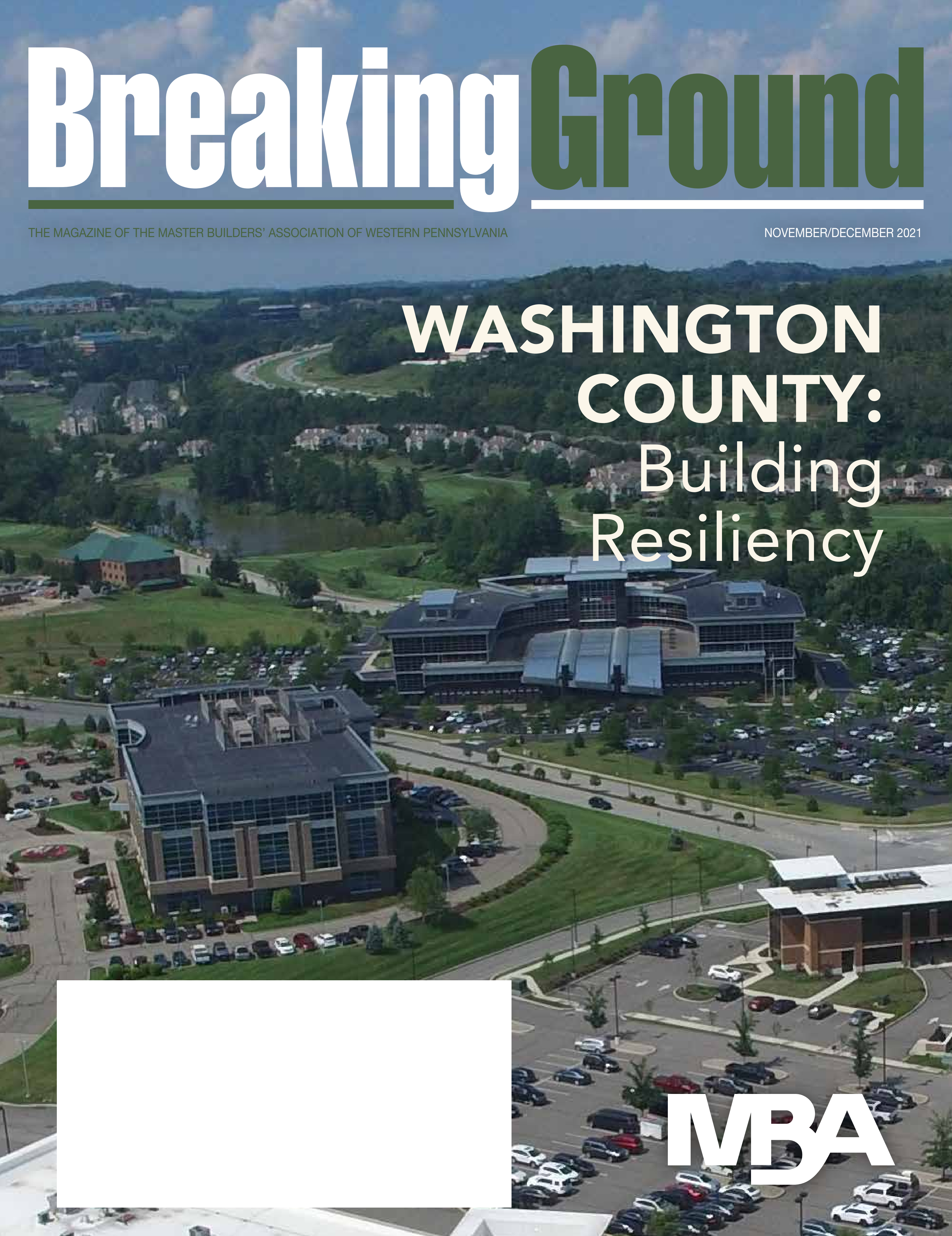
Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

NOVEMBER/DECEMBER 2021

WASHINGTON COUNTY: Building Resiliency



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On the cover: Southpointe II. Photo courtesy Washington County Chamber of Commerce. Photo by A.J. Brach.

PUBLISHER'S NOTE

It is difficult to write about economic development without getting into politics. Talking to leaders about the state of Washington County for the past month, I heard from six or seven different people about the hard choice that Washington County's elected officials had to make about whether to put more government money to work in the areas that are booming or to invest in the communities less likely to bring a return on the investment. It was a painful discussion and one about which no one wanted to have their opinion quoted.

I think there are two very difficult questions at the core of this discussion. What role does government (and by extension the taxpayer) play in providing aid to private business to stimulate economic development? And, should that aid go to the winners or those most in need?

Those probably seem like different issues but, unfortunately, the two are inexorably intertwined.

Since I began serving the Pittsburgh construction and real estate industry in 1994, it has been an article of faith that government has a role in attracting business. That contrasts with what I experienced during the 10 years I spent in the southern U.S., where government's role was to get out of the way unless it could connect you to a good site or a potential customer. One of the reasons that government must be involved in attracting business to Pennsylvania is that our fair commonwealth has become very unfriendly to business. If that last sentence makes your head explode, imagine how a business owner or real estate developer coming to PA for the first time feels. The corporate tax rate here is 9.9 percent. Few states can boast such a high tax rate. (That's not something we should be boasting, by the way.) Municipal entitlement of land takes the better part of a year. State-issued permits can take even longer.

Think about that in the context of economic development resources for a moment. Much of the energy put into attracting business to our region is spent overcoming the conditions imposed upon the region that make attracting business difficult. Throughout Pennsylvania, counties and municipalities (and even the state) offer incentives that are intended to overcome the policies of the Commonwealth of Pennsylvania that keep businesses from choosing to be here. Maybe I'm a simpleton but couldn't we eliminate the middleman by eliminating the policies that keep businesses from choosing to be here?

Of course, that gets us back into politics. There's an old saying that politics is about who gets what. To the extent that is true, government will be an unreliable and inefficient partner in economic development. The current state of affairs in Washington County is an excellent example of what I mean by that.

An important story line in the feature article is the difficulty of serving what is essentially two counties, one old and one new. The recent prosperity in Washington County has come from the Marcellus shale play and the growth of bedroom communities in the northern portion of the county. Little of the benefits from the economic growth have gone directly to those living in the former industrial communities in the Mon Valley or the coal mining regions. If you were to analyze the situation to decide where to invest, the most likely choice would be to support the growth, to follow what the market was telling you. You would want to leverage the growth of the bedroom communities and the geographic advantages of the I-79 corridor. If you represent the residents of the southeastern part of the county in Harrisburg or Washington, DC, however, your constituents would be neglected. And that's a recipe for becoming a former representative.

How do you balance the need to help those who need it with the obligation to get the best return for the taxpayers' dollars? Put yourself in the shoes of an elected official and assume you have the best of intentions. You don't care if you are re-elected. You only want to make the right choice, the one that has the best benefit for all. With limited budgets and political capital at your disposal, do you push to get $500,000 to clear a blighted block in Monongahela for redevelopment or to prepare a site for a half-million square foot industrial building in Fort Cherry? Now, what's your decision when you remember that there are five times as many voters in Monongahela as in Fort Cherry?

Perhaps these are calls that a politician shouldn't be making. Elected officials will always have to decide which road gets paved or who gets municipal water and sewer. They get quite a bit more authority by getting to decide who gets what grant. Most of those grants and incentives are used to offset the taxes and regulations that make Pennsylvania uncompetitive. Let's take the politician out of the equation. Support the kinds of reforms to our tax code and business regulations that make incentives unnecessary.

Jeff Burd

REGIONAL MARKET UPDATE

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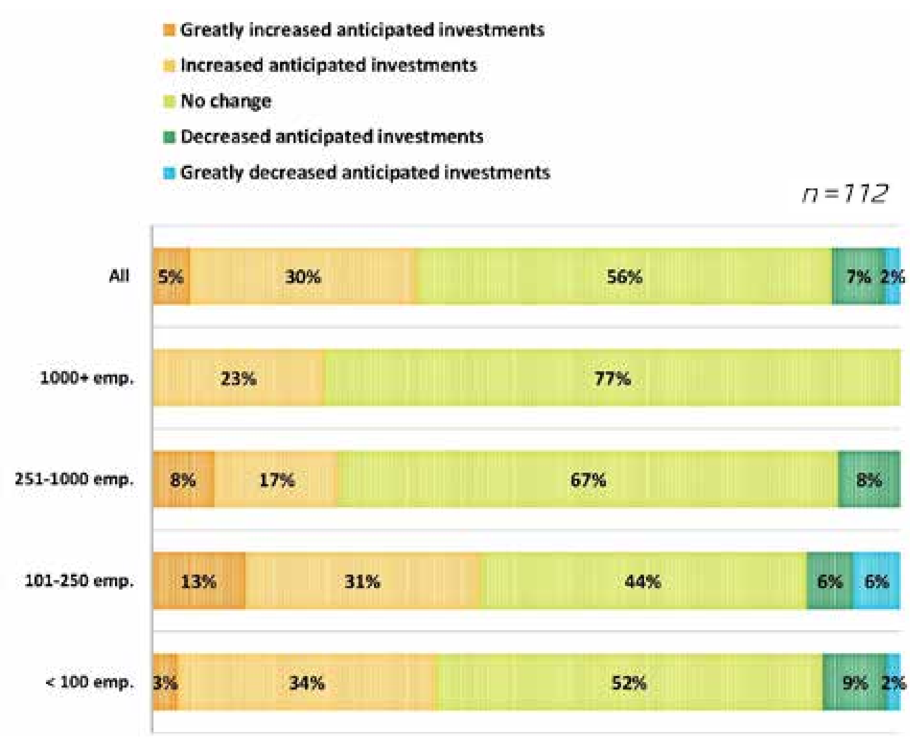
The widespread distribution of vaccines that started in March 2021 kickstarted demand and booming growth in the U.S. economy. During that period of high optimism, however, Pittsburgh businesses and consumers were more restrained in their outlook than their counterparts in other regions. The summer spread of the Delta variant validated that restraint. As the third quarter wound down, however, Pittsburgh businesses appeared to believe the surge in virus infections would not alter the long-term recovery of the economy.

Released by the Pennsylvania Economy League of Greater Pittsburgh, the September 2021 Current Business Conditions Survey showed that trends among regional employers were more positive in the third quarter than in the second. Among all businesses, 29 percent said they had increased staff, and 35 percent of small businesses under 100 employees had added to staff. More businesses expect to add staff in the fourth quarter – 40 percent overall and 61 percent of companies between 101 and 250 employees. At the time of the survey, 80 percent of the employers had jobs open. Of those, 29 percent saw a decrease in applicant flow, with only nine percent reporting an increase in applicants.

Compared to the first half of 2021, firms expected to increase capital investments for the final two quarters of 2021. Thirty five percent indicated plans to increase capital spending, while only nine percent planned to decrease. The increased spending began to show up in the third quarter contracting.

Nonresidential contracting continued at a stronger-than-expected pace. Through nine months, new contracts awarded and started (including construction put-in-place at the Shell Franklin plant) totaled $4.31 billion. The total was boosted by the kickoff of two major projects, the Airport Terminal Modernization Program (TMP) and the FNB Financial Center in the Hill District. Just as impactful, however, was a marked increase in the number of owner-occupied projects, most of which were under 40,000 square feet.

Although commercial real estate has been hampered by COVID-related declines in demand for office and hospitality space, the industrial and apartment market continue to flourish. From July through September, there were projects totaling 600,000 square feet of industrial space. During the same period, some 640 new apartment units were started, adding $150 million to the total contracting volume. An additional 900 units of apartments are in the pipeline for construction start during the next 90 days.



Source: Current Business Solutions Survey, Pennsylvania Economy League.

The sum of the various economic parts has created an environment that is favorable for multifamily development. Although the rental rate increase in Pittsburgh is roughly half of the national average – 8.8 percent versus 15.1 percent through September 30 – rent growth is much higher than normal. In part, the relative stability of the residential market in Pittsburgh keeps rent hikes conservative. There is less new inventory as a share of the total apartment stock. Rates for new construction are significantly higher than existing apartments, which holds the average rent lower than in cities with more new construction. Pittsburgh's single-family residential market is likewise less volatile and the stock of existing homes for sale remains very low in Pittsburgh, which keeps the turnover from multi-family to single-family lower.

It is not surprising that new apartment construction is higher in metropolitan

Pittsburgh. Through October 31, there were 1,711 apartment units started in the seven-county Pittsburgh region, a 101 percent increase over the same period in 2020.

Data from the Pittsburgh Homebuilding Report on new construction through the third quarter reflects a single-family housing market that continues to grow, even as tight lot inventory and supply chain shortages limit new starts. Buoyed by the apartment market, construction of all new housing units jumped 30.3 percent year-over-year through September 30. Permits for all single-family homes, including detached homes and townhouse/villas, totaled 2,545 units for the first nine months of 2021, an increase of 6.8 percent over the same period in 2020. Construction of new single-family detached homes was up 4.3 percent to 1,765 homes.

A deeper look at the data reveals that there are some trends in new construction that are diverging from the trends of the past two decades. While Pittsburgh proper remains the municipality with the highest number of new housing units (1,412) the scarcity of land and affordable housing is spurring growth in communities that have not been as desirable in recent years. The top markets for housing starts outside the city have been constant since the mid-1990s, with most new homes built in the border townships of Butler and Washington counties. Through September 30, 2021, however, the construction of multi-family units has expanded to suburban areas that have seen less activity. After the third quarter, the communities ranked third and fourth for total new construction were Monroeville and Brighton Township, near Beaver, PA. Monroeville has seen new apartment projects with more than 100 units built each of the past two years. The construction of new housing in older and ex-urban communities is a market-driven solution to the problem of tight supply and higher pricing. If the Pittsburgh metropolitan area is attracting more, and younger, people, there will be more new residential development in communities that have not seen construction in decades.

	SFD	SFA	M/F	Total
Total Pittsburgh MSA 2020:3	1,735	810	1,581	4,126
Total Pittsburgh MSA 2020:3	1,663	719	785	3,167
% Change	4.3%	12.7%	101.4%	30.3%
By County				
Allegheny	581	333	1465	2379
Beaver	82	36	116	234
Butler	426	273	0	699
Fayette	34	2	0	36
Washington	381	115	0	496
Westmoreland	231	51	0	282

Source: Pittsburgh Homebuilding Report

Construction activity in two of Pittsburgh's biggest market segments, healthcare and higher education, are on an upward trend as the fourth quarter begins.

The region's two major hospital systems, UPMC and Allegheny Health Network (AHN), continue to invest in maintaining and upgrading their many facilities at pre-COVID levels. At roughly $250 million and $150 million respectively, UPMC and AHN are regularly taking proposals on projects between $10 million and $25 million, as well as managing dozens of projects under $5 million throughout their systems.

UPMC is working with the PJ Dick/Whiting-Turner team on pre-construction for the region's next mega project, the $900 million Heart and Transplant Hospital at UPMC Presbyterian. Currently being designed by HGA, the 900,000 square foot Heart and Transplant Hospital is scheduled to get underway by the end of 2022 and take four years to complete. Design-assist proposals for mechanical and electrical construction were recently received. Contracts for the major design-assist specialties are expected to be awarded by early 2022.

AHN is currently moving forward with the plans to expand its Allegheny General Hospital (AGH) campus, which includes the construction of a $300 million cardiovascular medicine tower. The next step in the process, the update of its institutional master plan for AGH, should get underway


UPMC Heart and Transplant Hospital. Rendering courtesy HGA.

in early 2022. AHN is also in the process of identifying potential sites for a $150 million new Canonsburg General Hospital. The search includes the possible adaptive re-use of Consol Energy's headquarters building in Southpointe. No agreement on a site had been formalized as of the end of October.

Bids were taken on two of the next major projects on campuses in Oakland during the late third quarter. The Mosites/Turner team is preparing to start construction on the $100 million central utility plant at Pitt's Victory Heights on its upper campus. At Carnegie Mellon University, Mascaro Construction took bids on the $105 million Health, Wellness and Athletic Center, a major renovation and expansion of the existing Skibo Hall. Both universities should make progress towards construction on several other $100 million-plus projects in 2022. Massaro/Gilbane is expected to start work on the new Sports Performance Center at Pitt. Mascaro should start construction on Pitt's new Student Athletic Center and Mid-Campus Residence Hall. Carnegie Mellon will move forward with its robotics center at Hazelwood Green, the Tepper Quad expansion, and the Science @ Carnegie complex at Forbes and Craig.

During the third quarter, the Allegheny County Airport Authority (ACAA) bid or awarded more than $200 million in early packages for the TMP project. At the end of October, ACAA advertised more than $100 million in major mechanical and electrical packages, as well as the main prime contracts for the $200 million Multi-Modal Complex. By year's end, roughly half of the $1.4 billion TMP will have been bid or awarded, although little of the construction will get underway until the start of 2022.

With Pittsburgh's job creation rate stuck below one percent, and a surprising four percent decline in the workforce relative to February 2020, there will be challenges for the construction sectors that depend upon economic growth. Roughly 800,000 square feet of major speculative office buildings are currently under construction; however, most of Pittsburgh's largest office submarkets – including Downtown – have vacancy rates above 20 percent. The office, hospitality, and retail sectors will have less activity until there is organic growth in employment again. That is bad news for the Central Business District. The construction market will lean heavily on healthcare and higher education for demand into the middle of the decade. The good news is that these sectors are among the region's healthiest and have well-developed plans for billions in new construction. Combined with a robust housing market and the airport TMP, the strength of eds and meds should be sufficient to ensure strong demand for construction. BG

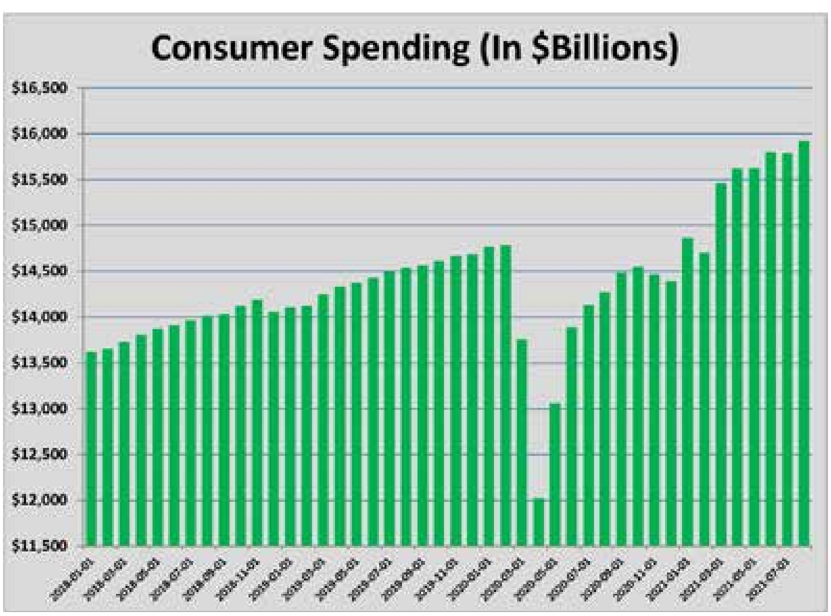
Pittsburgh International Airport new terminal building. Rendering courtesy of Gensler + HDR in association with luis vidal + architects.

NATIONAL MARKET UPDATE

Construction activity reflected the state of the overall economy well as the third quarter closed. Volume in all sectors was up dramatically compared to one year earlier, mostly because 2020 represented a depressed base of activity. At the same time, the potential for construction remained largely unfulfilled, as supply constraints impacted all segments of the construction industry. Construction has recovered but the demand for construction exceeds the capacity to build.

The housing market is seeing this dynamic clearly impact new construction. Housing starts were flat at the end of September, with single-family starts at just over one million units. The number of single-family homes under construction on October 1 was 712,000, a 31 percent increase over the same date in 2020; however, permits for new homes were off 7.7 percent compared to August and even with September 2020, when new construction was still regaining its footing. Construction of multi-family units fell by 21 percent from August, which saw a multi-year high of 630,000 units started; however, multi-family starts were 8.7 percent higher than one year earlier. Like with most growth metrics, the slowdown in new construction was attributed to widespread inability to source materials and products.

By a large majority, builders cited supply constraints as the primary limitation on their businesses, not slower demand. Increased demand for new homes cannot continue unabated forever, but through the third quarter data suggests that new construction of single-family homes could rise by another 500,000 units without creating an overbuilt market.



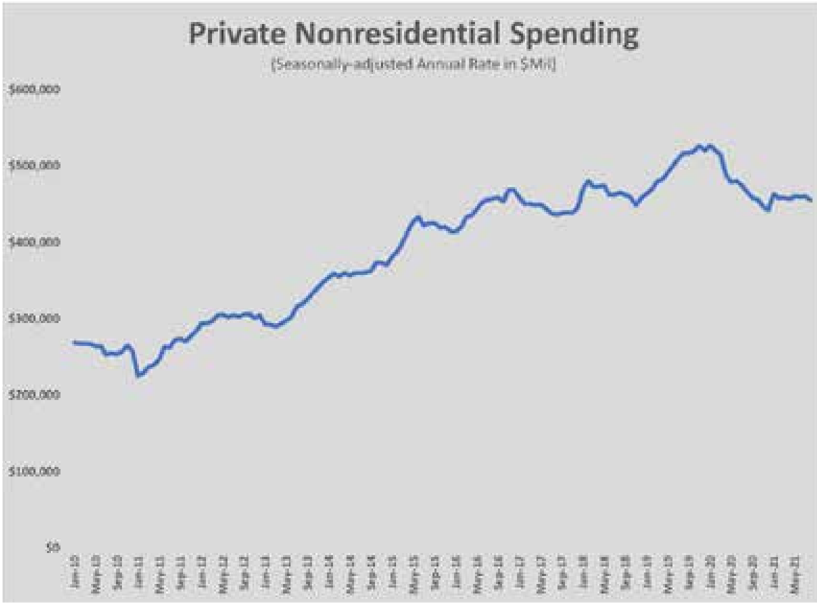
Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis

The value of construction put in place remained at an all-time high through the third quarter primarily because of the housing market, which was nearly double the private nonresidential construction spending. Private nonresidential construction was at $455 billion, down more than $70 billion from the January 2020 peak and 2.2 percent lower year-over-year. Like with residential construction, private nonresidential spending had considerable upside potential from higher demand, but inflation that is above eight percent year-over-year is slowing the authorization of projects.

Volume in all sectors was up dramatically compared to one year earlier, mostly because 2020 represented a depressed base of activity. At the same time, the potential for construction remained largely unfulfilled, as supply constraints impacted all segments of the construction industry.

Public construction has been tightly range bound between $315 and $325 billion for more than one year. Most public construction is being funded at the state and local level. Federal spending on construction was less than $22 billion on a seasonally adjusted annual basis in August. Passage of the bipartisan Infrastructure Investment and Jobs Act would substantially increase the federal portion of public construction spending in 2022.

There was some good economic news as the third quarter closed. The final estimate of second quarter gross domestic product (GDP) was bumped slightly higher to 6.7 percent. Most economists anticipated that the pace of growth will slow somewhat in the third quarter, as the surge in COVID-19 cooled off demand for services – like travel, restaurants, and recreation – that were rebounding strongly in the second quarter. At two percent, third quarter GDP growth was below expectations, and the outlook for the full year has changed somewhat.



Private nonresidential spending has fallen to pre-COVID levels. Source: Census Bureau.

Forecasts for annual GDP growth in 2021 have also moderated as the Delta variant of COVID-19 spread widely. The major Wall Street banks dropped their forecasts to growth of between six and seven percent year-over-year. The Conference Board estimates growth will be 5.9 percent. The National Association of Business Economists shaved its forecast from 6.5 percent in May to 5.7 percent in September. It is worth noting that all these downgraded estimates would still be the highest GDP growth since 1984.

Lower demand and higher anxiety about the Delta variant were two key factors behind the continued slow return of the workforce. The number of people receiving continuing unemployment fell below 2.5 million by mid-October. Even as enhanced unemployment benefits ended for most people on September 6, with the total number receiving unemployment compensation of all types falling by 6.2 million the following week, the number of unfilled job openings remained at all-time high levels.

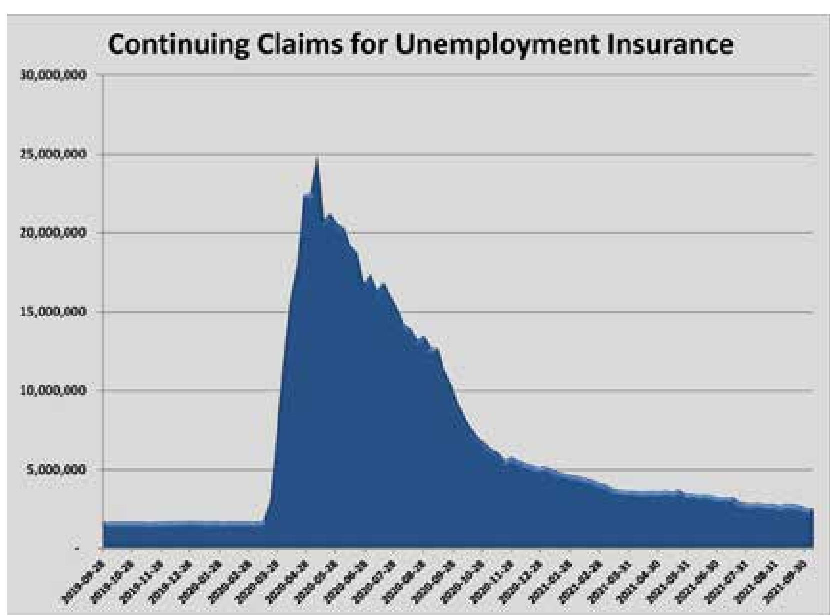
In light of the continued high level of openings, September's Employment Situation Summary should have been less of a surprise. The 194,000 new jobs created were considerably less than the 450,000-500,000 expected, but the low workforce participation rate – especially the 55.9 percent rate among women – practically guarantees job creation will be difficult until the three million or so workers who were in the workforce in February 2020 return.

A related survey of those who left the workforce found a high percentage still expressing concerns about COVID-19 as the reason for remaining out of work. But 70 percent of the respondents to the random survey should have been vaccinated, meaning that the consequences of returning to work – even during a Delta variant surge – would be the same as the seasonal flu. Government safety net measures, like eviction moratoriums and expanded unemployment, provide the opportunity for dissatisfied workers to remain on the sidelines without financial consequence. As those safety net measures expire, job creation should increase significantly if it was the safety net constraining the workforce.

The ADT survey of private payrolls in September was brighter news than the Census Bureau's jobs report that followed later in the week. Private employers hired 586,000 new employees in September. That expansion of payrolls occurred in spite of the heightened difficulty in finding workers, which employers expressed almost unanimously in ADT's survey.

Optimism about the impact of the vaccine rollout, which drove a spring spike in demand, may have been premature in light of the severe disruptions to the workplace. In the fourth quarter of 2021, it is clearer now that manufacturing employment will lag full employment until conditions that are disrupting smooth operations have faded. Between now and the time that COVID-19 fades to endemic status, those conditions will improve gradually but remain a hiring drag.

A second steep decline in employment of women in September is also likely tied to the status of the pandemic. The stalled progress in vaccination and the surge of Delta variant infections prevented schools and private day care facilities from returning to fully normal operations, including after school programs. The lack of childcare options is the primary reason 300,000 women



Source: Census Bureau.

left the workforce in September. A similar decline occurred in September 2020. When vaccines are approved for children under the age of 12, it is expected that there will be a surge in women returning to the workforce.

Improvement in the public health situation should also help with another serious drag on the economy: disrupted supply chains. A shortage of manufacturing workers continued to keep production lower than demand during the third quarter. The expected uptick in manufacturing employment in the fourth quarter should help rebuild inventories of key components and materials needed to increase the flow of finished goods for consumers and businesses. That would be good news for construction, which has seen lead times grow by triple or more since the spring.

Lead times for products tied to manufacturing in China will not improve during the cold weather months, as a shortage of coal and tighter environmental controls have caused power outages and manufacturing shutdowns. China's voracious consumption of energy has led to increases in the use of natural gas and renewable power generation sources, but the world's second-largest energy user is still reliant upon coal for much of its electricity. The Chinese government had mandated that coal used for heating gets a higher priority than coal burned for power generation. Coupled with tighter pollution controls, coal supply problems have prompted planned outages in Chinese provinces where manufacturing is predominant. That is not good news for suppliers already grappling with surging global demand. Steel and aluminum production has been cut by more than seven percent. Cement production has fallen by 29 percent. In response, China has scrambled to boost coal mining and re-opened coal-fired power plants, but these measures are not expected to increase manufacturing in time to avoid further disruptions to the supply chain. Electricity shortages are expected to last into March 2022.

Looking forward to 2022, construction is likely to be buffeted by the same tailwinds and headwinds being experienced now. While an end to the supply chain disruption seems likely in the first half of the year, a return to a smoothly functioning global supply chain is unlikely until 2023. That means high demand for construction, abetted by low interest rates and record levels of capital to be deployed, will be dragged lower by long lead times and inflation from the supply/demand imbalance.

The federal government injected $5 trillion into the U.S. economy since April 2020. Nearly half of that is sitting as excess deposits in household savings accounts, and non-financial corporations have an estimated $4 trillion in excess cash deposits. That is more fuel for growth than the U.S. economy has ever seen. How much of that capital finds its way into the economy, and how quickly, will likely determine whether the U.S. overheats or stalls in the coming 12 months. BG

WHAT'S IT **COST?**

The elevated level of inflation that began with the strong recovery of demand in early 2021 remained high in September. Producer price index (PPI) for final demand – the headline producer inflation metric – was 8.6 percent higher than 12 months earlier. Inflationary pressures from stronger demand than supply and disrupted supply chains have not lessened, keeping prices steadily higher than one year ago.

What consolation can be gleaned from the October 14 report from the Bureau of Labor Statistics comes from the fact that the high levels of inflation are leveling. The primary culprits driving higher construction prices – fuel, drywall, steel, copper, aluminum, and their related products – saw lower increases from August to September.

One of the industry aggregated price metrics, PPI for new nonresidential building construction, was 5.0 percent higher than in September 2020. That was the same year-over-year inflation rate as in August, suggesting that construction inflation may have peaked.

That same measure was above five percent from May 2018 through September 2019, with little dampening effect on construction. During that time, however, there was considerably more stability in the price of most materials and in the labor market. The current labor market conditions suggest that inflation from lower productivity may not abate, particularly if the construction workforce does not grow; moreover, the current pace of consumer inflation has put upward pressure on wages that did not exist in 2018 and 2019. The most striking difference between the current conditions and those of three years ago is the dramatic rate of inflation in categories that have rippling effects on construction costs.

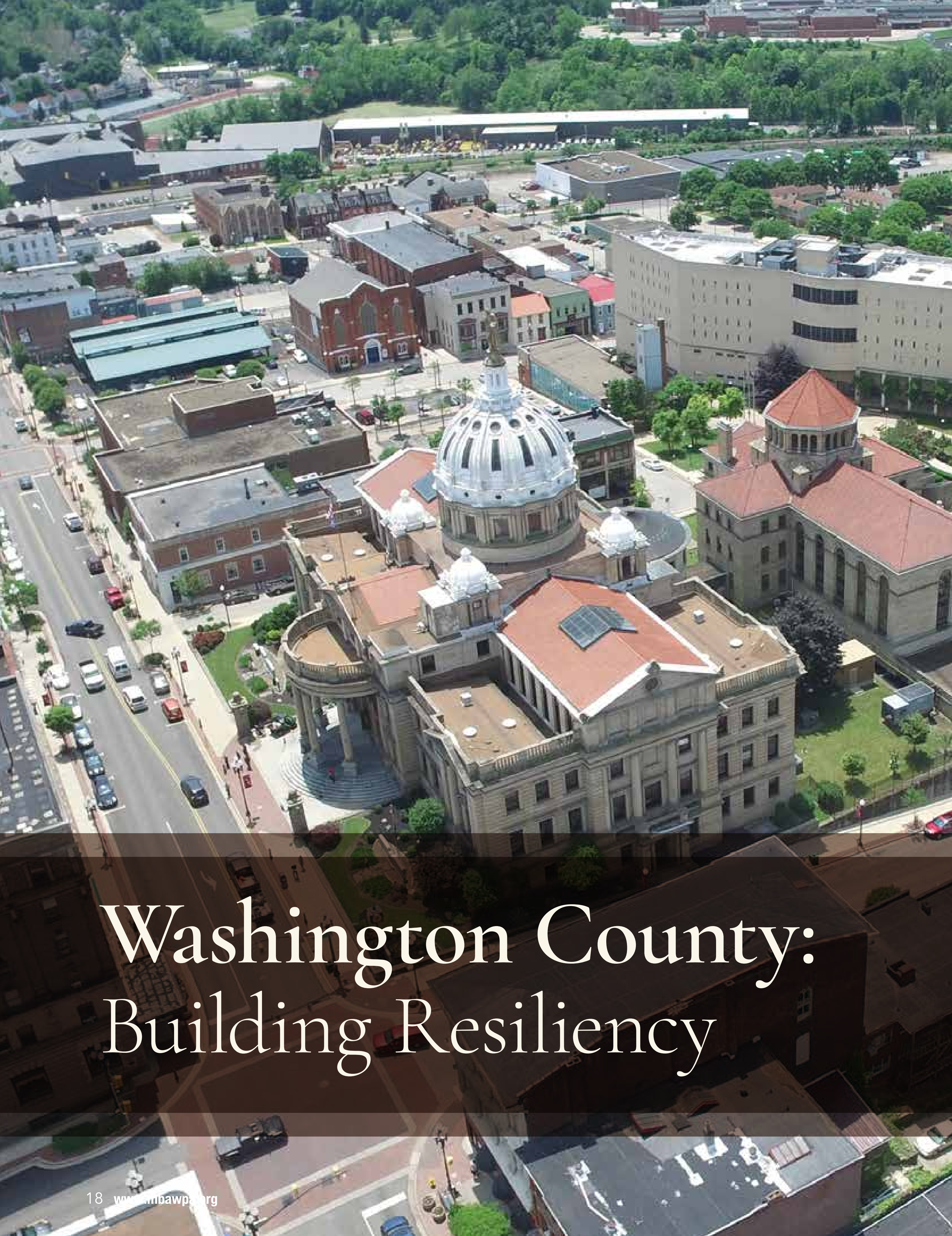
The recent spike in fuel prices will eventually be reflected in asphalt, plastics, roofing, and in shipping costs for materials and products shipped to jobsites. The price of steel mill products, which has doubled over the past 12 months, will push up the prices of tubes, structural shapes, and countless finished products housed in steel. The same is true for other industrial metals like aluminum and copper.

Although high inflation has become a persistent problem, the long-term trends in supply and demand for many of the spiking categories still point to much lower prices. Fed Chair Jerome Powell has been quick to point out that transitory is not the same as temporary, reminding lawmakers and private industry that higher inflation caused by a black swan event can linger.

Transitory or not, concerns about construction inflation are valid and inflation is wreaking some amount of damage to the amount of current construction spending in 2021. For those worried about the durability of price increases, long-term interest rates continue to offer some solace. Inflation expectations of investors drive the interest rates of bonds. If bond investors expect inflation to be higher, they demand higher yields to offset that inflation. While rates on the 10-year Treasury bond have drifted higher in recent weeks, the implied forward rates for the 10-year are less than two percent going into 2022 and are slightly higher than 2.1 percent at the end of 2024. Today's expectations are not tomorrow's rates, but the inflation premiums demanded by global bond traders – who have strong vested interests in accurately anticipating inflation – suggest that inflation will revert to its long-term trend again when supply chain disruptions are resolved.

Professional bond investors are typically correct in their assumptions about the markets, until they are not. It appears that there are a variety of factors that will keep factories from returning to full speed globally and ports from processing cargo smoothly. Producers have thus far resisted the urge to restore capacity to pre-pandemic levels. Workers have gained leverage in a labor shortage that will keep wages rising. These are the factors that will bring relief or higher inflation over the next 12 months. If the solution to persistent inflation comes from the Federal Reserve Bank, the economy will suffer. BG

PERCENTAGE CHANGES IN COSTS	Sept 2021 compared to		
Consumer, Producer & Construction Prices	1 mo.	3 mo.	1 yr.
Consumer price index (CPI-U)	0.3	1.0	5.4
Producer price index (PPI) for final demand	0.5	2.1	8.6
PPI for final demand construction	0.1	1.9	5.2
PPI for new nonresidential buildings	(0.1)	1.8	5.4
Costs by Construction Types/Subcontractors			
New warehouse construction	0.0	2.9	7.1
New school construction	(0.4)	2.1	3.2
New office construction	(0.1)	0.9	5.9
New industrial building construction	(0.3)	3.4	4.9
New health care building construction	0.4	0.9	5.1
Concrete contractors, nonresidential	0.8	1.8	6.5
Roofing contractors, nonresidential	(0.1)	1.8	6.4
Electrical contractors, nonresidential	0.1	1.1	4.3
Plumbing contractors, nonresidential	2.1	1.6	6.1
Construction wages and benefits	N/A	1.4	3.0
Architectural services	0.3	0.8	1.4
Costs for Specific Construction Inputs			
#2 diesel fuel	4.9	6.9	88.7
Asphalt paving mixtures and blocks	0.0	0.9	5.7
Cement	0.6	1.1	4.4
Concrete products	0.0	1.3	5.6
Brick and structural clay tile	0.0	0.7	4.4
Plastic construction products	1.4	9.2	29.5
Flat glass	0.3	0.5	7.2
Gypsum products	0.0	3.1	23.0
Lumber and plywood	(11.3)	(38.5)	(12.3)
Architectural coatings	0.4	5.5	10.8
Steel mill products	5.0	22.2	134.2
Copper and brass mill shapes	(1.1)	(1.5)	39.5
Aluminum mill shapes	3.8	9.2	35.1
Fabricated structural metal	2.1	8.9	40.8
Iron and steel scrap	(3.2)	(6.0)	61.5
Source Bureau of Labor Statistics, Updated October 14, 2021			
Compiled by Ken Simonson, AGC Chief Economist			



Washington County:
Building Resiliency

The area surrounding the county courthouse in Washington, PA has seen redevelopment and new development but demand has not followed.

When the Marcellus Shale play unfolded in the mid-late 2000s, Washington County was the epicenter of the activity. The oil and gas industry descended upon the county, which dubbed itself "Energy Capital East." Thousands of jobs were created, and the economic activity breathed new life into small towns like Canonsburg, Houston, and Bentleyville. The newfound prosperity was a contrast to the economic challenges that Washington County faced since heavy industry left the region 25 years earlier.

Perhaps the resilience developed during the 1980s and 1990s is the reason Washington County leaders are not wasting much time in diversifying the economy of the county further in the face of a cyclical slowdown in the natural gas industry.

The gas industry has made fewer headlines in the past few years – and those headlines have mostly not been positive – but it continues to be an economic force in Washington County. When the 2020 Census was announced in April it showed that Washington County had seen an increase in population of more than one percent since 2010. That increase was in contrast to the slight decline in the 2019 estimated population. Like with Allegheny County, Washington County saw its primary employment industries attract more people than expected.

To maintain that momentum, leaders are trying to diversify Washington County's economy further and have that economic strength spread into the older portions of the county. Because the growth in population came from a dynamic industry and the continued expansion of family-oriented Pittsburgh suburbs, the newer Washington County residents are younger. With as many as 70 percent of some Mon Valley communities being Medicare eligible, an increase in younger residents is essential to maintaining a tax base that can support the older members of the communities.

Those who follow economic trends believe Washington County has several desirable assets. Primary among them is land that is situated in the right place for the development of industrial real estate, the hottest segment of commercial real estate. Enhancing that desirable land is the recent opening of Route 576, the Southern Beltway, that connects I-79 to the Pittsburgh International Airport. There is still plentiful land for residential development, which some Washington County leaders hope can draw people working remotely who are tired of living in the expensive major cities.

Over the next year, Washington County will get a new comprehensive plan. A plethora of legacy economic assistance organizations should be consolidated to a degree that can increase the focus and effectiveness of resources meant to spur growth. And with a full year in the market, new industrial parks in the county will find out whether they have hit the mark. By the end of 2022, a rebounding oil and gas industry may be ready for a new round of capital investment. If that is the case, it will be a bonus for a county building its economic resilience now.

Photo by A.J. Brach.

Revising the Game Plan

The story of Washington County in the 2020s was supposed to be about the continued development of the natural gas assets, ultimately to create new manufacturing in the county – maybe even in the long-suffering Mon Valley. The promise of the gas producers to return to the manufacturing heritage of Western PA – dramatized in the Range Resources commercial featuring a steel worker handing a length of pipe to a gas worker – has been deferred. That promise may yet be fulfilled, but regional leaders are not waiting to see. That is one lesson learned from the 1980s.

When the steel industry closed facilities throughout the region, no area was as hard hit as the Mon Valley. The impact of each mill closing, even though most of the largest facilities were located in Allegheny and Beaver counties, rippled down the Monongahela River and into the coal mines of Washington County. Over the next decade, economic development efforts in Western PA and Washington County were aimed at replacing the lost capacity at those mills, first by restarting them, later by attracting another manufacturer, and finally by accepting that the mill sites would have to be repurposed.

The latter option was painful to implement. Thousands of families in Washington County had made their living in manufacturing plants for generations. It was not a workforce looking to change career paths. The mill sites were even more of a challenge to adapt. Aside from the environmental challenges they posed, these sites were massive expanses of ground built for heavy manufacturing. They were ideal for any industry that needed to move material and products by river or rail. The problem was that those industries were now in Asia, not Western PA.

It would be 20 years before Washington County's fortunes truly changed again but the groundwork for revitalization began in the 1990s, when decisions were made to embrace a different type of economy. The most tangible result of that reorientation of planning for the future is Southpointe, which was derided initially for its massive size and tiny occupancy. But Southpointe was something of a blueprint for long-term success. With the strong support of Rep. Frank Mascara and State Senator J. Barry Stout, an interchange was built on I-79 at the northern end of Southpointe. Opened in 1994, the interchange was a catalyst for millions of square feet in Class A office development.

The success of Southpointe culminated with the Marcellus shale exploration. As the U.S. economy struggled to recover from the financial crisis, Washington County saw thousands of workers flood into the area to explore, process, and manage the natural gas and oil that lay beneath Western PA. The influx of population and investment turned into a boom for the small towns and municipalities within the shale formation's footprint. Restaurants thrived. Car and truck dealers sold more vehicles. Land prices rose. Demand for hotels spiked. While environmentalists shouted about the dangers of drilling for gas, the municipalities where drilling was occurring watched revenues increase and long-neglected roads paved to standards that were better than those of PennDOT.

Economic leaders in Washington County were elated with the prospects, but they also understood that the oil and gas industry is a cyclical one. Embracing the energy industry meant embracing the reality that when prices fell, so would investment and employment. The downturn in the cycle was a matter of when, not if. What Washington County leaders had not expected was that the turn in the cycle was coming so quickly. By not putting all its economic eggs in the oil and gas basket, the county is seeing other growth opportunities. And the Marcellus shale play is continuing to be a plus.

"The employment base is certainly much higher than it was in 2005 or 2006, before the industry started to build up here," says Will Thomeier, director of economic and tourism development for the Washington County Chamber of Commerce. "Compared to the height of the industry, we're definitely lower, maybe by as much as 30 percent fewer people working in the gas industry. A lot of that build-up were workers who followed the industry around. It now seems to have boiled down to that core group of employees that are needed to keep the industry running."

Now, some four years into a slowdown in the shale gas play, Washington County's leaders are looking to position the county for the future.

"I think what we've done well in the county since the 1990s is plan for the future. No one could envision the energy industry coming here and having such a presence at Southpointe, but we were ready for it. We were ready for something big when we planned for a Southpointe. We didn't just respond," says Jeff Kotula, president of the Washington County Chamber.

"We have had four economic development summits with developers, small business owners, and the trades to look at what are we doing to put a road map together," says Diana Irey Vaughan, chair of the Washington County Commissioners. "We put together an economic development board that includes Mike Swisher from Horizon, Tony Rosenberger from Chapman Properties, Dennis Troy from DTI, John LaCarte from LaCarte Industries, and Randy Patterson from Washington Financial. We've given them a list of 36 economic development assistance groups in Washington County alone. They are looking at putting together a new structure or delivery system for economic development that can enhance what we're doing."

The anchor for strategic planning is a modified comprehensive plan. The last such update was completed in 2010. The economic landscape has shifted significantly since then, but Washington County Commissioners are trying to create a vision that positions the county to be prepared when the "next big thing" appears. The five-person board Vaughan refers to has not been empowered as an official entity but has taken the task of advising seriously.

"I think the county commissioners wanted input from private businesses regarding steps that the county could take to be better prepared to deal with opportunities and growth, whether that's jobs, population, manufacturing or any type of real estate development," says Swisher, principal at Horizon Properties Group. "We emphasized that the comprehensive plan needed to be task oriented, and goal oriented rather than just a snapshot of what the county looks like. I think the consultant has listened and that's the product they're producing. They will get an updated plan that starts to identify some voids in the county.

"The plan should help the commissioners use the resources that the county is going to get from the state and federal government. We're not trying to make that decision but we're trying to create a menu of options that might support economic development in Washington County."

One reason that the strategy should be reevaluated is that the market has changed significantly for industrial properties. Where the most sought-after property in Washington County was a 20,000 square foot shop with two acres of fenced-in lay down surrounding it in 2010, the market is now looking for logistics and distribution centers that require 30 acres or more.

"Moving forward I think we have to think of things a little differently. The office environment is different. More people will look to work at home, and I think we will have to deal with that moving forward," says Kotula. "One thing that was not adversely affected by the pandemic was industrial and flex space. You still have to go somewhere to make something. I would suggest we're a little behind in that market. We haven't had a major industrial park in the last 15 or 20 years outside of Starpointe."

Washington County's leadership seems to recognize that there are opportunities that it is not ideally positioned to exploit. The kinds of actions they are talking about taking are meant to put Washington County ahead of the market again.

"We have identified infrastructure as a major issue. As part of the American Rescue Plan, we're going to put 30 million dollars for broadband. The Washington County Authority is going to be taking on that project," notes Vaughan. "They are also looking at the potential for creating an infrastructure bank within that authority. They will be looking at the infrastructure needs in the county."

Swisher notes that the opening of the Southern Beltway has exposed one missed opportunity that needs to be addressed.

"We have this brand-new highway open connecting the

The Southern Beltway opened to transportation completely on October 15

WASHINGTON COUNTY, PENNSYLVANIA

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WASHINGTON COUNTY
CHAMBER OF COMMERCE

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Municipality	#SFD	#SFA	M/F	Total
Single-Family Detached				
Cecil Township	190	41	0	231
Pine Township	127	34	0	161
Jackson Township	118	10	0	128
North Strabane Township	106	32	0	138
Adams Township	98	20	0	118
Chartiers Township	95	26	0	121
Peters Township	93	19	0	112
Middlesex Township	88	28	0	116
Cranberry Township	72	118	304	494
Penn Township (Westmoreland)	64	76	0	140

Four Washington County municipalities ranked in the top seven for new single-family housing starts in 2020. Source: Pittsburgh Homebuilding Report.

airport to I-79. What's been done ahead of it to extend roads and infrastructure?" he asks. "There was a study of western Washington County traffic in 2019 that was telling. It identified missing highway improvements to connect the Route 19 corridor to the I-79 corridor, and then to the Southern Beltway. That is what gets the bedroom communities and people that have jobs to other locations, whether it's for manufacturing, office, or other professional use. I think the price tag for those improvements was around $85 million. The best thing that happened to the county over the past 25 years was Southpointe, but it could also be the worst thing that happened. While we were patting ourselves on the back, we did not look at what we had to prepare for next. We have to take the resources we have and put them to work in a way that's going to provide a tremendous return on investment for the future. It's a big county so there are a lot of needs. That is the challenge the commissioners have to deal with."

The Status Quo and the Next Big Thing

Looking to commercial industrial real estate for the future is not new for Washington County. Swisher recalls that when it was conceived, Southpointe was envisioned as being an office and industrial research park along the lines of Research Triangle Park in Raleigh, NC area. The oldest buildings in the park, in fact, are smaller buildings of that type. As the market changed, so too did Southpointe, evolving into a live-work-play Class A office park with residential and commercial amenities. While it is true that the burgeoning gas industries accelerated the build out of Southpointe II, gas companies make up less than 15 percent of the total occupancy. It is not true that the downturn in the gas industry has devastated Southpointe.

The nearly 4.7 million square feet of office space at Southpointe is far less occupied daily than it was in February 2020, but the properties are not suffering from a dramatic increase in vacant space for rent. Prior to COVID-19, there was sufficient downsizing activity among the gas industry tenants that more than 380,000 square feet was available for sublease. Kelly Hoover Heckathorn, director of brokerage services for Burns Scalo Real Estate, exhaustively tracks every square foot of space in Southpointe, where she has worked for years. She notes that occupancy in Southpointe is comparable to most of the submarkets in Pittsburgh, including Downtown, even with the sublease space included.

"Most of the published numbers, like in CoStar, are wrong. If you look at every building in the space that is available Southpointe is not as vacant as you think," Heckathorn says. "The vacancy rate for office is 20.35 percent. If I remove the sublease space, which is harder to lease, the vacancy rate for office spaces is 12.19 percent. For the subleases, the tenants are paying rent to the landlord and are trying to recoup some money by leasing. The buildings aren't suffering, and the owners aren't suffering, but it is space that is on the market that is skewing the numbers."

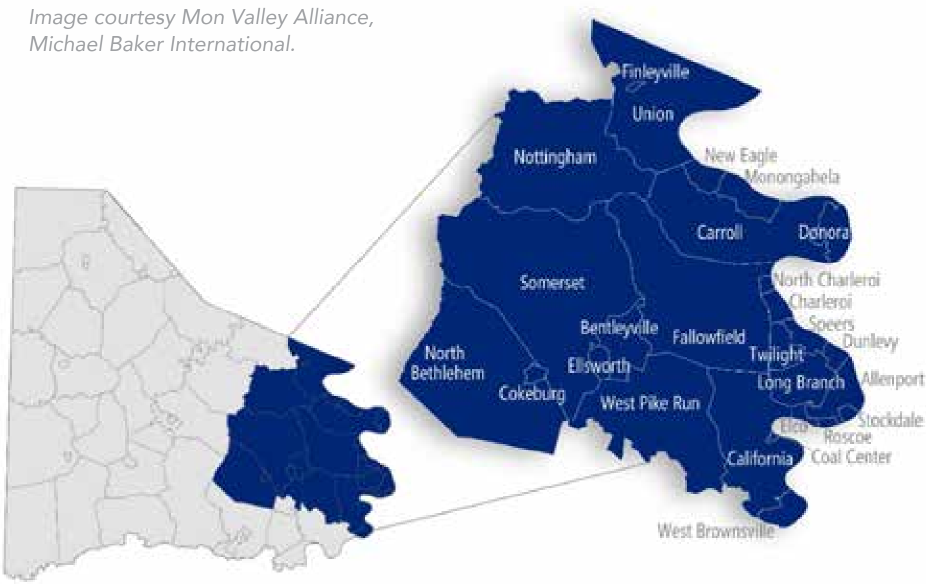
Swisher points out that the disruption caused by COVID-19 created demand for small offices from large users of space in other parts of the region, as a way to offer employees from the South Hills an office that was not in a crowded environment. Heckathorn concurs, noting that as a representative for both tenants and landlords in Southpointe, she has seen activity throughout the pandemic.

"I have seen a lot of activity. Since COVID began I did get nine leases and two renewals done in 2020, totaling 71,000 square feet. So far in 2021, I have done seven leases and one renewal totaling 54,000 square feet. That's a lot of activity during a pandemic in one office park," she says. "Most of the activity has been small users since COVID started, but the activity is now growing. Tenants are out there looking for 6,000 to 10,000 square feet and there are a couple of users looking for 30,000 square feet."

Heckathorn reports that rents in Southpointe II are holding steady in the low-to-mid \$20s per square foot, with rents remaining above \$20 in the older buildings. But she also acknowledges that for the next few years, office buildings are not going to be the growth driver for real estate.

Washington County's other major commercial real estate investment is Starpointe

Image courtesy Mon Valley Alliance, Michael Baker International.



Mid-Mon Valley Region

"I think Imperial Land is in a great position at their property at Midway. That's going to be a home run," predicts Rosenberger. "My advice to the county is to stop investing in Cool Valley and invest in Cherry Valley.

Business Park, a 1,153-acre industrial development that is located at the intersection of U.S. Route 22 and Route 18. To the casual observer, Starpointe should position Washington County well for the market demand; however, the park is proving to be the wrong product at the wrong spot.

"The reason Starpointe is in the wrong place is that it's 6.5 miles to 576 and there's no benefit to going 6.5 miles off 576 if you don't have to," says Tony Rosenberger, partner at Chapman Properties. "The asset they have is that Starpointe is 9.5 miles over the hill from the first cracker plant in Western Pennsylvania. The residual businesses from the cracker would fit well there."

Lou Oliva, executive managing director at Newmark, represents Imperial Land Company, which is planning the Fort Cherry Development District at Exit 11 on the Southern Beltway. Oliva agrees with Kotula's assessment of where Washington County currently sits in the marketplace.

"Washington County has not benefited from the market demand because there is no active speculative development. Starpointe has been there for a while, but that location is kind of an outlier," Oliva explains. "They created this kind of metal building park at the expense of where the market was going, which is Class A institutional product. They were putting the park out as a low-cost option, and I think they may have missed the market a little bit. The market is not looking for the concrete block and metal building low-cost option."

Imperial Land Co. successfully developed the Findlay Industrial Park and Westport Woods at the northern end of 576 in Findlay Township. Chapman Properties developed Chapman Westport on land adjacent to Imperial's in Findlay. It is no coincidence that both developers are looking to repeat that success with new projects along the recently opened 576. Chapman Properties has purchased 290 acres to develop along 576 and has begun moving dirt. Fort Cherry will have six million square feet of Class A industrial space when it is completed. A 20-acre site is ready for construction now and another 80 acres will be available in spring 2022.

"I think Imperial Land is in a great position at their property at Midway. That's going to be a home run," predicts Rosenberger. "My advice to the county is to stop investing in Cool Valley and invest in Cherry Valley. We're developing what I call graduation property. We're looking to build for businesses that have outgrown where they are and don't want to pay rent anymore. Our expansion into Washington County is for that kind of business. We'll be landlords but we're looking for people who want the opportunity to build their own building."

Supply chain issues have prevented Crossgates Inc. from entering the market at the former Brockway Glass site in Canton Township. The industrial park, located near the Chestnut Street exit off I-70, is prepared and a 135,000 square foot first building is planned. Delays in the supply of the pre-engineered metal building will push delivery of the product into late 2022.

In the fourth quarter of 2021, there are requirements for at least two users of more than 700,000 square feet in the market. Lacking any speculative Class A product under construction, it will be difficult for those projects to land in Washington County unless the lead time is more than one year out. Making decisions about how economic development resources can be used now can accelerate the application of those resources so future opportunities are not missed. The change in the market needs will require a change in Washington County's focus.

"Washington County has been focused on projects that created jobs," says Oliva. "It missed the boat on tax revenues and investment."

Oliva is quick to note that the emphasis on job creation was understandable. The loss of the steel industry – and the related decline in coal mining – cost Washington County as many, or more, jobs than any other county in Western PA. It is estimated that more than 10,000 Mon Valley workers lost their jobs in heavy manufacturing during the early 1980s. Political and civic leaders were understandably interested in investing in projects that offered to replace those lost jobs, but heavy industry was not returning to rebuild the communities that were gutted by the job losses. Focusing public investment on projects that will generate revenues and additional investment is another strategy for rebuilding communities.

In Findlay Township, for example, local officials have given high priority to the development of industrial parks. Millions of square feet of Class A industrial space have been built since 2010 in the township, which streamlines entitlement for developers. The properties at the Westport exit on I-576, Findlay Industrial Park, Chapman Westport, and Westport Woods, have an assessed value of $260 million and generate $6.5 million in tax revenues annually. West Allegheny School District receives $4.8 million of that revenue each year, precluding the need to raise taxes on its residents' properties. Oliva expects that same kind of benefits for Fort Cherry School District and Robinson Township as the Fort Cherry Development District is completed.

For all the changes in the market dynamics in the I-79 corridor over the past decade, what has not changed is the anticipation that Cool Valley will be the "next big thing." Columbus-based T & R Properties acquired the 911- acre property on the east side of I-79 opposite the Southpointe exit in 2010, with the intention of developing a billion-dollar office-residential-commercial park. The project requires significant site preparation and infrastructure. T & R Properties received a $1 million Redevelopment Assistance Capital Program grant in 2018 and Cecil Township received a $2.8 million grant for roadwork related to the property. Cool Valley's location was a plus when it was purchased. With the opening of the Southern Beltway, the project is now that much better connected.

"Cool Valley has been a focus for us. We believe there is a chance for that to break ground in September 2022," says Vaughan. "We have handshake agreements between a developer and the owner of the property. We have some promises of funding."

Ron Sabatino, CEO and president of development for T & R Properties, shares Vaughan's optimism. Cool Valley's topography makes it a challenging site for the types of large institutional industrial uses being proposed in western Washington County, but its location makes Cool Valley an excellent site for the kinds of commercial end users which thrive in Southpointe. The first buildings expected in Cool Valley reflect demand from that segment of the market.

"We have a medical user and a retailer that will be in the first phase. Those should require about 300,000 square feet," Sabatino says. "We have off-site road improvements that are nearing final engineering. We'll have those approved and expect to break ground on the first couple hundred acres next year. We expect construction to start on the first buildings in late 2022 or early 2023."

Opportunities for The Mon Valley

It is understandable that the large-scale development opportunities would command the attention of the regional leaders in Washington County. Those projects respond to the direction the economy is going and provide the long-term benefits of employment and tax base growth. At the same time, there is recognition that the marketplace will provide those opportunities. So, while part of the comprehensive plan aims to be prepared for what the market wants, there is also attention being paid to places that people live.

Deciding how to deploy resources that will benefit communities is difficult in a place like Washington County, which has both rapidly growing young communities and underserved older communities. In Washington County, this primarily means setting priorities between investing in this bedroom communities of the northern county or in the Mon Valley and the county seat. That is a wrestling match between investing to make prosperous areas more prosperous or supporting areas that have fallen behind economically. Those are tough political decisions to make when it comes to distributing aid, especially when the underserved communities are populated by older, more reliable voters.

The differences between the communities in the northern Pittsburgh suburbs and the Mon Valley and city of Washington are stark. Over the past two decades, the lure of lower taxes, good schools, and available land has spurred new residential development in the north of the county. Peters Township, Cecil Township (where Southpointe is located), North Strabane Township, and Chartiers Township have been among the top ten municipalities for housing starts in the greater Pittsburgh metropolitan area. Those hundreds of new rooftops have attracted millions of square feet of commercial development during the same period. That has been an enormous benefit to Peters Township School District, Canon McMillan School District, and Chartiers Houston School District. The growth has become self-sustaining.

Washington and the communities in the Mon Valley have experienced little new home construction and the ongoing aging of its population. Despite millions of dollars invested to revitalize the industrial properties, there are fewer success stories. LaCarte Enterprises and Ductmate Industries Inc. have made new homes in Charleroi. Ductmate has a plant in Monongahela. Several major commercial projects have been developed in downtown Washington, but much of the office space is unoccupied. There has been more success in Washington with small-scale commercial businesses, like niche restaurants, breweries, and distilleries; however, there are few prospects for the next big thing. Looking ahead, leaders seem to be thinking about hitting singles and doubles, instead of swinging for the fences.

Ben Brown is the CEO of the Mon Valley Alliance (MVA), which has had success recently in new development along I-70 in Alta Vista Business Park. He sees opportunity from trends that have arisen because of the pandemic, especially work-from-home.

"PWC announced that all of its workers would be remote all the time. People are interested in small town life again. There is an opportunity post-COVID for people to come to these small towns from anywhere in the US.," Brown says. "These towns have legacy downtowns that are unique and historic. There are family roots here in the Valley for thousands of people that had to move out for jobs. There is access to a big city with the proximity to Pittsburgh. And there is affordable living down here."

Brown acknowledges that the Mon Valley is likely not on the radar of many people looking to relocate from a major city to a small town, even if they were part of the Pittsburgh diaspora. To that end, MVA has commissioned Michael Baker International to create an economic development playbook for the 27 communities in the Mon Valley.

"We're doing municipal profiles that each community will get, a two- or four-page spread about the community and the benefits that they provide. It will have information about demographics, access to rail and water, developable sites, and any kind of incentives that the community has," Brown explains. "The goal of this will be to start a marketing campaign. Those towns are not even in the game right now when people are thinking of relocation. There are 5,000 square foot modern houses on the river that you can get for $250,000. We're not marketing or telling our story about what we've got down here with recreation and the river."

Jeff Kotula agrees with Brown about the value of the Monongahela River as an asset. He believes that market forces are driving development in the northern part of the county, which means that government assistance should be limited to infrastructure. Worried that the continued focus on the north will create a two-tiered county, Kotula advocates for different public investment in the Mon Valley.

"How we do we invest in the older parts of the county, the former industrialized parts in the Mon Valley? If you think about the sites and infrastructure, those communities are 100 years behind where we are in the northern part of the county," he suggests.

"We think about that a lot here. It seems sometimes insurmountable. Maybe we need to look at the opportunities a different way. Maybe we look at tourism," Kotula continues. "One thing I would argue is that we don't use the river enough for recreation in the Mon Valley. We have boat launches, but there is not access from the river to the restaurants or shops to create opportunities for revenue in the small towns. I'm not trying to be a Pollyanna, but I'm talking about a way to connect a river to these towns. Monongahela is an Indian word that means steep banks, so even in the name there's an obstacle. That land between the river and the towns was great for loading coal or steel but now it's a problem."

The successes in the Mon Valley in recent years have come in the area above the steep banks, in the industrial parks along I-70. Alta Vista Business Park benefitted from the influx of companies serving the Marcellus shale exploration. As the upstream activity cooled, so did the activity in Alta Vista. During the past 12 months new construction has resumed in the I-70 corridor, with new buildings – including spec flex property – at Alta Vista and at HW70 in Bentleyville, a Hardy World development. Ben Brown hopes Alta Vista's most recent signing will become a blueprint for the future.

"We just signed a lease with Bloom Engineering for the Weatherford building on lot 5. Bloom is an 80-year-old company in the South Hills area that is working on new technology for gas furnaces for the steel industry," Brown says. "They were maxed out for space in the South Hills. Bloom was looking to expand and build new lab facilities to house this carbon capture technology they are working for. They were landlocked where they were."

Many of the older industrial areas in Pittsburgh are surrounded by dense residential or commercial properties. The sites do not have interstate access. Brown believes companies that are growing in those kinds of areas will be hard-pressed to expand or upgrade to modern facilities. He sees that as an opportunity for Washington County and other surrounding counties with available land with interstate access. That opportunity extends to workforce attraction and retention.

"In the South Hills a 30-minute drive may only get you a 10-mile commute, whereas if you get into the surrounding counties, a 30-minute drive could put you as far away as Waynesburg," he says. "It opens up the size and scope of the employee pool that is available."

Swisher sees another infrastructure asset, the Mon-Fayette Expressway (I-43), as a potential solution to connecting the Mon Valley to the more vibrant parts of Washington County, but he notes that the townships hold the key.

"Peters Township is at a crossroads. They still have an ability to get beyond the half-acre lot culture. There is a lack of multi-family housing in and around the Southpointe area. If Peters Township were to revise their zoning to allow more multi-family they would get more taxpayers on less dirt. It would be worth the investment," Swisher says. "Young people moving into an area want to be close to commercial development and transportation. Getting young people to move to the Mon Valley is going to be a challenge. But with I-43 and how it connects into Peters Township, if there were multi-family properties near I-43 they would be a 10- or 15-minute drive from the Valley."

"These townships have to start embracing multi-family because young people need those places to live and start families," he continues. "If you look around the rest of the country at vibrant cities, they have suburban multi-family housing opportunities that we don't."

The economic fortunes of Washington County have changed considerably in one generation. Few people under the age of 40 ever saw a steel mill in operation in Washington County. The concerns of the county's leaders today are those of growth instead of decline. Like in Allegheny County, leaders worry about the parts

Photo by Mon Valley Drones, courtesy Mon Valley Alliance of the county that are falling behind. The difficult decisions are those about prioritizing resources to increase opportunities without ignoring growth or human needs.

"We have a challenge in front of us to develop parts of the county that aren't as healthy. I fear it could get worse because of where the world economy is with inflation and supply chain issues," says Swisher. "That challenge should be a huge opportunity for Washington County because we have a solid workforce, a great work ethic, and there is great potential for manufacturing in the county due to I-70, I-79, and the Southern beltway connecting to a lot of land."

It will fall to the Washington County Commissioners to make the difficult decisions about deploying the limited resources they have for economic development. Regardless of where the commissioners choose to put resources, it is a good bet that they will be focusing on new development.

"Southpointe I was a year old when I took office and I've been here through Southpointe II," Diana Irey Vaughan says. "We are running out of space. We need sites. We are already behind in providing the development community sites for our economy to continue to grow."

"We have great transportation. It's easy to get around with the two interstates. It's easy not just to attract a workforce but to build and deliver a project to market," says Kotula. "I think we've been successful overall at planning for the future and diversifying. We're known for energy, but we have enough diversity that we don't see the big swings up-and-down. I think it has benefited us immensely over the past 20 or 25 years." BG

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PROJECT PROFILE

SOUTHERN BELTWAY MAINTENANCE FACILITIES

On October 15, regional leaders joined Pennsylvania Turnpike Commission officials to mark the opening of the Southern Beltway, the 19.3 mile stretch of limited access toll road connecting Pittsburgh International Airport with I-79. But the maintenance facilities for the $900 million, decade-long project had already been operating for several months by the time of the ribbon cutting.

The $20.4 million maintenance facilities were substantially completed in July 2021. Those facilities were the first new maintenance buildings done by the Turnpike Commission in five years and represented a noticeable departure from the norm. During the programming and design, the departure from past facilities was intentional. Other deviations from the norm were not. (More on that below.)

"We included a lot of state-of-the-art features. We built what our maintenance department wanted. We built what they needed first and then made it a highly efficient, sustainable building on top of that," says Chris David, regional facilities manager for the Turnpike Commission. "There are ground source heat pumps. We are collecting rainwater to use to wash the trucks. There is LED lighting. We designed high-speed garage doors to keep the heat in as much as possible. There are a lot of innovative things in these buildings."

"It's not a LEED project but the Turnpike was very specific in wanting a sustainable design," says Shane Goodman, project manager for AE Works, the project's architect. "The manager of operations for all maintenance facilities and the manager for these specific facilities were involved in every meeting. We also went to a number of those facilities to talk to people who worked at them to get an idea of how they would perform better."

For AE Works, the task of designing a sustainable highway maintenance complex that did not look or perform like similar facilities was but one of the challenges presented by the project. The buildings are located on a large greenfield site, but several conditions conspired to squeeze the available land on which to build the project.

"We thought we had a huge site going into the project. What we didn't know at the start was how much fill it had received," Goodman notes. "It got to the point where our huge site was reduced to the top of a mound, so the challenge became figuring out how to fit these buildings onto our site. With how they use that site and how they like to run trucks around there,

the site could not have been much smaller to fit the size of buildings that they wanted."

"The Turnpike moves big trucks around the site, and they want to be able to pull the trucks through the truck shelter. Instead of a big rectangular site we ended up with a site plan that looked like a fish as you're pulling it out of the water twisting and turning," jokes Fred Santoro, project architect for AE Works. "Laying out these big buildings with the proper clearances for the trucks and allowing for the trucks to come through buildings required a lot of space. We went through around 10 layout configurations before we found one that worked."

Another subtle aspect of the location was a further constraint on the site. Although the physical address of the maintenance facilities is one in Washington County, the site spans both Washington and Allegheny County. For the purposes of simplifying the stormwater and underground plumbing design, AE Works avoided locating the buildings in two counties.

"The site is in two counties and two different townships. Although the permitting went through Labor and Industry, at the local level we went through both South Fayette and Cecil townships to get the project entitled," explains Goodman.

"That meant we had to keep all the sewer and utilities on one side of the site. The property line went diagonally through the site, and so the buildings that had sanitary we had to keep on the same side of the line," says Santoro. "We were able to put the salt shed and other facilities on the other side."

The finished design included five buildings totaling 51,179 square feet. The project went out for competitive bids in April 2019, an interesting time for the construction market. While construction was approaching a building cycle boom, the public sector had been slow. The project attracted only a few prime bidders, but the bidding was competitive. Nello Construction was the low general construction bidder. An irregularity in the time stamp on Nello's bid triggered a re-bid of the project. On the second bid, Nello was edged out, but a problem with the low bidder's MBE/WBE participation resulted in that bid being rejected. The second time proved to be the charm for Nello, which was unaware of the problem with the low bidder.

"We ended up getting an email from the Turnpike Commission sending us a purchase order. We thought it was a mistake, but the low bidder had been rejected," recalls Jake McNary, project executive for Nello Construction.

Nello was given a notice to proceed just after Memorial Day, with construction to run through Thanksgiving 2020. Almost immediately, site conditions wreaked havoc on the schedule.


Photo by Massery Photography

Within a few months, those conditions became a minor consideration.

"It was not your typical site where you do your geotechnical probes and know what you are dealing with. What was underground was unknown, but it was not totally unexpected," says Goodman.

"We got started but ran into soils issues. It was supposed to be an engineered fill site, but the soil was not what we thought it would be," says McNary. "There were a lot of undercut issues that pushed the start of the job into winter. That created some weather problems with the masonry bearing buildings in the middle of winter. Just as we were beginning to make progress in March, COVID hit."

Some 18 months into the COVID-19 pandemic, it may be difficult to remember how much chaos the sudden shutdown of construction sites – and most of day-to-day life – brought. Confusion over what was considered "essential" and how to re-mobilize an essential jobsite after the shutdown, made a mess of construction schedules for private industry. For the public sector, which was much more susceptible to the ups and downs of the politics, the pandemic was a disruption unlike any other.

"This project was going right before COVID, so that was the obvious biggest challenge. That delayed us for quite a few months," says David. "The completion date was to be around Thanksgiving 2020, but obviously the beginning of 2020 was unprecedented. We stopped construction and when we brought people back, we required social distancing and not as many people could work on the site. The pandemic pushed us back about six months. It was a challenge trying to handle it because it was new to everybody."

For a general contractor trying to navigate working in a pandemic, the impact went beyond the first frantic weeks or months of uncertainty.

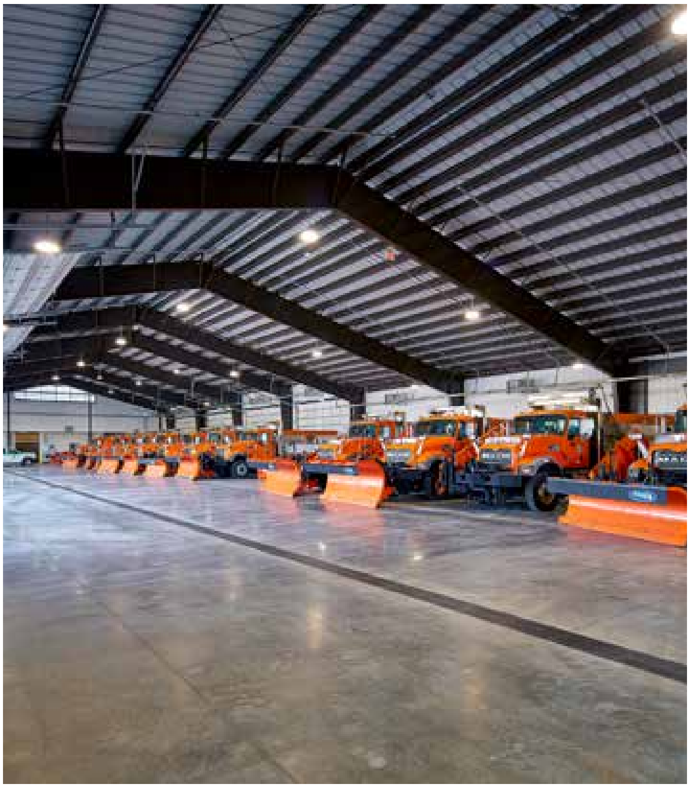
"We were still working on the masonry when COVID hit. The job was completely shut down for a month. We could not go on site with anybody. We returned to the site and worked with a skeleton crew at first. We worked through the social distancing and intense cleaning. Eventually the job picked up again," says McNary. "Because of COVID pushing the schedule, we missed the full paving season. We worked together with the Turnpike Commission to get the binder course down and to preserve the site. We were weathertight with the building in the fall, so we were able to work on the interior through the winter."

"As the project finished there were minor disruptions that were caused by some of the supply chain problems, which were beginning to show up in late 2020," McNary continues. "Those disruptions made closing the job out more difficult than usual. The Turnpike Commission was very understanding about the revisions to schedule that came because of those kinds of issues."

A bureaucratic issue contributed to the challenges as well. During the stormwater design period, the Department of Labor and Industry informed the engineers that the detention tank would not require a separate permit; however, the field inspector decided that a permit was required – after the tank had been installed.

"That was a delegated design that was out of our control and Nello's control. We had to go back to the subcontractor and get stamped drawings through Labor and Industry," says Santoro.

The completed complex includes an office building, workshop, and truck storage in two of the buildings. There is a powerhouse building, which includes the location of the emergency generator and water tank. The additional buildings are the fueling station and the salt storage and dry storage facility. The elevations and material palette were influenced by the surroundings as much as the intended end use. The maintenance building has a ground-face block wainscoting to hold up to the heavy truck traffic, but the phenolic panels above have a texture that mimics weathered barn wood. The buildings have standing seam roofs and an exterior elevation that could be mistaken for agricultural use.



Photos by Massery Photography

"Given the location is a rural site, we always had the idea of a barn-like structure reacting to its environment, with a lot of green space around it," explains Santoro. "We have gables and reverse gables on the sides of the buildings. There was a little bit higher volume than we first expected when we got into the design, but the idea was to make it look like a typical rafter type barn."

"It was really a nice job. It's really a first-class facility. It looks like it should be a mountain lodge with the colors they picked," says McNary. "It does not look like your normal maintenance shop. The architect did a nice job on the design. It really blends in with the surrounding area."

"I look at the final product and I'm happy with it," concludes Chris David. "There are always little problems here and there during construction, but we got a great building." BG

PROJECT TEAM

Nello Construction Co.	General Contractor
PA Turnpike Commission	Owner
AE Works	Architect
Stahl Sheaffer Engineering	Civil Engineer
McKamish Inc.	Prime HVAC Contractor
Wayne Crouse, Inc.	Prime Plumbing Contractor
Schultheis Electric, Inc.	Prime Electrical Contractor
Allegheny Fence Construction	Fencing
Allegheny Installations	Resinous Flooring
AP Metal Sales	Standing Seam Roofing
Franco Associates	Masonry
JMJ Carpentry	Casework
J P. Phillips Inc.	Ceramic Tile
Livi Steel Inc.	Structural Steel Fabricating and Erection
Macson Corp.	Site Work
Paramount Flooring	Resilient Flooring and Carpeting
RAM Acoustical Corp.	Carpentry, Interiors and Insulation
Reynolds Brothers Inc.	Landscaping
Specified Systems Inc.	Glass and Glazing
Vincent Cugini Painting	Painting

FIRM PROFILE

MASTER WOODCRAFT CORPORATION

MASTER
WOODCRAFT CORP.

Sometimes employees have to come together to effect change. Such was the case concerning Master Woodcraft's origins. In 1986, a group of employees went on strike against the Fort Pitt Fixture company. As the strike went on, progress stalled. So, 10 on-strike employees came up with their own solution: starting a company—Master Woodcraft formed that year.

The next year, Master Woodcraft's current president and shop supervisor, Jim Sheehan, started working at the company as a second-year apprentice. In 1988, Master Woodcraft's current vice president and senior project estimator, Dave Diesel, joined the company, initially focusing on drafting work and later transitioning to estimating.

Today, Master Woodcraft's team of cabinet makers has created a range of high-quality interior finished products for a variety of businesses and locations around Pittsburgh and beyond.

Master Woodcraft has branched out from humble beginnings. The employees who started the company initially ran it out of a garage in Canonsburg. From there, Master Woodcraft would occupy a former gymnasium in a shutdown grade school. Next, it moved to a 6,600-square-foot facility in a Washington, PA, industrial park.

Still, the growing company needed more space, and today it occupies around 23,000 square feet in another Washington facility. Between the shop equipment, benches, and raw material warehouse and loading dock added on, space has filled up quickly.

Cabinetry, as with many industries, has changed throughout the decades, specifically in terms of development and new technological capabilities. "A lot of the work was done by hand and done with a guy's brain and a pencil and paper," Diesel recalls of earlier times. Measuring a cabinet and materials and planning a project out was done by hand. Today, software does a lot of this heavy lifting. In terms of hardware, modern equipment can, say, precisely drill holes on the side of a cabinet without relying on hand measurements to get components lined up.

As a result of these innovations, there are fewer partial sheets and leftover wood and materials left against the wall when a job is done, Diesel says. Processing time and project completion time have decreased.

But the types of jobs and projects completed back then aren't so different from some of the work that Master Woodcraft performs today. Some of the company's early projects ranged from work for Pittsburgh's former Civic Arena to creating kiosks for a jewelry business. Master Woodcraft also contributed to interior renovations for various hospitals in southwestern Pennsylvania, including Shadyside Hospital, Passavant Hospital, and Magee-Womens Hospital. These projects involved renovations to patient rooms, emergency rooms, and other spaces, creating doorframes, wood paneling, curved woodwork, and other fixtures.

Most of the companies and organizations that Master Woodcraft completes work for fall within 200 miles or so of Pittsburgh. Most work focuses around the tri-state area, with some jobs taking place across state lines or more toward central Pennsylvania. But one of Master Woodcraft's most notable jobs involved work for a venue located well beyond state lines—the US Embassy in Singapore.

In the early '90s, a former colleague alerted Diesel to the faraway embassy's need for custom woodwork. After Master Woodcraft took the job, the company manufactured and shipped several shipping containers' worth of products across the country to California. From there, the shipping containers bearing doorframes with mahogany casing, credenzas, wall paneling, and other Master Woodcraft-made items spent 28 days at sea before reaching Singapore. "That was one for the ages, that's for sure," Diesel says.

But Master Woodcraft relayed more than just the custom products; the company also sent along the tools needed for their installation. "Singapore being a shipping country doesn't have any production capacity," Diesel says. "So, we ended up providing tools for their installation team. They needed drills, clamps—whatever they needed we provided. It was almost like a hardware store."

Diesel says he even had the chance to check out some of the work after its installation at the embassy, even though the Singaporean climate hindered observations. "The humidity over

there was so bad that you were pushing the point of the pencil through the paper. It was kind of tough to even record your dimensions," he recalls.

Closer to home, Master Woodcraft continues to work with contractors and a variety of sites around Pittsburgh. The company built wall-to-wall paneling with an oval shape to it for the University of Pittsburgh's Barco Law Library. Master Woodcraft has worked with the Steelers at Heinz Field; some of the suites and administrative offices at the stadium were due for renovations, requiring newer finishes, granite countertops, and an upgrade to the pine wood paneling.

Master Woodcraft has also done regular work for Google's Pittsburgh branch as it has renovated its various spaces. Many of Master Woodcraft's projects involve taking the conceptual renderings for a more complex design and bringing the project to life. Google, with a penchant for modern aesthetics that you'd come to expect from a leading tech company, has often requested some quite unique designs and products to suit its style.

Being able to create custom, more complex products has been a specialty for Master Woodcraft. For Diesel, it's part of what keeps such work interesting. "I think the custom part of it is what I like. I don't think I'd like to just come to work and look at boxes every day," he says. "I like the uniqueness of the project."

To work with wood and put in a curved or slant or radius means crafting something new and creative every time. The team at Master Woodcraft has produced plenty of cabinets and products through the years. "I don't think there's any two that are the same," Diesel says.

Since 1998, Master Woodcraft has been a member of the Architectural Woodwork Institute's Quality Certification Program, which confers a woodworking industry-standard quality assurance. Yet even with a large portfolio of work and decades in the industry, there's no substitute in business for reliability and building relationships.

Diesel points out that if all workers follow what's listed in a project's specifications, the results and quality of the product should (in theory) be the same. So, there's more to success than skill, even if abilities play no small role. Diesel says that Master Woodcraft has worked with many of the same contractors again and again over the years. When jobs finish on time and there are no quality or delivery issues, contractors come back, and relationships grow. "The next time they get a project of that scope and magnitude, you're on their shortlist of people to call," he says.

Master Woodcraft has around 30 employees, including professionals who handle sales and estimating, engineering and project management, drafting, purchasing, accounting, production, and other specialties. When there are lots of jobs to complete, the company brings in extra workers to help on the floor.

But it's always a balancing act bidding on jobs while factoring in prices and having the time and capacity to finish work on schedule. The ongoing COVID-19 pandemic has only added to such challenges. Across the industry, schedules tend to be running longer with less predictable job details and timelines.

The pandemic has also affected materials prices, particularly wood. "You almost have to have a crystal ball here sometimes to try to see these market fluctuations," Diesel says. When COVID lockdowns set in, wood prices shot up and haven't come down with the same speed. Initially, plywood mills shut down, as did resin suppliers and other critical manufacturers. The effects still resonate across the board today. But Diesel says that jobs are still coming in, even with material prices being a crapshoot.

The cabinetry industry, however, as with other trades, faces the challenge of continuing to attract and train new talent. While it seems that more and more high school graduates are opting not to go to college, new craftsmen can still learn while on the job and through apprenticeship training, says company president Sheehan.

Sheehan himself took wood shop in high school, helping to spark his interest in the craft. He later joined the union and began apprenticeship training before joining Master Woodcraft.

Now, Master Woodcraft has made its mark throughout Pittsburgh while continuing to create custom products found at so many businesses sites and locations. "It's good to know that you can go down into the city of Pittsburgh and around Oakland and you can look at all the buildings around you and say, 'Hey, I did stuff in that one and that one,'" Sheehan says. "You're a part of the city at that point in time." BG

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2021 CONSTRUCTION LAW YEAR END REVIEW: COMPLIANCE IS KEY

BY SLOANE B. O'DONNELL AND ERICSON P. KIMBEL

While most did not expect another year similar to 2020, 2021 still brought supply chain and labor issues and uncertainty with pricing of materials to create another year of concerns in the construction industry. Despite this uncertainty and these concerns, Pennsylvania law with respect to the construction industry remained relatively stable, except for the few changes noted herein. As discussed below, in 2021 the Pennsylvania Courts addressed interpretation of the Pennsylvania Mechanics' Lien Law and the applicability of the Pennsylvania Contractor and Subcontractor Payment Act. Meanwhile, the Pennsylvania House of Representatives introduced anti-indemnity legislation and the first indictments under Attorney General Shapiro's joint enforcement pilot program for the Construction Workplace Misclassification Act were issued.

The general message from all of these updates is quite clear and a consistent, ongoing message: compliance is key in the construction industry here in Pennsylvania.

PA Supreme Court Issues Harsh Warning to Contractors-Strict Compliance is Key for Mechanics' Lien Perfection

In addition to other requirements, Section 502 of the Pennsylvania Mechanics' Lien Law requires that an affidavit of service of the notice of claim must be filed within twenty days after service of the notice. If a contractor follows Section 502, then the mechanics' lien is perfected or effective against the property owner. Once perfected, a contractor must then file an action to obtain judgment on the claim within two years of filing the claim or risk losing its claim.

The filing of an affidavit of service is often overlooked, despite the law saying that failure to serve the notice or to file the affidavit of service could result in the lien being stricken or no longer effective. Certain decisions in Pennsylvania courts had taken a more relaxed position on which provisions of the Mechanics Lien Law must be strictly complied with and which could be satisfied by substantial compliance. For example, the Pennsylvania Superior Court previously held that the filing of a sheriff's return of service satisfied the requirement that the contractor must file an affidavit of service. See J.H. Hommer Lumber Co. v. Dively, 584 A.2d 985, 986-88 (Pa. Super. 1990). Therefore, the Court in J.H. Hommer took the approach that so long as there was substantial compliance with section 502, a lien would be perfected.

Enter Terra Firma Builders v. King, where the Pennsylvania Supreme Court (in a 3-2 decision) decided that strict compliance with the Mechanics Lien Law is required as to notice, which includes the filing of the Affidavit of Service. In Terra Firma Builders, the contractor failed to file an affidavit of service and the homeowners failed to raise this issue until after trial to obtain judgment on the lien. The PA Supreme Court determined that the failure to file the affidavit of service meant that there was no valid lien to prosecute. The Court stated, "[i]t is clear, then, that TF [contractor] failed to perfect its mechanics' lien against the Kings because it never filed the required affidavit of service." Id. at 984. The Court continued to explain that such defect was not curable and, even though the homeowners did not raise the issue at the time of service and attempted perfection, a defense based on failure to perfect the lien was not and could not be waived. Terra Firma Builders, LLC v. King, 249 A.3d 976, 984 (Pa. 2021).

This was true even though the failure had occurred seven years earlier and the parties had spent significant time and resources in litigation and trial. The Terra Firma case is a strong statement that compliance is critical in filing and perfecting mechanic's liens in Pennsylvania. In line with and relying upon Terra Firma, the Philadelphia Court of Common Pleas recently held that:

Upon review of the docket and filings, it is apparent that no affidavit of service was filed of notice of the underlying Lien claim. Regardless of whether Appellant and underlying Plaintiff (which the Court believes to be the same person) "acknowledge[d] service of the lien", failure to file an affidavit of service requires this Court to conclude that "'the lien was not properly perfected and that such defect was not curable."

Any confusion brought about by certain decisions allowing substantial compliance with the lien law should now be dispelled by Terra Firma and Prospero. With regards to affidavits of service of lien, strict compliance with section 502 is required to perfect one's lien rights.

Takeaways

It is critical for contractors to note the timelines for filing the lien claim and engage legal counsel early on in a dispute to make sure the lien is perfected and effective against the property. Any missed deadline could result in the Terra Firma harsh result where the contractor completed trial only for the Court to find the underlying lien invalid.

CASPA Does Apply to Mixed-Use Projects

The Pennsylvania Contractor and Subcontractor Payment Act ("CASPA") has been a legal tool in any contractor and subcontractor's arsenal to be promptly paid since 1994 allowing a contractor or subcontractor to recover attorneys' fees, interest and other penalties in certain situations. CASPA has always applied to private construction projects in Pennsylvania with very few exceptions. One such common exception is residential construction since CASPA specifically does not apply to improvements to real property where the improvement is six or fewer residential units. 73 P.S. § 503(a). However, until this year, there has been uncertainty as to whether that exclusion to residential projects extends to mixed-use projects with commercial and residential components.

In El-Gharbaoui v. Ajayi, the Pennsylvania Superior Court was faced with this exact question and ultimately determined that CASPA does apply to mixed-use projects. In El Gharbaoui, the project in question involved a multi-use project involving a church, a daycare facility, and two residential apartments. The Court determined that the residential exception to CASPA only applies if the project singularly involves residential construction of six or fewer units, stating: "The objective if CASPA would be thwarted of the statute were deemed inapplicable to construction contracts that involved covered commercial structures, including mixed use development, simply because the construction contract involved improvements on the same land or building to six or fewer residential units. Therefore, consistent with the principle that remedial statutes be liberally construed, we find that CASPA was intended to apply to construction contracts involving covered structures, including mixed-use development…regardless of the number of residential units coincidentally involved in the contract." 2021 WL 3046856 (Superior Ct. 2021).

While this case reinforced how practitioners generally interpreted CASPA's application, this was the first appellate decision in Pennsylvania on the applicability of CASPA to mixed-use projects.

Takeaways

If a Pennsylvania construction project involves residential construction of six or fewer units, and any other use or construction, then CASPA will apply and should be used to ensure prompt payment.

Pennsylvania House Introduces Anti-Indemnity Bill

Currently, Pennsylvania does not have an anti-indemnity statute for contracts in the construction industry. Thus, aside from limited cases governing general indemnity language, there are few limitations for indemnity provisions in construction contracts. However, Representative Stephens introduced House Bill 424 to amend Act 164 of 1970, relating to indemnification provisions and agreements within the industry.

The proposed legislation intends to cover construction agreements and other agreements between "architects, engineers or surveyors and owners, contractors, subcontractors or suppliers[.]" The legislation allows only for a limited form of indemnification for only losses caused by negligence and would render any indemnity provisions in construction contracts for "damages, claims, losses or expenses arising out of bodily injury to persons, damage to property or economic damage caused by or resulting from that party's negligence" void and against public policy.

Takeaways

If this legislation becomes law in Pennsylvania, it will dramatically change the treatment of indemnity provisions in the construction industry. Although likely a long way away from enactment as the bill is currently re-reported to the Rules Committee, the passage of such a limitation would greatly change the way indemnity clauses, risk management, and risk allocation are treated, and the way construction contracts are drafted, interpreted, and enforced in Pennsylvania with regard to indemnity. Therefore, following the progress of this proposed legislation and contacting your PA representative to voice your opinion is critical moving forward.

Enhanced Enforcement of Act 72

Criminal Prosecution for Misclassifying Employees under Act 72

Back in 2011, the Pennsylvania legislature passed the Construction Workplace Misclassification Act (Act 72). The purpose of Act 72 was to protect construction workers from being misclassified as independent contractors, rather than employees. Under this Act, an individual in the construction industry is defined as an independent contractor only if the following apply:

(1) the individual has a written contract to perform as an independent contractor;

(2) the individual is "free from control or direction over performance of such services both under the contract of service and in fact;" and

(3) the individual is customarily engaged in an independently established trade, occupation, profession or business.

Previously, Act 72 was civilly enforced by the Pennsylvania Department of Labor & Industry, with the criminal enforcement provisions for violations rarely invoked. However, on March 9, 2020, Attorney General Josh Shapiro established a joint enforcement pilot program with Delaware County District Attorney Jack Stollsteimer to combat the misclassification of construction workers in Delaware County, Pennsylvania.

In January 2021, relying on a tip, law enforcement officials in Delaware County investigated and charged four individuals from a drywall contracting company for fraudulently misclassifying several employees as independent contractors, while paying those same employees an hourly wage and issuing them weekly paychecks. The misclassification allowed the contractor to avoid paying benefits, including payroll tax, unemployment insurance, and workers' compensation for work performed by its misclassified employees. The individuals also faced prosecution for other crimes, including conspiracy, theft by deception, deceitful business practices, and making false statements.

Similarly, though not a part of Attorney General Shapiro's pilot enforcement program, one of the largest contractors in Pennsylvania was recently found to have violated the Pennsylvania Prevailing Wage Act and the federal Davis-Bacon Act. The Pennsylvania Prevailing Wage Act and the Davis-Bacon Act were enacted to ensure all contractors working on projects receiving state or federal funding pay the same wage rates, as determined by state and federal agencies. Glenn O. Hawbaker, Inc. pled guilty to the charges and its plea included paying more than $20 million in wages to over a thousand Pennsylvania workers. The restitution provided for in the plea agreement is for the largest prevailing wage criminal case in United States History. In addition to the restitution, Glenn O. Hawbaker, Inc. was sentenced to five years' probation and agreed to the appointment of Corporate Monitor Alfred B. Robinson, Jr., former acting administrator for the U.S. Department of Labor, Wage & Hour Division. The case was investigated by Supervisory Narcotics Agent Tom Moore, working under the Pennsylvania Attorney General's Office.

Takeaways

Based on Attorney General Shapiro's commitment for enforcing the criminal teeth of Act 72, it is critical that independent contracting relationships are reviewed to ensure your employees and independent contractors are properly classified.

Further, Attorney General Shapiro also seems committed to criminal enforcement of the Pennsylvania Prevailing Wage Law and the federal Davis Bacon Act. It is critical that payments are reviewed, and calculations confirmed to avoid any doubt and ensure compliance with these laws.

If you have any concerns regarding classification of your employees and independent contractors, you should contact counsel to ensure compliance. Further, should you have any questions about compliance with the Pennsylvania Prevailing Wage law and the Davis Bacon Act, contact counsel for guidance.

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The NAIOP Pittsburgh - RMU Summer CRE Program

will introduce minority students to career possibilities in commercial real estate (CRE), helping to advance greater social equity while building a pipeline of talent in Pittsburgh CRE.

NAIOP Pittsburgh and **Robert Morris University** present a unique learning experience that will immerse 25 rising sophomores, rising juniors and rising seniors in the world of CRE. **Through the camp in June 2022, students will:**

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- Examine placemaking and the built environment.
- Begin to grow their professional networks.
- Build lasting relationships with fellow program participants.
- Students receive a free laptop.
- Small stipend upon completion of program.

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Attracting diverse professionals to CRE enriches the talent pool with new voices and enables the industry to better represent the communities that CRE serves. By developing a camp focused on broadening students' horizons to possible CRE careers, the **NAIOP Pittsburgh - RMU Summer CRE Program** endeavors to accelerate greater representation in CRE for minority groups.

ABOUT THE PROGRAM

CRE instruction over five days will provide a balance of academic theory and practitioner instruction. The experience will end with a capstone case-study project. Planning is underway for this inaugural program as a hybrid format combining online coursework with in-person extracurricular activities as current pandemic conditions allow. There is no cost to attend.

NAIOP Pittsburgh welcomes support from corporate, civic and nonprofit organizations that share our objectives of expanding opportunity and educating the future talent of CRE.

For additional information, visit naioppittsburgh.com or contact Brandon Mendoza, NAIOP Pittsburgh, at **info@naioppittsburghc.com**.

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HOW WILL CONSTRUCTION COMPANIES COMPLY WITH VACCINE MANDATES?

Beginning October 15, 2021, federal procurement solicitations for projects over $250,000 included notice that all workers on the construction site must be vaccinated, or submit to weekly testing. The change was the first step towards implementation of President Biden's executive order of September 9 that required all federal employees and contractors be vaccinated. Workers on federal construction sites must be fully vaccinated by December 9 and contracts awarded on or after November 14 must include clauses specifying compliance for all workers, except those who can successfully claim exemption for medical or religious reasons.

The order will have a muted direct impact on the Pittsburgh construction industry because few contractors from Western PA work on federal projects, and even fewer federal facilities are located in the region. But vaccine mandates will not be limited to federal government projects. Prior to the executive order, private sector owners Carnegie Mellon University and Verizon implemented policies requiring all construction workers to be vaccinated. While no other major institutions have followed suit (as of October 25), there seems to be little doubt that others will.

The order will have a muted direct impact on the Pittsburgh construction industry because few contractors from Western PA work on federal projects, and even fewer federal facilities are located in the region. But vaccine mandates will not be limited to federal government projects.

UPMC's Kelly Noel, vice president of corporate construction and real estate, acknowledged that such a mandate seemed inevitable at an October 19 lunch and learn. University of Pittsburgh listed the costs of the ongoing testing of unvaccinated students and employees – estimated at $20 million to $50 million annually - among the reasons why it implemented a mandate; however, that mandate has not been extended to contractors working at Pitt. Likewise, Highmark Health's October 22 decision to require vaccines for all workers by December 8 had no bearing on construction workers, yet, according to Dick Thompson, vice president of facilities and real estate at Allegheny Health Network.

One common theme in these announcements is that the institutions all engage in contracts with the federal government. Some of the wording in the announcements was clearly conveying that the decisions were driven by the federal mandate, not by the desire to break new ground. That was true of UPMC, which requires construction and contract workers to be vaccinated against the seasonal flu to work in its facilities.

"The reason we put a mandate in for seasonal flu vaccine for contractors is because it is mandated for our employees. We have not yet done that with COVID-19," says Roger Altmeyer, vice president of project development and construction for UPMC. "We think that time is coming but I don't think UPMC wants to be the one in the region to set the precedent. Until it is a requirement for all of our employees it will not be requirement for our contractors."

"I think that's typical. Everybody would like to take a 'wait and see' attitude," says Bob McCall, director of safety for the Master Builders' Association (MBA). "It will be more convenient to be forced into doing something than to lead the charge."

As might be imagined, the mandate has not been received with open arms by the contracting community. Its provisions are wide-reaching and overreaching. For example, interpreted strictly, the mandate would require that an accounts payable clerk in Pittsburgh be vaccinated if the clerk is supporting a federal project hundreds of miles away. The general contractor is also responsible for the 100 percent vaccination compliance of its subcontractors and suppliers that come onto the site. The federal mandate is an additional risk factor, which contractors have to assess when considering government projects.

"Our interpretation currently is that federal projects that are already underway stay status quo. In order to change those, the government would need to issue a modification and we have not seen any modifications to date," says Jake Ploeger, co-CEO of PJ Dick Inc. "We don't have any federal jobs on the bidding docket, but I can tell you that this gives us pause before we bid any federal jobs going forward."

As much as any other concern, contractors are worried about finding sufficient workforce from a group that has proven to be unusually vaccine hesitant. According to the

Associated General Contractors (AGC), the rate of vaccination for construction workers nationally is roughly 50 percent. That same share is proving to be true for construction workers in Western PA, regardless of trade and/or the size of the contractor for whom the workers are currently employed.

"I think there will be problems if owners have mandates because it is hard enough to find people to work without the mandate. The workforce itself is going to dictate how much they're going to tolerate vaccine mandates," says Ray Volpatt, Jr., president of Volpatt Construction. "I made the recommendation to all my employees that they should get vaccinated because it is the smart thing to do. But I have workers who have flat out told me that they are not getting it. They are young and healthy and feel they are better off with the antibodies from the virus if they become infected. If I have a good superintendent who refuses to get vaccinated, I'm not going fire him. I'll put him some place where he does not have to be, or he'll go work someplace else that does not require vaccination."

The unions find themselves in a difficult position. Worker safety is one of the paramount issues the unions champion, but they are also the advocates for the workers who would fight the mandate. Most unions offered vaccinations at their offices and training centers. But at a time when local unions are straining to build apprenticeship classes to replace a surge of retiring skilled craft workers, they are reluctant to embrace policies that might chase workers away.

"We would like to see everybody get vaccinated. In fact, if anybody is coming to our international training center, they have to be vaccinated. Our international president came out very quickly with that," says Tim Chesleigh, council representative for the Eastern Atlantic States Regional Council of Carpenters. "When I talk to our attorneys about the different types of contracts that we have, they say the employer has the right to require a vaccine. A lot of our members don't like to hear that, but it is not an aggrievable issue. That eliminates any gray area. We have members who are not vaccinated and who say they're not going to get vaccinated. Not everyone is required to be vaccinated yet. But more and more employers are requiring it."

Even with the December 9 deadline looming, the Occupational Safety and Health Administration (OSHA) had not issued the Emergency Temporary Standard (ETS) that reconciled some of the differences that exist between the provisions for federal contractors and firms with more than 100 employees. Contractors and labor have been left to create contingency plans for multiple outcomes. In each of those plans there are plenty of concerns about how an ETS will be implemented.

"Ever since the vaccines have been rolled out, the AGC has been encouraging contractors to educate its workers about the safety and efficacy of the vaccines in an effort to encourage them to get the shot. As much as we encourage our members to get fully vaccinated, we are not in favor of a mandate," notes Kevin Cannon, AGC senior director safety and health services. "We are concerned that a significant number of workers will choose to leave the construction industry and that will further exacerbate a worker shortage. If millions of people choose to go the testing route what will the effect be on the supply chain? Will tests be available? Will labs be able to process the test in a timely fashion?"

McCall says the answers received from the regulators have not been clarifying. He noted that during an emergency call with the Department of Labor, one of his peers asked if the OSHA guidelines would be the same as the federal contractor's guidelines. The answer was an unequivocal "yes unless they were not." At the local level, McCall worries that owners may override how the OSHA guidelines apply to smaller contractors.

"We have a lot of members under 100 employees. The question is, if they go to work for a client with more than 100 employees, like Pitt, will they have to be covered by the policy?" he asks. "It's the fear of the unknown right now that is holding everyone back from taking a stance other than encouraging vaccines."

Ploeger notes that companies, like PJ Dick, that employ 100 or more workers are concerned about the prospects of vaccine-hesitant workers joining other companies that are below the federal mandate threshold to avoid forced vaccination. While construction companies that size are certainly in the minority in Western PA, there are dozens of specialty contractors and general contractors that meet that standard.

"Before you even get into the challenges of implementation, there is a broader question about these mandates. We worry when the government imposes an unfunded mandate on employers, which is an abdication of its responsibility," says Brian Turmail, vice president of communications and strategic affairs for AGC. "It's one thing if a private owner, as a condition of hiring a contractor, requires vaccination.

That's a contractual conversation between an employer and its owner. The owner is paying for the project and the contractor gets to negotiate the cost as a result. The AGC is all for getting people vaccinated and we think that's the path out of this craziness. But the question is, what is the proper role and responsibility of the federal government if it wants workers to be vaccinated versus imposing that responsibility and cost on employers."

Turmail expressed concern about the costs of the mandate and the implied responsibilities of the general contractor and construction manager, which could be accountable for the vaccine policies of its subcontractors and suppliers. Given OSHA's success in holding the general contractor accountable for the safety practices of all subcontractors on a job site, the concern about the extended accountability is valid.

Of course, all concerns of contractors and owners are speculative as of the end of October. Perhaps as vexing as any of the provisions has been the fact that a policy was announced without the benefit of the accompanying rules.

"The challenging part is we hear what is supposed to be in the OSHA ETS but we haven't seen it yet. We're hypothetically drawing up plans and different options but, until we actually get the ruling from OSHA it's difficult to adequately prepare," says Ploeger. "We are trying to prepare as best we can, but we can't really take action until we see what we're up against."

"All conversations that we've had have been around supporting the current guidelines from an end user/owner standpoint. Our signatory employers have been working to be compliant with those. We've been working with our labor partners to help encourage and increase the vaccination numbers," says Dave Daquelente, executive director of the MBA. "But it is too early to have a firm position. The Biden administration made the announcement in September and now we are waiting on the ETS. I think there are more questions now than answers."

"The initial language is not written to be adequate for a multi-employer scenario like we have in our industry," he continues. "We don't have a lot of answers yet because they are literally building the plane as they are flying it." BG

TAX REFORM 2021 – BUILD BACK BETTER: PROPOSED CHANGES TO INCREASE NET INVESTMENT INCOME TAX ON S CORPORATION SHAREHOLDERS AND LIMITED PARTNERS

BY KIRK MITCHELL, CPA MST MBA

Congress is proposing to expand the scope of existing income subject to the Net Investment Income (NII) tax, which originated in 2013 under the Affordable Care Act.

As the Joint Committee on Taxation notes in its analysis of the Build Back Better proposed tax legislation, a principal effect of this proposal "is that those S corporation shareholders, limited partners, and LLC members who currently are not liable for FICA or SECA tax (self-employment tax), respectively, on their pro-rata shares, distributive shares, and partnership income and gain, become subject to NII tax on this income and gain above certain income thresholds" beginning in 2022. Where previously the tax applied to passive-type investment income, the proposal provides that high-income individuals will be subject to NII tax on net income or net gain even when they materially participate in a trade or business that generated the net income or net gain. Thus, more taxpayers will be caught by the new NII tax regime.

As Table 6 on Page 79 of the Joint Committee on Taxation Report highlights, the current taxation of various types of income under FICA, self-employment tax (SECA), and NII tax regimes under current law is as follows:

The current proposal is designed to generally capture the income under the "No 3.8% Tax" column currently not subject to the current tax regime.

Under the proposal, for individuals with modified AGI exceeding the "high-income threshold amount," the NII tax of 3.8% would apply to the greater of "specified net income" or "net investment income" (as defined under present law). Certain trusts will similarly be subject to the tax.

For individual taxpayers, the "high-income threshold amount" is $500,000 in the case of a joint return or surviving spouse, $250,000 in the case of a married individual filing a separate return, and $400,000 in any other case.

Specified net income is a new term under the provision. It will include income derived in the ordinary course of a trade or business and is the sum of (i) gross income from interest, dividends, annuities, royalties, and rents, (ii) other gross income derived from a trade or business, and (iii) net gain (to the extent taken into account in computing taxable income) attributable to the disposition of property; it's reduced by deductions properly allocable to such income.

While intended to generally increase NII, the proposal appears to allow nonpassive losses to be used in the calculation of specified net income. There is a limited income phase-in included in the proposal that reduces the impact of the tax based upon a ratio on the first $100,000 ($50,000 for marrieds filing separately) exceeding the applicable income.

The proposal also clarifies a few items regarding the determination of net investment income (and specified net income):

- Wages received with respect to employment subject to FICA taxes are not subject to the NII.

Type of Taxpayer	FICA	Self-Employment Tax (SECA)	NII Tax	No. 3.8% Tax
Employees	Wages			
Active S corporation shareholders	Reasonable compensation			Distributive share in excess of reasonable compensation, net gain from sale of business property
General partners		Self-employment income		
Active LP, LLP, and LLC limited partners or members		Guaranteed payments		Distributive share of partners claiming limited partner exception from SECA; net gain from sale of business property
Passive S corporation shareholders; LP, LLP, and LLC limited partners or members			Distributive share; net gain from sale of business property	
Sole proprietors		Self-employment income		
Investors			Investment income and net gain from passive activities or trading businesses	Investment income and net gain from active interests

- Net operating losses are not included as a deduction properly allocable to net investment income.
- Net investment income includes subpart F and GILTI inclusions in respect of stock of a CFC and QEF inclusions in respect of stock of a PFIC and codifies existing regulatory treatment of mark-to-market inclusions in respect of PFIC stock as net investment income.

If the proposed legislation passes in its current form, Section 1411 of the Internal Revenue Code will be a tiered tax regime for individuals based upon income earned; a taxpayer's income level will determine if and how the tax applies.

Income Earned	**Section 1411 Applicability**
AGI < $250,000	Not subject to NIIT
AGI = $250,001 – $399,999	Subject to current NIIT rules
Modified AGI > $400,000 or $500,000	Subject to proposed NIIT rules

Like the new proposed surcharge tax discussed, this tax is scheduled to apply to tax years beginning after December 31, 2021. For taxpayers looking to sell an active trade or business, this is another reason to close your transaction before December 31, 2021.

Considering the dynamic nature of government legislation, some details may have changed since publication. Schneider Downs will continue to monitor developments as these proposed changes move through the approval process. Additional articles and analyses will be provided in the coming weeks in our resource center at schneiderdowns.com.

Kirk Mitchell is senior manager, tax advisory services at Schneider Downs & Co. He can be reached at kmitchell@schneiderdowns.com.

DEVELOPING ENERGY SAVINGS

BY BRIAN DIPIETRO, AIA LEEP AP

Prior to starting Rockit Architects, when I was still a partner at WTW Architects and just before the pandemic hit in February of 2020, I was on what should have been a routine construction site visit. But of course, it was anything but routine. This was our firm's first net-zero energy ready project, and everyone was uncertain as to how or what the final building would look like. What I saw when I stepped inside the building took me by surprise, even though our local architect tried to tell me going in.

You see, the typical experience when you walk through a construction site in the dead of winter is that it will be cold inside the building. Even though the contractor tells you the building is airtight, and all the windows and doors are installed, you can still see your breath. All while you hear the roar of the torpedo heaters located at each stairwell spewing out controlled flames and heat, in an attempt to bring the building up to a tolerable temperature that is warm enough to hang and finish drywall without it cracking, to meet construction deadlines.

But not for this project; you couldn't see your breath. In fact, most of the laborers were working in t-shirts. As if that weren't impressive enough, there was only one torpedo heater in the building: in the main lobby on the ground floor, heating the entire building. There should have been at least eight for a building this size. Costs to heat the building during construction for one winter should have been around $80,000 but was only about $10,000. And that's just for winter heating. Imagine saving $70,000 a year on heating alone. So how did we get here, and how can you replicate it without costing a fortune?

Why should a developer worry about energy savings?

First, this project was for a public university in New York; SUNY-Polytechnic at Utica, the first of SUNY's sixty-four campuses in NY to achieve a net-zero energy ready, net-zero carbon in a residence hall (dormitory) in their system. This is important to note because the owner was responsible for all the utilities, so they had a vested interest in sustainability from an energy perspective, along with a substantial payback on utilities.

So, what's in it for the typical reader of Breaking Ground, seeing as most of you would never recoup the investment in energy savings? Unless you're paying the utility bills, you'll never see the benefits, right? Why let the tenants get all the savings? It depends on how you see the opportunities and market them, along with your potential buyers and potential funding sources.

The obvious benefit to any entrepreneur is the cost savings. If you have a building where you're paying for the utilities, then you see significant savings over the life of your project. But again, most of you aren't in that situation. But could you be? For developers of multifamily buildings, could you market your apartments or workforce housing as having utilities included? Sure, there's some risk of if the tenants use more water or electricity than is allotted, but that's always averaged out in that type of rental scenario. So then, what if you include utility cost in rent, but your utilities are 50 percent less than your competition? It gives you quite the edge after that initial investment up front.

Programs like those at New York State Energy Research Development Authority (NYSERDA), grant funding for projects based on percentage of energy saved. Most states, including Pennsylvania, have tax credits available for multifamily projects that meet the requirements of both affordable housing and Passive House standards.

On the other hand, funding sources have begun sprouting up promoting low interest financing and sometimes grants for sustainable projects. Programs like those at New York State Energy Research Development Authority (NYSERDA), grant funding for projects based on percentage of energy saved. Most states, including Pennsylvania, have tax credits available for multifamily projects that meet the requirements of both affordable housing and Passive House standards.

Alternatively, what about office or retail space, or even those apartments that don't want to include utilities for their tenants, or aren't eligible for tax credits? There are other ways to take advantage of a highly sustainable building. Some developers in the Pittsburgh region have invested heavily in sustainable features for apartments and office buildings, which they may never see the returns on. The Yards at 3 Crossings, which I helped design and manage while at WTW, had the largest rooftop solar array in the city of Pittsburgh at the time of its completion. The developer, Oxford Development, saw nearly zero payback on the investment because the tenants paid for their own utilities, but it invested hundreds of thousands of dollars in being more sustainable anyway. Oxford did the same thing at Riverfront West in the 3 Crossings development.

So why do some developers invest so much in sustainability if there isn't a direct payback? One of the most obvious reasons is the simplest. It's the right thing to do for our planet, for our future, and for our children's' future. But I don't think it's that simple. I think they understand, as you should, that more prospective tenants are putting sustainability as a higher priority on their list of "must haves" in a space.

A few years ago, I attended a convention where I sat in on a student panel discussing "what Millennials and Generation Z want in their student housing." The majority put sustainability first, with some students going as far as saying that they wouldn't consider housing that wasn't a minimum of LEED silver and wouldn't apply for jobs at companies they didn't consider environmentally friendly. As more people from these generations enter the workforce and climb the corporate ladder, these types of demands on housing and offices will become a mainstay. Sustainability is becoming a requirement in our society, not just a luxury or selling point. And that bar will continue to be raised.

Local zoning codes and amendments are already beginning to raise the bar. In Pittsburgh, the 2030 District has been adopted, encouraging participation in a program that promises 50 percent reductions in energy and water consumption. Pittsburgh's new RIV zoning along that riverfronts promote sustainability by allowing projects achieving LEED certification and certain sustainability benchmarks to add additional stories to their buildings otherwise not permitted by zoning. The international building code continues to increase the energy efficiency requirements with each new iteration of the codes.

Whatever your reason for building more sustainable, it's the "how" of the design that should interest you and what set this project, and approach apart from what you're probably used to seeing.

Reducing Energy Needs

To minimize the energy needed to operate a building, we look first at energy consumption and needs, and where they could be reduced in a more preemptive or passive manner (where Passive House gets its name). The largest percentage of energy usage, depending on where you look and how you categorize it, is either in lighting or heating and cooling. Luckily, the invention and proliferation of LED lighting has greatly reduced lighting energy usage in buildings everywhere, by 90 percent over incandescent bulbs and 50 percent over compact fluorescent lights. So, we propose focusing on the biggest remaining driver of energy consumption: heating and cooling.

To get to net-zero energy for our project, we took what I consider to be the commonsense approach to sustainability when it comes to energy reduction, by designing to Passive House standards. Why focus and spend money on more efficient equipment to heat and cool your building when you can design and construct the building to require less heating and cooling in the first place? That $70,000 saved in heating per year is because that's $70,000 worth of fossil fuels and electricity that don't need to be generated, how is that not good for the environment?

The typical approach to a project is to use high efficiency mechanical equipment, which reduces energy consumption (and costs) by about 20-25 percent. For a slightly larger cost, with an experienced design team, an enhanced building envelope should reduce energy consumption and costs by 80-90 percent.

We put our focus on building an enhanced building envelope designed to Passive House standards, although we wouldn't go for certification. The lesson learned is, that unless you're going for actual certification, there are some aspects that you may not get the return on your money. Much like anything else in life, there's a law of diminishing return.

For our project, we doubled the R-value of the exterior walls and roof, utilized triple pane thermally broken windows (European style), and focused on the air sealing and air tightness of the exterior air and vapor barriers. We also utilized thermally broken structural elements for any building projects and foundation elements, and increased ventilation. However, these last two elements accounted for almost 50 percent of the added costs, while only resulting in about 10 percent of the energy savings. Our advice: spend your money on increasing the exterior insulation, quality of windows, and air barrier. Achieve your 80-90 percent energy savings on heating and cooling; the extra five percent of energy savings isn't worth it.

What's the cost of this enhanced envelope? It depends on your building; shape, size, orientation, amount of glass, there are a lot of variables. But a good architect and contractor combination can make it relatively simple. As we speak, I'm waiting on pricing from a contractor building a vacation house in NY that is convinced (assuming it meets budget) to double the R-value for the exterior insulation using European style windows. As long as you have a good team, it becomes a simple pricing exercise, just like upgrading laminate countertops to granite, except the payback can be monumental.

Some developers take an all or nothing approach to sustainability, asking why invest money if you can't get the plaque to include in marketing. We're not promoting avoiding the sustainability certifications; we're encouraging the approach that some sustainability is better than none and suggesting you focus on the most impactful elements. BG

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INDUSTRY & COMMUNITY NEWS

The PBX dedicated its fall pig roast to its former board president, the late Brian McKay, founder of AMB Excavating. The roast raised $7,000 for ALS Association Western PA Chapter in honor of McKay. Volunteer "dunkees" for the event were (from left) Burns White's Kurt Fernsler, Adam Harris from Harris Masonry, Matt McKay (son of Brian) from AMB Plumbing, Rycon's J. R. Bittner (as Batman), PBX Executive Director Del Walker, and David Noss from RSH Architects. Photo by Corkboard Concepts.

George Ehringer was honored by the AIA-MBA Joint Committee with the Jim Kling Fellowship at the AIA Design Gala on September 20. The Kling Fellowship honors industry professionals for collaboration between architects and contractors. Pictured with Ehringer are committee co-chairs David Wells from RM Creative (left) and Shawn Bell from Turner Construction (right). Photo by Renee Rosensteel Photography.

BCJ's Greg LaForest (left) with John Robinson from PJ Dick at the AIA Design Gala. Photo by Renee Rosensteel Photography.

(From left) Rycon's JR Bittner, JR Reed, Neal Rivers from Easley & Rivers, and Reed Building Supply's Aaron Reed at the ASA Golf Outing at Chartiers Country Club. Photo by Sandra Vacca.

(From left) PJ Dick's Dan Greene, Brooke Waterkotte and Rich Yohe from Easley & Rivers, Eric Pascucci from PJ Dick. Photo by Sandra Vacca.

(From left) McKamish's Naley McKamish, Anthony Frangione, Bob Ward, and Dave Wingertsahn. Photo by Sandra Vacca.

(From left) Ralph Pagone, Trent Knight, and Matt Siefke from Goettle, Inc., with Lorraine Cooper from Skyline Steel. Photo by Sandra Vacca.

The Mascaro Family was recognized at the Heinz History Maker Award Dinner. This award honors individuals with Western Pennsylvanian roots for their contributions to this region and beyond. Pictured are (from left) Jeffrey Mascaro, John A. Mascaro and Michael Mascaro.

Mascaro employees volunteered their time answering phones for the WDVE Rocks Children's radiothon on Friday, September 24. The event raised over $1,000,000 for patient care.

(From left) Rycon's Brendan Madden, Matt Polechko from Shorenstein Realty Services, JLL's Clint Rounsfull and Nick Anthony at the MBA Golf Outing on October 13.

(From left) Ray Vogel, retired from the Carpenters, Burchick's Dave Meuschke and Joe Wardman, and Joe Beck.

(From left) Matt Quigley and Nathan Manuel from MSA, FNB's Joe Johns, and Bob McCall from the MBA.

(From left) Jim Cottone from Alliant Insurance, John Hannon, Chris Wetzel, and Alliant's Ryan Burke.


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AWARDS & CONTRACTS

Landau Building Company will be the general contractor for the WVU Medicine Ruby Memorial Hospital 1st Floor MRI Suite Renovation located in Morgantown, WV. Designed by Hobbs & Black, the 4,405 square foot space will receive new equipment, finishes, and associated MEP upgrades.

Landau Building Company is converting an existing operating room into an Endoscopy suite on Level 2 of WVU Medicine Ruby Memorial Hospital in Morgantown, West Virginia. This fast-paced project involves demolition, MEP, and finish upgrades. Hobbs & Black are the designers.

Landau Building Company was awarded the UPMC Theiss Relocation project designed by LGA Partners. The 5,400 square foot renovation of the current UPMC Community Pharmacy located at 1860 Centre Ave, Pittsburgh, PA will make room for Theiss Family Medicine practice.

Landau Building Company will soon begin upgrades to the UPMC Shadyside Hospital Radiology Department in Pittsburgh, PA. The approx. 1,295 square foot project area will receive MEP improvements along with equipment replacements. DRS Architects is the designer.

J.P. Morgan Chase selected **A. Martini & Co.** as contractor for the new $2 million Chase Bank branch at 4163 William Penn Highway in Monroeville. The architect is Feinknopf Macioce Shappa Architects.

Carnegie Mellon University selected **Mosites Construction** to be construction manager on its $40 million Automated Science Lab, the first cloud computing lab to be built in an academic setting. The architect is Strada Architecture LLC.

Port Authority of Allegheny County awarded the contract for general construction to **Mosites Construction** for its $4 million East Liberty and Manchester facilities renovations. The projects were designed by Whitman Requardt & Associates.

Cambria County Transit Authority awarded a contract for general construction to **Mosites Construction** for its $9.6 million rehabilitation of the Johnstown Inclined Plane. The architect is HNTB Corporation.

TEDCO Construction Corp. was the successful contractor on Penn State's $1.7 million New Kensington campus Science-Biology Labs Renovations project. The architect is Renaissance 3 Architects.

Chatham University selected **Jendoco Construction Corp.** as construction manager for its $9 million Rachel Carson EcoVillage at Chatham's Eden Hall Campus in Richland Township. The architect for the 34,500 square foot facility is Evolve EA.

Volpatt Construction was the successful contractor on the $3.4 million renovation of the University of Pittsburgh's office facilities at 3512 Forbes Avenue. The architect is The Design Group.

Turner Construction is general contractor for the Peptilogics tenant improvements at South Side Works. The 13,000 square foot interior fit out includes lab and office space for Peptilogics new headquarters. The project was designed by Bohlin Cywinski Jackson and CJL Engineeering.

Penn State University selected **Turner Construction** as construction manager for the $20 million Deike Building Clean Room Renovation. The project involves relocation of 23,000 square feet of cleanrooms from one building to another to prepare for a future building renovation. The architect is Bostwick Design Partnership.

Turner Construction is construction manager for the CBRE Office tenant improvements at One Oxford Centre. The 16,000 square foot office includes open workspaces, focus/huddle/conference rooms, breakroom, and executive board rooms.

Massaro Corporation was awarded a contract by University of Pittsburgh for the Cathedral of Learning Seventh Floor. The $3.7 million, 11,000 square foot renovation was designed by LGA Partners.

UPMC awarded contracts to **Massaro Corporation** for Presbyterian University Hospital Fifth Floor Dialysis Unit and the First Floor MEG Equipment Replacement. The architect for both projects is IKM Inc.

Rycon's Building Group was awarded the general trades contract for the third phase of upgrades to Hillman Library at the University of Pittsburgh. Rycon was also the general trades contractor responsible for the second phase of improvements. In sum, Rycon's contracts for both phases total $15.7 million. The project is pursuing LEED Silver certification and GBBN is the architect.

Rycon's Building Group was awarded the construction of a new 32,000 square foot life sciences building for University of Pittsburgh. The $12.5 million project is located on the Greensburg campus and is designed to achieve LEED Silver Certification. MCF Architecture is the designer.

Work consisting of a new 41,500 square foot multi-story addition to house four new emergency generators is underway at Magee-Women's Hospital by **Rycon's** Building Group. Newly added scope recently awarded includes the replacement of an existing 40,000-gallon fuel tank and boiler replacement program.

Rycon's Special Projects Group will provide preconstruction and construction management services to fit-out a 22,000 square foot high-end office space in 11 Stanwix for TriState Capital. Located on the 16th floor, the $2.6 million project is fast-tracked and will wrap up in three months. Strada Architecture is the architect.

Rycon's Special Projects Group is the general contractor for renovations totaling $5 million to the upscale Encore Apartments in downtown Pittsburgh for McCaffrey Interests. Work on the 18-story, 150-unit building will consist of two phases spanning over three years. Desmone Architects is the designer.

Tommy's Express Holdings, awarded **Rycon** another car wash located in Lawrenceville, GA. This is the second Tommy's Car Wash Rycon has been awarded bringing the total work to $4.8 million.

Rycon was awarded a $1.5 million renovation of the 11,400 square foot ImmunoTek Plasma Bio Center located in Killeen, TX.

Rycon was selected to rejuvenate a dilapidated building by converting it into a new multi-tenant kitchen facility for a confidential client. The $1.7 million project is located in GA.

U-Haul awarded **Rycon** another storage facility located in Harrisonburg, VA. This is the eighth U-Haul Storage Facility Rycon has been awarded bringing the total work to $75.2 million in the past year.

CBRE, Skye Retail Project awarded **Rycon** two Pep Boys remodels located in Fort Worth and Irving, TX totaling $707,000.

In Augusta, GA, **Rycon** will renovate retail space for a new Shapes Brow Bar Salon at Richmond Plaza. Rycon previously completed two other projects in this shopping plaza for Phillips Edison including a new Ashley Home Store and recruitment space for the Department of the Army.

AutoNation awarded **Rycon** a new $6.4 million car dealership in Albuquerque, NM. This is the ninth location Rycon has been responsible for in the past two years for a combined total of $31.3 million.

Rycon is wrapping up work to a former Sears location in Jackson Crossing in Jackson, MI. Additional work will soon begin on shell work for a new Planet Fitness. In total, the $3.7 million project will span five months.

In Doylestown, OH, **Rycon** is performing 3,600 square feet of upgrades for Dominion Energy Services, Inc. pertaining to their Austintown compressor station and Chippewa facility.

Rycon converted a vacant 27,000 square foot retail space into a Burlington located in Kissimmee Florida. This $1.5 million project will wrap up by the end of the year.

In Boston, MA, **Rycon** will soon convert a 1,600 square foot vacant retail space into a PNC Bank – North Station Branch. In the past year, Rycon has renovated three other bank branches in Arizona; Gilbert, Glendale, and Tempe, for PNC.

In Deptford, NJ, **Rycon** was awarded a renovation to Compucom Systems Distribution Center.

Scissors & Scotch awarded **Rycon** two high-end barbershop fit-outs in Denver, CO and Reston, VA. The scope includes a full-service bar and private lounge. Rycon has fit-out three additional locations in CO, VA, and Washington, DC which brings the total work to $2.1 million in the past year.

Mascaro received a contract for the Norfolk Southern Conneaut Creek Bridge. This project consists of the replacement of the bridge, including deep foundations, piers, structural steel deck, and framework.

As part of the CBI Services LH2 Sphere project, **Mascaro** will install sphere foundation, grouting, and stairway pads for the two 500Mg DW LH2 spheres.

Mascaro will be completing concrete work for the construction of an ash bunker as part of the AEP Mountaineer Bottom Ash project.

Mascaro was awarded the contract for the AEP Amos Plant Ash Unit 3, which will include deep foundations, rebar, and concrete mix design.

Mascaro's Client Services Group was awarded the Level 01 Radiology Reading Room/Admin project at AHN Allegheny General Hospital. This project includes the renovation of offices on Level 01 at the main hospital and South Tower to provide administrative space for Radiology Services.

Allegheny County Airport Authority awarded a $39.1 million contract to **Mascaro** for the foundations package for Pittsburgh International Airport's Terminal Modernization Program. The architects are Gensler + HDR in association with luis vidal + architects.

PJ Dick Mid-Atlantic office is providing CM at risk services for the Coscia Moos Architecture Office Fitout. The project consists of a 10,000 square foot renovation, including open office space, meeting rooms, a reception and waiting area, a library, and storage.

PJ Dick is providing CM at risk services for the Matthews Building Renovation. The project scope includes the addition of a lobby and interior renovations at the existing 60,467 square foot Matthews International Building.

PJ Dick has partnered with CADB Catalyst Construction Group, LLC to build a 10-story, 236,000-sf housing/commercial space with 292 units above an 88,300-sf garage with 227 parking spaces. PJ Dick will provide support to the on-site CM team and will be performing the concrete work for the project.

PJ Dick and Seton Hill University continue their longtime partnership with a design-build project at one of the campus' residence halls, Canevin Hall. The project includes the design and construction of six floors of restrooms as well as a renovation of the ground floor.

PJ Dick's Mid-Atlantic office is providing General Contracting services for the Cedarbrook Senior Care and Rehab - Skilled Nursing Addition. The $41 million project includes construction of a new 240-bed skilled nursing facility addition, including significant sitework improvements, utility relocations, and adjacent roadway widening.

PJ Dick's Mid-Atlantic office is providing general construction services for the renovations of all rooms in Unit B of the Philadelphia VA Medical Center Community Living Center to convert them into new single-bed patient rooms, nurses' stations, dining rooms, and offices. PJ Dick entered into a mentor-protege agreement with Fidelis Design & Construction LLC.

First National Bank selected **Shannon Construction** for its new $2.5 million branch at Edgewater in Oakmont. The architect for the 2,600 square foot new branch is DPH Architecture.

DiMarco Construction is nearing completion on the $7.4 million South Allegheny School District Stadium and New Athletic Building in Homestead. The project includes a new synthetic turf field, new grandstands, press box, and 4,500 square foot entrance building. The architect is Eckles Architecture.

Caliber Contracting Services, Inc. was the successful general construction bidder on the Housing Authority City of Pittsburgh's Direct Opportunities Center Rehabilitation. The architect for the project is Gerard Associates Architects.

FACES & NEW PLACES

Brent Matey recently joined **Burchick Construction Co. Inc.** as a project engineer. Matey is a graduate of Grove City College with a Bachelor of Science in Mechanical Engineering.

Doug Templeton joined **A.M. Higley** as senior project estimator. Doug brings 10 years of industry experience to Higley's Pittsburgh office.

The American Society of Safety Professionals (ASSP) bestowed its highest honor, that of Fellow, on Western PA Chapter of ASSP member, **Carl W. Heinlein**, who is senior safety consultant at **American Contractors Insurance Group**.

Josh Douglass rejoined **A. Martini & Co.** as estimator. He brings over eight years of experience in the field and is a graduate of Kent State University.

Allie Chornick joined **Mascaro** as a human resources generalist on August 23. Allie, a graduate of the University of Pittsburgh, holds her master's in Communications/English Education, in addition to certificates in human resources administration and organizational leadership and ethics.

Zac Quattrone joined **Mascaro** on August 23. He is an assistant labor foreman at the Carolina Panther Rock Hill Development project. Zac is a Washington & Jefferson grad with a degree in Business Administration.

Conor O'Toole joined **Mascaro** on October 11 as an MEP coordinator. He is a graduate of Drexel University with a Bachelor of Science in Mechanical Engineering.

Mascaro's director of electrical services, **Bill Rost**, was recognized by the Electric League of Western Pennsylvania as a 2021 Hall of Honor Inductee at this year's Hall of Honor and Excellence in Lighting Gala.

PJ Dick welcomed **Sean Grady** to its Exton office. Grady is a project engineer working at the Cedarbrook Senior Care and Rehab - Skilled Nursing Addition. Sean graduated this past May from Villanova University and earned a degree in civil engineering.

PJ Dick's Saratoga Springs office welcomed **Lori Rowe** as project engineer. Rowe spent 20 years as a project coordinator for Malone & Tate Builders Inc. She has taken business administration courses at Hudson Valley Community College and Schenectady County Community College and continues to work toward an associate's degree.

Pete Moore joined **PJ Dick**'s Saratoga Springs office as QA/QC manager at a confidential site. Malone earned an AS in Mechanical Technology from Tarrant County Junior College, and he has over three decades of professional and technical experience in the power, petroleum, natural gas, and chemical industries.

Steve Bayer transferred to **Turner Construction**'s Pittsburgh office from Maryland to work as project engineer on the University of Pittsburgh Upper Campus Chiller Plant and Distribution project. He has 16 years of experience at Turner.

Turner Construction hired **Matt Dinan** to be a field engineer. Dinan is a recent graduate from the University of Pittsburgh with a degree in Civil Engineering.

Terrell Galloway joined **Turner Construction** as an engineering assistant. Galloway recently graduated from the University of Pittsburgh with a degree in Mechanical Engineering.

Cullen Raftery joined **Turner Construction** as an engineering assistant. Raftery graduated from Penn State University with a degree in Architectural Engineering.

Turner Construction promoted **Mike Urciuolo** to project superintendent. Uricuolo has 14 years of construction experience and will be working on The Assembly project in Shadyside.

Kevin Vasil joined **Turner Construction** as a project superintendent in its Interiors Group. Vasil has over 30 years in the construction industry.

John Pasquale has been promoted by **Turner Construction** to project superintendent. Pasquale has 40 years of construction experience. He will be working on the Verizon Johnstown project.

Turner Construction promoted **Bill Parke** to project superintendent. Parke has 39 years of construction experience. He will be working on The Assembly project.

Facility Support Services, LLC welcomes **Sean Goldsmith**, PE, as president. A graduate of Virginia Military Institute and a registered engineer in Virginia, Goldsmith brings more than 27 years of consulting engineering and construction experience.

Tammy DeMarco has been promoted to general manager of **Facility Support Services, LLC**. She brings over 30 years of construction expertise and has served in a wide variety of roles, most recently as estimating supervisor.

In **Rycon's** accounting department, **Nate Andreen** has been hired as staff accountant.

Travis Bailes joins **Rycon's** Building Group as project manager with 15 years' experience in the industry.

Recent University of Pittsburgh graduate, **Shannan Balego**, who earned a degree in financial accounting, joins **Rycon** as staff accountant.

With 22 years' experience in the construction industry, **Debbie Corbin** joins **Rycon's** Special Projects Group as estimator.

Toni Crough, recently relocated to Pittsburgh from Los Angeles, joins **Rycon** as marketing coordinator.

Rycon's Philadelphia office hired **Karin Gbedema** as CO-OP, who is currently pursuing a degree at Drexel University in architectural engineering.

Halie Girgash joins **Rycon's** Casework & Millwork Division as project manager. She has an undergraduate degree from Slippery Rock University and master's degree from California University of Pennsylvania.

Rycon's Fort Lauderdale office welcomes **Karen Gonzalez** as project engineer.

Rycon hires **Ivy Kentzel** as project coordinator within the Building Group. She has over eight years of administrative experience and a degree from the University of Pittsburgh.

Rycon welcomes **Corinne Meinert** as project coordinator within the Special Projects Group.

Karl Narad Jr. joins **Rycon's** accounting departing as junior staff accountant. He spent the last five years as a steelworker while earning an accounting degree at Indiana University of Pennsylvania.

Amber Nguyen, a junior at Drexel University, joins **Rycon's** Philadelphia office as a CO-OP.

Slippery Rock University alumnus, **Alec Pantis** has been hired in **Rycon's** safety department as safety coordinator.

Kolby Randolph joins **Rycon's** Special Projects group as an experienced estimating assistant.

Jamie Rogers joins **Rycon** as project manager in the Atlanta Office. He brings 16 years' experience to the company.

Rycon's Casework & Millwork Division hired **Mike Sirera** as drafting manager with 25+ years in the construction industry.

Patrick Standish is hired as an estimator in **Rycon's** Philadelphia office. He has 11 years' experience and a construction degree from Illinois State University.

A graduate of Washington & Jefferson College with six years' experience, **Rycon's** Special Projects Group welcomed **Daniel Toski** as project engineer.

Rycon's Special Projects Group welcomed **Ben Wilston** as an estimator. He has six years' experience and is a graduate of Kent State University with a bachelor's degree in architecture and a master's degree in business administration.

University of Pittsburgh graduate, **Dylan Witt** was hired as an assistant project manager in **Rycon's** Special Projects Group.

Erika Van Woerkom has been hired as office manager in **Rycon's** Philadelphia office.

Within **Rycon's** Pittsburgh Office, employees in various departments were promoted: **Reid Cservak** as account executive, new business; **Dena DiVirgilio** as AP/AR manager; **Mark Himmel** as senior network administrator; and **Emily Taormina** as project engineer assistant within the Building Group.

In **Rycon's** Fort Lauderdale office, **Linette De La Cruz** was promoted to senior assistant project manager, **Fabio Liriano** was promoted to project manager, and **Micah Shaw** was promoted to project executive.


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CLOSING OUT

BY DIANA IREY VAUGHAN

My primary goal as County Commissioner is to ensure that Washington County is prepared to meet any and all challenges the future holds. It is imperative that future generations are provided with all the necessary tools to succeed and to accomplish this is to look forward and embrace new industries and the technologies they bring.

Over the past decades, Washington County has been able to build economic strength and stability from the development of Southpointe I & II, and the natural gas industry. And though the natural gas industry has provided an enormous windfall for the county and its residents, the industry has also been exceedingly volatile. That is why I feel it is so important that we take full advantage of our strong fiscal situation and continue to work towards more development opportunities and diversity in our economy to ensure that Washington County's economic growth continues for generations to come.

Diversity opportunities are already taking place. Many new projects are either underway or have been completed. The most recent is the completion of the Southern Beltway, connecting Southpointe with the Pittsburgh Airport and creating a commercial and industrial corridor that has enormous potential economic benefit for the county. Washington County's own airport is expanding, construction is underway for several new hangars and manufacturing facilities along with an extension of the runway to allow for larger jets to take off and land. Both projects have the county poised to become a regional transportation hub that will generate future economic viability, particularly given the trend toward needed distribution and warehousing.

Becoming a regional transportation hub still requires businesses to locate to Washington County. For us to be ready to accept new businesses and industries to relocate here, we must have pad-ready sites available. To address this need, the county has made the Cool Valley development its top priority. Located across I-79 from Southpointe, Cool Valley is a 911-acre development that will house light-industrial and manufacturing, multi-family and retail. New, pad-ready sites will be completed in the first phase of construction, providing future homes to new industry.

Even with the many new opportunities leading us toward a more economic diverse economy, the primary challenge for businesses remains, finding qualified people to hire. Our Workforce Investment Board is currently developing a comprehensive Education and Training guide to assist our residents and employers in obtaining the workforce they need.

Washington County recently created an Economic Development Advisory Board, consisting of community and business leaders, to advise on the update of a comprehensive plan that will focus on identifying those specific industries that have already located to the county or plan to locate in the near future. The Economic Strategy will identify opportunities for new business based on future trends as well as supporting industries for our existing businesses. In addition, it will help to identify locations for new development and recommendations for adaptive re-use of some of our existing underutilized or empty commercial and retail sites. Further, it will identify important areas of Washington County to preserve and protect. This strategy will form the basis of the overall comprehensive plan that will study all other aspects of the county from housing, education, recreation, transportation, development, and open space to ensure that the decisions made today will shape the future of Washington County as a preferred destination for business enterprise.

This is how we diversify Washington County's economy and prepare for the future. That is how we plan on meeting the challenges of tomorrow.

Diana Vaughan is the chair of the Washington County Commissioners and the owner of SucCeed. She can be reached at IreyDL@co.washington.pa.us.

Diana Irey Vaughan