entire time showing us what their offices looked like. I'm sure someone thought that would be a good way to show their design capabilities but I couldn't have cared less," recalls Gregg. "Contractors have had people that focused presentations on themselves but that doesn't come across very well."

"I get the best feel for things when people turn off the canned presentation and just talk about the project," Pollock says. "When they talk about what they know about the kind of project we're doing, maybe volunteer the name of a hot architect that they have worked with on a similar project, that's when I get a sense of what it will be like to work with them."

The edge that the winning team gets comes most often from the client rather than the proposer. Companies that can best articulate the problem being solved by the construction project can best articulate the solutions that they can uniquely offer. That's what the presentation and proposal should be all about. If your team doesn't know what makes the prospect tick before you submit on your next RFP, it is time to get busy asking questions. The proposal period isn't necessarily the most advantageous time to find out what your prospect is all about but failing to do so is like target shooting blind-folded. Eventually you'll hit a bullseye but you'll waste a lot of ammunition trying.

Asked if he is willing to respond to questions during the proposal period, Tom Gregg says, "Sure. I'm open to questions. I'm surprised when someone doesn't ask." BG

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MBE/WBE Company Spotlight


Mary Coffey

Gunning Inc.

By Robert Carbeau

If you flip through the recent edition of the Pittsburgh Business Times' Fastest Growing Companies of 2013, you'll notice a handful of construction companies. You will see staples of the region's commercial industry, like Massaro Corporation, Rycon Construction and Sargent Electric. These companies are recognizable organizations, but there is one construction name on the list, near the top of the list in fact, that may not be as familiar as some of the others listed – and that's Gunning Inc.

"Gunning is definitely a firm that the area is getting to know more and more each year due to their quality," said James Strother, Executive Director, SMACNA of Western PA. "The more people get to know this firm, the more people will like them. Dawn [Kaelin Gunning] is very sharp and smart – that's obvious when you first meet her. She's the one that keeps the operation running smoothly."

And Gunning, which provides commercial and industrial HVAC systems and sheet metal fabrication, has been running smoothly since they launched their company in 2005. From 2010 to 2012, the firm has increased its growth in sales by 208.6%. For the past eight years, Dawn and her husband Mike Gunning, President and Vice-President, respectively, have utilized their more than 20 years of experience in the HVAC and sheet metal fabrication industry to grow their company. Dawn in particular knows what it takes to bring a company from nowhere to somewhere, getting her start at American Boiler and Chimney, a company started by her father.

After graduating from the University of Pittsburgh and working for a short time as a computer teacher, Dawn was asked by her family to help with the finances for what was at the time a struggling American Boiler and Chimney company. "There were many mistakes that needed to be corrected, and I really had to learn everything on the go, but I was more than happy to help where it was needed." From the time that Dawn took responsibility for the company's finances and business affairs, American Boiler and Chimney grew steadily and dramatically over the next nine years.

American Boiler and Chimney was eventually sold in September of 2004, and it was through these negotiations that Mike and Dawn met each other. Just a short year later Mike started Gunning Inc., with the hopes that Dawn would soon be joining him in running the company. Dawn however, stayed on board with American Boiler and Chimney for another year under new management to make the transition as smooth as possible. On October 1, 2006, Dawn began work at Gunning and since that time the company has yet to look back, growing over the next eight years. Today the company operates from its North Hills facility. Gunning has been named one of Pittsburgh's fastest growing companies each of the last three years and it also received a 2013 safety award from the Master Builders' Association.

"Gunning is my kind of contractor: Safety is extremely important, plus they are reliable," said Joe Burchick, President of Burchick Construction Company. "We currently have them working on the Norfolk Southern [Locomotive Maintenance Building] project. This is a very challenging project that's phased and with team players like Gunning we are able to keep to the schedule due to their fabricating capabilities that assures ductwork pieces are ready for install when delivered."

With Dawn and Mike at the helm of Gunning, this company will more than likely be a recognizable firm in the region's construction industry for many years to come. Mike stays active in the industry by serving on the SMACNA Board of Directors and on the Sheet Metal Local 12 Apprenticeship Committee. Dawn, as President of a Certified Women's Business Enterprise, continues to keep Gunning competitive in the ever-growing construction industry. Currently Gunning is working on multiple high profile jobs that include two buildings in the Pittsburgh International Business Park, the Navy's operational support center and the aforementioned Norfolk Southern project.

When considering how much Gunning has grown in its short existence, Dawn modestly says: "I attribute our success to our expertise in the field, quality craftsmanship and reputation in the region." Plus she keeps an eye on the future by positioning her firm to stay competitive in the evolving construction industry by improving and expanding their capabilities in areas such as estimating and fabricating.

Robert Carbeau is a Senior at Allegheny College, majoring in Communications. He served as the communications intern at the Master Builders' Association during the summer of 2013. BG

Company Facts

Gunning Inc.

Founded: 2005

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LEED v.4 – What Does This Mean to Me?

By Christian E. Klehm, LEED Faculty, LEED AP

It only took four years to develop, with an unprecedented six public comment periods and more controversy than the concept of global warming, but the members of the U.S. Green Building Council (USGBC) voted in June to approve LEED v.4, by an 86% majority of the 59% of the members that voted. To some, the changes to the USGBC's LEED Green Building Rating System seem "too abrupt" and fear that project successes may be too difficult and documentation will become more complicated. To supporters, the changes represent the evolution of LEED to continue to raise the bar of what is considered a green building and continue to meet the USGBC's mission to "evolve the industry." The questions for many are, "Is it raising the bar too much? How much is this going to cost? Are people going to turn away from LEED?"

Asked for his reaction, Brendan Owens, Vice President for LEED Technical Development at the USGBC said, "That's the history of this organization. The members have always been progressive and willing to move forward." Over the six comment periods, Owens, the USGBC Staff and the LEED Steering Committee carefully reviewed the comments to get to the most important factors affecting a voter's decision to vote yes or no for individual credits and why they were voting so.

In response to concerns about the changes in LEED v.4 being too abrupt, the USGBC announced it would ease into LEED v.4, with project teams allowed to register for either LEED v.4 or LEED 2009, the current rating system, until June 1, 2015. Projects registered under LEED 2009 will be allowed to complete the certification process under that system until as late as 2021. The USGBC has offered free certification for the first LEED v.4 Platinum projects and is expected to offer other incentives to attract projects to the new rating system.

Why all of the controversy? After all, isn't LEED something that we have all learned to at least consider as part of project programming? We have learned over the past 15 years how to integrate LEED into our projects and attain at least LEED Silver without affecting project first costs. We have integrated green concepts into our project goals in order to make our buildings more efficient, healthier, and more attractive to tenants and workers. Owners now document and distribute their project goals and requirements. Charrettes and the integrative design process are used to maximize the design potential, reduce the design time and provide better detailed, more integrated buildings. Commissioning was once a foreign concept but now is a routine practice as a means to insure the proper operations and integration of building systems. Toxic-free and FSC-certified materials are now easily available and competitively priced. Documentation has become streamlined as part of the normal submittal process. Our construction workers are working with safer materials and our building occupants are breathing easier.

Isn't everything already working? Why do we want to change it?

If you have been working with the LEED Rating System through all of its iterations since the pilot program was first launched in 1999 you know that it is far from a perfect system. Each new version has built on the lessons learned of the previous versions and has tried to make the rating system easier to use, especially in the area of documentation. There have been incremental changes to credits, but for the most part, remain fairly similar to those we used to document The Greater Pittsburgh Community Food Bank, a LEED Silver Pilot Project in 2000. For that project we sent two Banker's Boxes of documentation to the USGBC for review. Documentation is now done on-line through a LEED project interface. LEED 2009 changed the point structure and credit weighing (giving more points to the associated credit environmental impact), but remained relatively the same. LEED v.4 represents the first significant overhauling of the rating system since its inception. With LEED v.4, the USGBC is introducing a number of programs, terms and concepts that will be unfamiliar to all but the most experienced LEED professionals. Like the previous versions of LEED, these are likely to shape our industry, confound our teams, and, at least initially, cost us time, money and sleep.

Success with LEED v.4 will become more dependent on creating a truly integrative and collaborative project team that "makes decisions based on a shared vision and a holistic understanding of the project."

There are changes in every credit category and the splitting of site credits into *Location and Transportation and Sustainable Sites*. The overall emphasis of the new rating system is on better up front project planning and programming, something that is good for everyone. Success with LEED v.4 will become more dependent on creating a truly integrative and collaborative project team that "makes decisions based on a shared vision and a holistic understanding of the project." This approach will benefit both owners and project teams as everyone will be aware of the overall and individual project goals. Owners should experience design and cost reductions, as well as better performing buildings. Design teams will benefit from a streamlined design process that incorporates the experiences of contractors to provide insight on costs, material options and constructability. Contractors should experience better document coordination, leading to better pricing and ease of construction.

This proven success of this holistic approach has resulted in the creation of a new LEED credit called Integrative Process. The process requires project teams to analyze their opportunities early in design, before choices have been made and cost-effective options eliminated. Project teams must run multiple analyses of two or more options for various design parameters. This credit also leverages the Owner's Project Requirements and Basis of Design to share goals more deeply with the team.

Four new prerequisites have been added: *Outdoor Water Use Reduction, Building-Level Water Metering, Building-Level Energy Metering and Construction and Demolition Waste Management Planning*. These prerequisites again emphasize the planning process in design and construction, but should not be onerous to any development.

Energy credits now include Demand Response and Building Envelope Commissioning, which has been added as a component to the Enhanced Commissioning credit. Performance levels for all credits have been updated to reflect ASHRAE 2010 Standards of performance and protocols for modeling. Demand Response programs have been used by area office buildings as a way to reduce their energy costs and lower their Carbon Footprint, especially with buildings within the Pittsburgh 2030 Challenge District. Demand Response puts controls of chillers and lighting systems in the hands of utility companies up to an agreed upon limit.

The biggest changes and impacts in LEED v.4 are in the Materials and Resources category. Starting with changes to the Storage and Collection of Recyclables prerequisite the bar has been significantly raised. Companies will now need to have programs in place to recycle batteries, mercury containing lamps and electronic waste. During construction, project teams will be required to set project targets for construction waste management. The remaining credits have been completely restructured into three main areas:

- *Building Life-Cycle Impact Reduction*
- *Building Product Disclosure and Optimization*
- *Construction and Demolition Waste Management*

Construction Waste Management has changed the least, but adds an option for waste reduction strategies through planning and deliveries. The other two will seem new to many professionals.

Building Life-Cycle Impact Reduction addresses the environmental impact of the building materials in both new and existing buildings. It incorporates the building reuse strategies identified in previous versions of LEED, but expands that to provide credit for the reuse of historic and blighted buildings. There is also an option for new buildings to use whole building life-cycle assessment (LCA) tools to model the overall life-cycle environmental impacts of the building against a baseline.

Building Product Disclosure and Optimization has proven to be the most difficult credit to pass in LEED v.4, challenged by various chemistry and manufacturing groups. In response, the USGBC has created some level of compromise. The goal of this family of credits is to move further up the supply chain, engaging the suppliers who provide materials to product manufacturers to submit details on their materials. The three new two-part credits offer points for publishing environmental impacts and product ingredients, even if they are damaging and harmful. The thought is this transparency will lead to improvements and optimization in products and better decision-making of project teams.

- *Environmental Product Declarations (EPD)* – EPD's identify the environmental impacts of the materials used and the associated manufacturing process as well as how a product is to be disposed. Most manufacturers currently publish LEED information relative to VOC's, recycled content and regional materials and many are now publishing EPD's.
- Sourcing of Raw Materials – Provides information on land use practices, extraction locations, labor practices and other familiar qualities such as recycled content, materials reuse and bio-based materials.

- Material Ingredients Reporting – Requires that manufacturers document the chemical inventory of a product by a number of internationally recognized standards.

Transparency in materials and products reporting is still in its infancy, though vital to the consumer. The USGBC feels the introduction of these credits will move more manufacturers and suppliers to get on board.

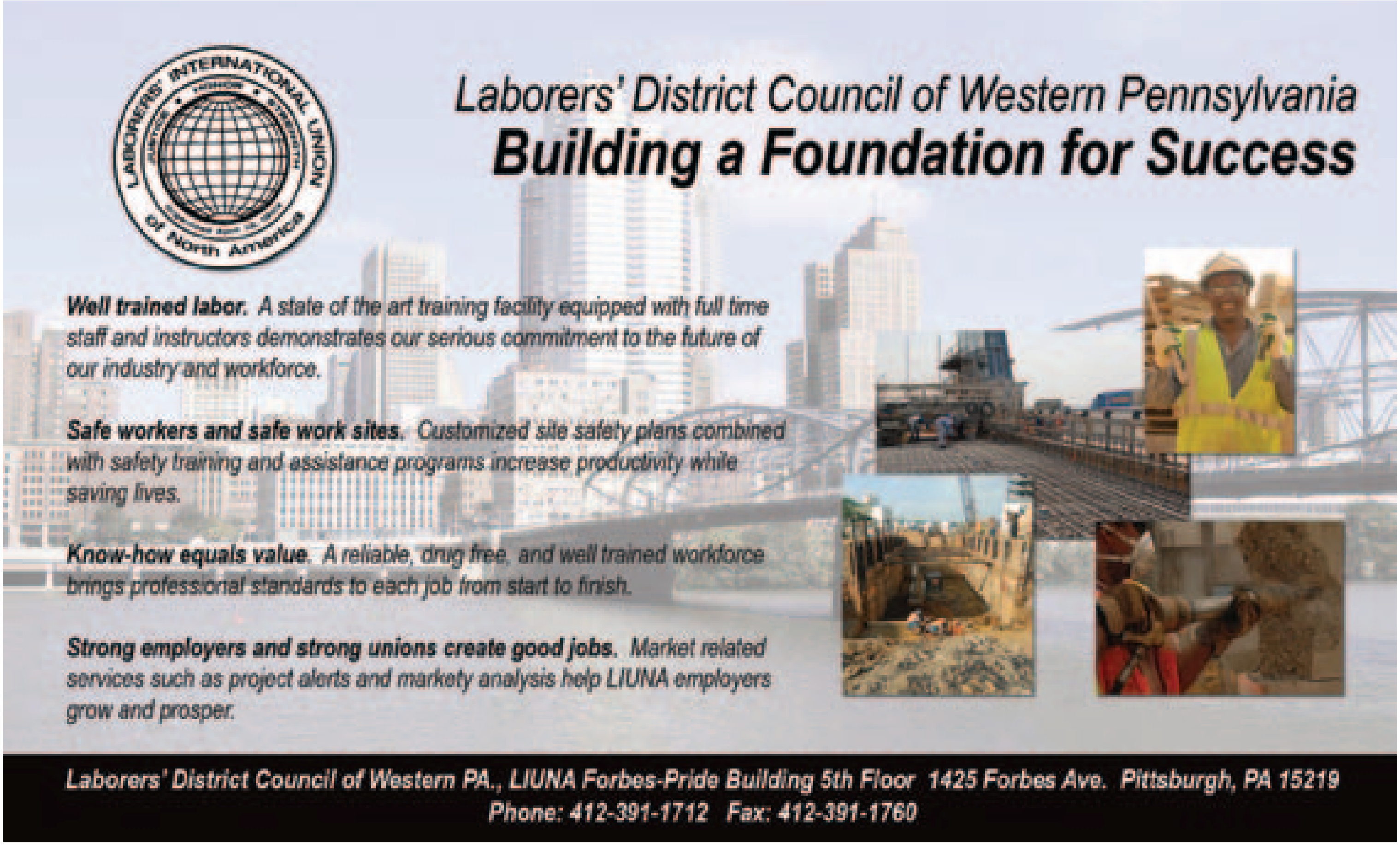
The remaining category, Indoor Air Quality has changed the least but now recognizes both lighting and day-lighting quality issues as well as Acoustic Performance.

The USGBC has been active in keeping us ahead of potential problems in our buildings relative to public health and safety, worker productivity, energy efficiency, and marketing and branding. They have helped us define a smart building investment and to look long-term at that investment and the potential for return and effect on the community and the environment. LEED v.4 continues that trend.

Documenting the first project will be difficult. There will likely be a steep learning curve in obtaining access to resources and in performing the new documentation in an efficient manner. Project teams and LEED Consultants will need to learn these new skills, just as we have learned CAD, LEED and BIM. There will be a period of risk-shifting as groups move to push the responsibilities for material selection and delivery to each other. Architects and design teams will need to understand what materials comply with the new regulations and whether they can be properly documented. Contractors are going to need to know how to ask for the proper information from the supplier and the impact of product substitutions. LEED Consultants will need to ascertain the legitimacy and accuracy of the submittals and become adept at guiding teams through the new requirements. If you have been doing this for as long as I have, this will not seem new at all. It is just part of the evolution of the LEED process.

As Yogi Berra said, "This is like déjà vu all over again."

Chris Klehm is the Vice President of Sustainability and Director of Business Development at Jendoco Construction Company and leads the new energy and environmental consulting division. Chris has participated in over 40 million square feet of LEED Projects. BG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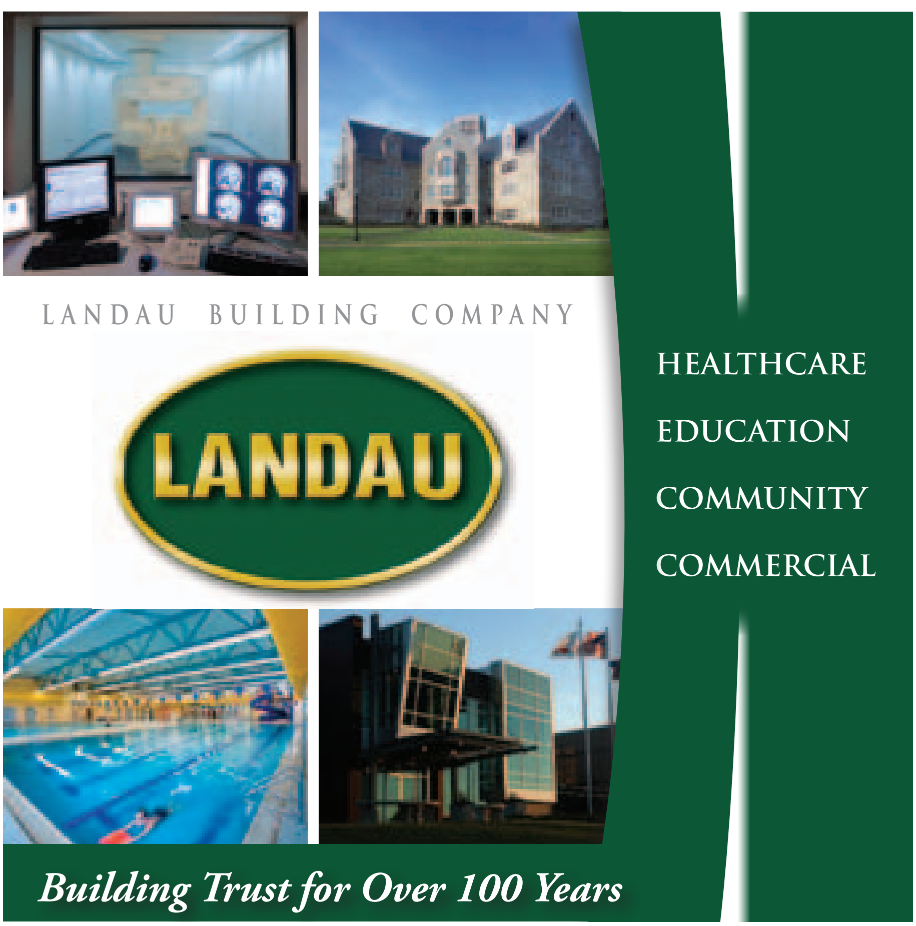
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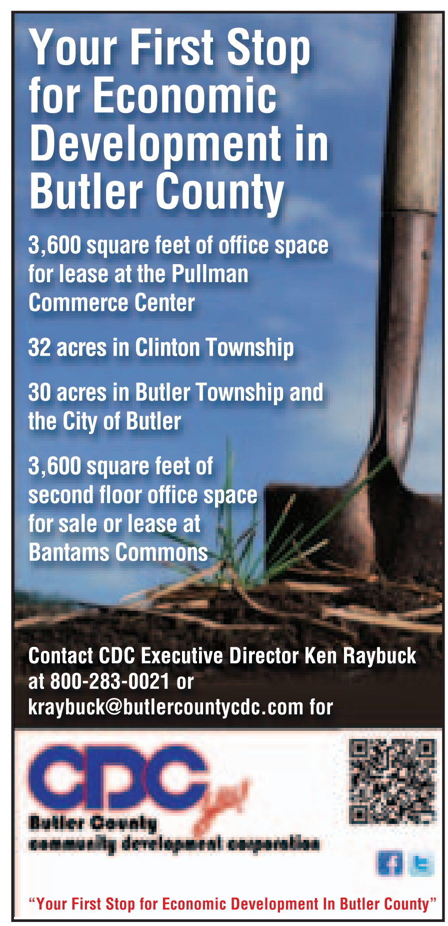
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INDUSTRY & COMMUNITY NEWS

ACE Celebrates Mentors

The Pittsburgh chapter of ACE Mentor Program celebrated the contributions of its mentors at a reception July 23 at Six Penn downtown. ACE board members and sponsors recognized the efforts of 18 mentors who have worked with 45 high school students as a bridge to education and careers in architecture, construction and engineering.

ACE board members Dan Paul, Mike Barnard from Oxford Development and Tom Callahan from Crown Advisors.

Vince DelMonte (left) and Joe DeIuliis from dck Worldwide with Limbach's Mike Balistreri at the ACE Mentor reception.

AIA-MBA Honors Luke Desmone

The AIA-MBA Joint Committee selected Luke Desmone as the recipient of 2013 James Kling Fellowship Award. The award recognizes industry professionals who exemplify the spirit of collaboration among architects, owners and contractors.

AIA/MBA co-chair Rob Sklarsky (left) with Luke and Chip Desmone.

IKM's Mark Witouski (left), Joe Tavella from Massaro and Stantec's Chuck Parker (right) helped honor Luke Desmone at Treesdale Country Club.

ACF's Greg Paul (left) with the Builders Exchange's John Nutt, Shawn Grimm and Victor Maciak (right).

(Left to right) Dr. Billie Rondinelli, Superintendent of School, Steven Massaro and Superintendent Andy Rock of Massaro Corporation celebrate the grand opening of the new South Fayette Intermediate School.

McKamish's Dave Casciani (left) and Mark Smith from DMI Companies at the GBA's Emerald Anniversary gala at Phipps Conservatory.

(From left) Christine Fulton from the Allegheny County Parks with Jendoco and GBA board president Michael Kuhn, CMU's Ralph Horgan and Craig Dunham from the Rubinoff Co.

(From left) Allegheny Construction Group's Dick Deklewa with Jim Palmer, president of Tri-State Hydraulics, co-host Jack Scalo and Rob Kozel of Mountaineer Keystone LLC at the Goodwill Golf Outing hosted by Burns & Scalo at the Pittsburgh Field Club and Fox Chapel Golf Club.

(From left) BXBenefits' Scott Tovissi, Craig DeFinis from DeFinis Mechanical, Tony Marino and Tom Barbera from Wayne Crouse.

Awards & Contracts

Rycon Construction is building a new $7 million Dick's Sporting Goods at Great Lake Mall located in Mentor, OH. The 56,000 sq. ft. space, designed by Herschman Architects, is scheduled for completion in the spring.

Rycon's Special Projects Group is completing a 9,000 sq. ft. office renovation for UPMC at Bakery Square. The project, valued at just over $600,000, was designed by Image Associates.

At UPMC in Bethel Park, Rycon Special Projects Group is completing renovations of the Rheumatology Department at 2000 Oxford Drive. Design 3 Architecture designed this 4,200 sq. ft. project that is scheduled for completion in the fall.

A Linen Tug Room is undergoing renovations by Rycon's Special Projects Group at UPMC Presbyterian Hospital. The 3,000 sq. ft. project is scheduled for completion in October.

At the new Dick's Sporting Goods headquarters, Rycon's Special Projects Group is completing a 1,600 sq. ft. upgrade to the marketing war room.

Highmark selected Rycon Construction as CM-at Risk for the construction of its $14 million Ambulatory Surgery Center at the Jefferson Regional Bethel Park Campus. Astorino is the architect.

The Community College of Allegheny County has awarded James Construction a contract for the renovations of its Boyce Campus Ultrasound Lab. The architect on this project is Radelet McCarthy Polletta Incorporated.

James Construction is the successful contractor for the Washington and Jefferson College Faculty Lounge Conversion as well as the renovations to the Old Main Faculty Offices.

Sto-Rox Neighborhood Health Council awarded James Construction a contract for the renovation of its Hilltop Community Healthcare Center in the Beltzhoover section of Pittsburgh. Thoughtful Balance is the architect for the $2 million project.

Dick Building Co. was the successful contractor for the renovation to the Sto-Rox Neighborhood Health Council Family Health Center at 710 Thompson Avenue in McKees Rocks. The architect is Avanti Architecture.

The University of Pittsburgh awarded a $2 million contract to Mosites Construction for the site work and concrete reconstruction as part of the repairs to the Peterson Events Center.

Mosites Construction was selected to serve as contractor for the St. Camillus Catholic Church project in Neshannock Township near New Castle, PA. Glance & Associates is the architect for the $3.5 million project.

Point Park University awarded a $9 million contract to Mosites Construction for renovations to Thayer Hall. The project involves alterations to the fourth and fifth floors student housing space and accessibility improvements throughout. Stantec is the architect.

TEDCO Construction was the successful contractor on the $600,000 new lab facility for the University of Pittsburgh at its Pymatuning Laboratory of Ecology, near Linesville in Crawford County. The architect for the 3,600 square foot building is R. W. Larson Associates.

Community College of Allegheny County awarded TEDCO Construction a $686,000 contract for the general construction of the Chemical Labs and Prep Room and a $248,000 contract for the Paramedic Lab, both at the Boyce Campus in Monroeville.

Volpatt Construction was awarded a $539,000 contract by Wheeling Jesuit College to renovate the conservatory and gallery at the Center for Education Technology. The project architect is VEBH Architects.

Mascaro Construction and joint venture partner Skanska were selected to provide preconstruction and construction phase services for the Chevron AMBU Office Portfolio project in Moon Township. Expected to break ground this fall, the 500,000-square-foot, multi-building campus will seek LEED Gold certification. The project is being designed by HOK.

Mascaro received a contract from UPMC for renovation of the 40th, 41st, and 42nd floors at its corporate facilities in the U.S. Steel Tower. Completion is expected by the end of 2013. The Design Alliance is the architect.

Mascaro is a trade contractor to Sheehan Pipeline Construction for the Sunoco 10-inch Ethane Line. Mascaro's scope includes horizontal directional drilling under the Ohio River, a horizontal bore under the Beaver Valley Expressway, open cross-cuts of other roadways, stream crossings, and the installation of 5.5 miles of 10-inch ethane line.

Indiana Regional Medical Center selected A. Martini & Co. as construction manager for its $33 million Operating Room/Intensive Care Unit renovation in White Township, Indiana PA. The architect for the project is Stantec.

A. Martini & Co. has completed renovations to Duquesne University's Rockwell Hall. Stantec was the architect.

A. Martini & Co. was awarded a contract for the tenant improvements for KPMG on the 34th floor of One BNY Mellon Centre. The project was designed by DRS Architects

dck international, a dck worldwide company, was awarded the renovation of 96 poolside rooms, which is the first portion of the Westin St. John Renovation project in the Caribbean. The total project (est. $20 million) will include pool renovation, site work and condo conversion.

A groundbreaking ceremony was held for the Ross University School of Medicine project on the Caribbean Island of Dominica. dck international, a dck worldwide company, has been working over the previous months finalizing the design, pricing, and project execution plan for the school's new Campus Centre facility.

A contract for the construction of the Home 2 Suites in the Houston Woodlands, TX area was awarded to Summit dck, a dck worldwide company. The four-story, 116-room hotel is valued at $6.5 million.

dck north america, a dck worldwide company, was awarded a $10.5 million contract to construct the new Wheeler School Performance Arts Center Addition and the renovation to Wheeler Hall in Providence, RI.

dck pacific construction, a dck worldwide company, was awarded a $6 million project to construct the new NDWP (New Day Work Program) Elliott Street Parking Lot for the Hawaii Department of Transportation.

dck pacific construction, a dck worldwide company, was also awarded a $950,000 contract from the Hawaii Department of Transportation for the Aloha Air Cargo Phase I Demolition at the NDWP Elliot Street project.

Hilton Worldwide awarded a $4.7 million contract to dck pacific, a dck worldwide company, for the Waikoloa Kings' Land Building 6 Conversion.

Oakview dck, a dck worldwide company, won its 8th Buffalo Wild Wings contract—a $1.7 million ground-up construction project in Des Moines, IA.

McCrossin was the low bidder on the $11.8 million wastewater treatment plant expansion and upgrade for the Franklin Township Sewer Authority in Waynesburg, PA. The engineer for the project is Gannett Fleming Inc.

TRIAD Engineering has selected Massaro Corporation to serve as the general contractor for the construction of its new office and lab space in Morgantown, West Virginia. The 15,000 square foot building will break ground in November of this year.

Massaro Corporation was selected to serve as the general contractor for the fit out of the new office space for Schneider Downs at PPG Place. This 45,000 square foot renovation will be completed for all employees to utilize in October of this year. IKM is the designer on the project.

GE Energy has selected Massaro Corporation to serve as the contractor for the renovation and expansion to their warehouse mezzanine. This 4,000 square foot design/build project will be completed in the fall of this year.

Meadville Medical selected Massaro Corporation as CM-At Risk for the first phase of its medical mall to be developed in Vernon Township, outside Meadville, PA. Weber Murphy Fox Architects is the architect.

PJ Dick is providing General Contracting services for concrete work on the Mellon Square Rehabilitation project.

PJ Dick was the low bidder for general contracting services on West Virginia's General Services new State Office Building in Fairmont, West Virginia. This 5-story, 70,742 square foot building has a goal of LEED Silver certification.

PJ Dick is providing general contracting services for DTI Portal Milling Machine Foundation for Ellwood Mill Products in New Castle, PA. The project consists of an approximately 100' long x 15-30' wide, x 14' deep concrete foundation to support a milling machine. Work includes site enabling, relocating existing in-service HDPE storm line, shoring and lagging, excavation, concrete foundations, backfill, and 12" slab replacement. All work is coordinated within in an active 75-ton shipping and receiving bay of Ellwood Mill Products.

PJ Dick is providing general contracting services for 1,000 square feet of renovations at the Fairmont Pittsburgh Spa.

PJ Dick is providing CM at Risk services for a 21,000 square foot, three-story office addition, 37,000 square foot cold storage warehouse expansion and miscellaneous renovations to the existing 100,000 square foot cold storage warehouse for Frank B. Fuhrer Holdings, Inc.

Redevelopment Authority of Washington awarded Nello Construction an $887,000 contract for a new 7,500 sq. ft. pre-engineered welding shop at the Western Area Career & Technology Center in Houston PA. Foreman Architects Engineers Inc. is the architect.

Nello Construction is the successful contractor on the North Central West Virginia Advanced Technology Center for the Community and Technical College System of WV in Fairmont. The $9,367,000 center is a 60,000 square foot, three-story lab, classrooms, and office building. The architect is E.T. Boggess Architect, Inc.

Highmark awarded Landau Building Company a contract for construction manager-at risk for the improvements to the imaging department at Jefferson Regional Medical Center in Jefferson Hills, PA. The architect is Astorino.

Landau Building Company has begun a project for the WVUH Fairmont LINAC. This project included interior renovations for the Fairmont Cancer Center to receive a new Varian Clinac iX linear accelerator. The project is a fast-track project, construction started July 1, 2013 and the first patient is scheduled for October 1, 2013.

Landau Building Company was awarded the Cancer Treatment Center Alterations for UPMC Cancer Center at Heritage Valley Health Systems' Beaver Medical Center in Brighton Township. This 7,500 square foot project will be done in two phases. The first phase includes the renovation of clinical space. The second phase encompasses the removal of the existing imaging equipment and renovations to accommodate the new linear accelerator. Image Associates is the architect.

F. J. Busse Co. was awarded a contract for the tenant build-out for the 15,000 square foot Regus Center space in the Cranberry Crossroads. The $900,000 project was designed by WB Interiors.

F. J. Busse Co. is completing construction on renovations to the ground floor of the Warhol Museum. Desmone & Associates is the architect.

Gurtner Construction Co. Inc. was awarded an $8.9 million contract for the general construction portion of the addition and alterations to the Founders Hall Middle School for McKeesport Area School District. The architect for the $14.8 million project is JC Pierce LLC.

Faces & New Places

Jendoco Construction Corporation is pleased to announce that Brian Miller has been promoted to Senior Project Manager. He is a graduate of Penn State with a BS in Construction Management

Jendoco Construction would like to announce the promotion of Michael Kuhn from Executive Vice President to President. Michael is a graduate of the Pennsylvania State University's Architectural Engineering Program, and has been involved in many aspects of the business primarily focusing on Project Management and Estimating. He is LEED Accredited Professional, and currently serves as President of the Board of Directors for the Green Building Alliance. He is a charter member of the Master Builders' Association – Young Constructors, serving for seven years, three as the Chairman of this group's Leadership Committee.

Chris Klehm joins Jendoco Construction as Vice President of Sustainability and Director of Business Development. Chris brings Energy & Environmental Solutions, an international consulting group under the Jendoco banner and will offer LEED and Sustainable Consulting Services as part of preconstruction. He has constructed or consulted on over 42 million square feet of LEED projects throughout the country and is the founding chairman of the Green Building Alliance.

Victoria Cochran has joined A. Martini & Co. in the marketing department as Business Development Coordinator. A. Martini & Co. also hired Zachery Roberts as Project Engineer.

JT Imming has joined PJ Dick as a Project Engineer on the PNC Firstside - Channel Services/IRA Relocation Project and renovations at Fuhrer Warehouse.

Rycon Construction, Inc. added Kevin Kumpfmiller as a Project Manager in the Special Projects Group. He brings over 26 years of construction industry experience to the Rycon team.

Jessica Wong, CPA, has joined dck worldwide's corporate office in Pittsburgh as a Senior Accountant.

dck worldwide is pleased to welcome John R. Schmitt, MBA, CPA, as Vice President of Strategy for dck worldwide and General Manager of dck universal pipeline partners. As VP of Strategy, Mr. Schmitt will be working to define markets and/or regions that have opportunities for growth as well as looking at other companies that could enhance dck's services and increase its ability to provide clients with a total solution. As General Manager, Schmitt will be responsible for corporate oversight of dck's energy business segment. His background includes 25+ years of diversified experience primarily in the energy industry.

Massaro CM Services recently welcomed Douglas Zaenger, PE, LEED AP to its team as Senior Project Manager. Doug earned a bachelor's degree in Civil Engineering from Carnegie Mellon University and has over 20 years' experience in the construction industry and as Platoon Leader and Battalion Intelligence Officer for the US Army.

Robert C. Schultz, PE joined the Massaro Corporation as Site Manager. He earned a B.S. Civil and Environmental Engineering, Emphasis on Structural Engineering from the University of Pittsburgh and has over 20 years experience.

Nicholas Rosky joined Volpatt Construction Co. as Project Manager.

The Construction Legislative Council of Western Pennsylvania (CLC) announced the election of its officers for the 2013/2014 calendar year: Chairman: Gregory Scott, American Society of Civil Engineers, Pittsburgh Section; Vice-Chairman: Jon O'Brien, Master Builders' Association of Western PA; Treasurer: Rich Barcaskey, Constructors Association of Western PA; Secretary: Shawn Stevenson, Master Builders' Association of Western PA.

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Closing Out

Time to Overhaul the PA Procurement Code

By Jack Ramage

According to a recent Engineering News Record article, the market for alternative project delivery methods is rising again. Many owners are returning to alternate project delivery methods, seeking greater efficiencies in the construction process. Further, the maturing of new delivery technologies, such as building information modeling (BIM) and virtual design and construction (VDC), work best in a collaborative setting, causing owners to look more closely at alternative project delivery.

During recent lean times for contractors, owners that sought to save money by using hard-bid design-bid-build now are beginning to return to more efficient, less risky delivery methods. In the public market, many state governments continue to pass authorizing legislation for alternate project delivery on public projects, opening up new market segments to design-build and Construction Management at Risk (CMR). Public higher-education entities in Ohio can now procure construction work differently, so there is definitely a movement toward alternate project delivery methods, such as CMR and design-build. Ohio State University, Miami University and Wright State University are examples of Ohio-based owners taking advantage of this new option.

Twenty years ago, there were only four or five states that authorized design-build on public projects. Now design-build is accepted in every state. But even so, 20 years later, there are still states that do not provide full access by all public agencies to design-build or any other alternative project delivery method for that matter. Pennsylvania is one of four states that still severely restrict the use of design-build and outright prohibits the use of any other alternate project delivery method including CMR.

Technically, design-build is a permitted project delivery method for public construction in Pennsylvania but as a practical and legal matter, design-build cannot be used under the present structure of the PA Procurement Code and the archaic PA Separations Act. That is not to say that design-build is not tried and even used albeit unlawfully. Ironically, formal protests and threats against the use of design-build miraculously disappear when the public agency specifies the use of project labor agreements (PLA).

Even in the private sector, the use of design-build only became legal in 2007 but again with certain limitations. The entity performing or offering design-build services must have controlling ownership interest by an architect. For the most part the law is largely ignored but the fact remains that Pennsylvania is woefully behind the times in its acceptance and permitted use of modern-day construction procurement methods.

Construction Management at Risk (CMR), a slight variation of the general construction project delivery method, is arguably becoming the one of the most popular project delivery methods in both the public and private sectors nationwide. But in Pennsylvania, CMR is not a permitted alternative to public sector owners including school districts, public universities, municipalities, Department of General Services, Department of Corrections or any other publicly procured construction project. In fact, while every other state in the nation is progressing towards alternative project delivery methods, public owners in Pennsylvania cannot avail themselves legally and practically to any of the systems that foster collaboration, efficiency or the latest in delivery technologies.

The Pennsylvania Legislature is considering passage of legislation to permit Private-Public-Partnerships (P3's) for building construction. Unfortunately, passage of any vertical P3 bill will likely be burdened with the same project delivery regulatory restrictions as all other public projects thus rendering P3's virtually dead before it is even born in Pennsylvania. Few, if any developer will pursue a P3 project if they cannot utilize a project delivery method that makes economic sense. Without the flexibility of alternative project delivery options, very few P3 initiatives will make economic sense for the private partner in the P3 arrangement.

The lack of growth and progression of design-build in public construction due to statutory restrictions coupled with limitations on its use overall has retarded the growth and progression of design-build in the private sector as well. According to the Design-Build Institute of America, Pennsylvania ranks among the lowest states in its use of the design-build project delivery method both in the public and private sectors.

Because alternative project delivery methods are not permitted in the public sector, Pennsylvania's economic growth will continue to struggle and lag the rest of the country in its recovery. As the national economic picture continues to improve, developers and private investors will seek out growth and expansion opportunities in those states that allow for unrestricted use of alternate project delivery systems. Unfortunately, Pennsylvania will not be one of them.

It is time for Harrisburg to rewrite the book on public construction procurement and catch up with the rest of the country in allowing for alternate project delivery methods.

Jack Ramage is executive director of the Master Builders' Association of Western PA.


setting the
performance
standard
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