SOUTHPOINTE
Turns Twenty
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I prepared for this glorious career of writing stories about construction by studying history and it’s still a bit of a passion. In fact, my wife will attest to the fact that this extends over into my television watching, usually a documentary involving what she calls “somebody dying in some battle.” So it’s not surprising then that I found the history of Southpointe’s development pretty fascinating.

In truth of course, Southpointe is more than just the history of the development. The office park as it was planned and executed has been one of the transforming projects for the region. With a large measure of pride, the civic and economic leaders of Washington County point out that Southpointe is the home of many of the businesses that loom large in the resurgence of the economy here. And certainly the energy sector, which is at the center of the future prosperity of the region, is more than represented at Southpointe.

One of the historical aspects of the project was the politics. Washington County politics always seemed to me – an admittedly ignorant observer – to have a split power base with the steel and labor driven politics of the Mon Valley in the east and the more traditional power base in the heart of the county based on coal and agriculture. Southpointe, as it developed, benefitted from the vision and influence of the leaders from both sides of the county.

This makes sense, given that one of the principal aims of Southpointe was to create a new economic base that could replace the jobs lost at the steel mills, coal mines and glass plants in the early 1980’s. The names of the authors of Southpointe read like a who’s who of Washington County politics. There are Mascara and Stout and Piatt, and it’s probably true that not all of these participants were interested in the project from a purely altruistic standpoint. At the end of the day the efforts, the influence and coercion from all these parties produced a mixed-use development that has become home of some of Pittsburgh’s most successful new and old companies.

Next year marks the 20th anniversary of the construction of the first of the buildings at Southpointe. We tend to think of Southpointe as a reasonably new development but in fact it has been around for a generation now. Like Greater Pittsburgh, the success of the park didn’t happen without a few fits and starts.

Throughout the 90’s there were years when as many as eight buildings were built and years when only a few got started. By looking at the names of the occupants of the buildings over the years you can follow the arc of the business cycle. There were dot com businesses, telecom companies and now energy companies. Most of us would like to see that the energy industry doesn’t go the way of their predecessors in telecommunications or IT but it’s worth remembering that a park with a great location can serve the businesses of a region regardless of the ups and downs of the cycle.

I hope you’ll enjoy reading how the park developed, its twists and turns and the significance of the role Southpointe played in reshaping Pittsburgh’s market.

This is also the last BreakingGround before the national elections in November. No, we’re not going to get frisky and offer a forecast of the election results but it has been encouraging that over the last 30 days owners and developers in our part of the world seem to have concluded that with the election looming they may as well get off the dime and get some work underway. They may have finally come to the wizened conclusion that it won’t matter who occupies the White House or Congress come November as much as how well their business and their clients’ businesses are doing. After a summer of fretting those businesses are looking forward with a little more optimism. We shall see.

If this is the first sign of prosperity in 2013 and 2014 it came a bit late. For all practical purposes the die was cast for 2012 after the Fourth of July and that wasn’t a good thing for many. Across the country, 2012 is turning out to be a year that has been as tough on businesses in construction and real estate as any in the last recession. While we have fared better than other regions, 2012 will not be remembered fondly by those in our industry.

So let me be the first to wish 2012 a fond farewell. Three months early I say Auld Lang Syne and on to 2013.

Jeff Burd
REGIONAL UPDATE

Were Shakespeare to have been involved in the construction industry in 2012 he would surely have written that this was the “summer of our discontent” to begin Richard III.

Barring an unusually robust September, contracting for the second and third quarters of 2012 will be in the neighborhood of $1.4 billion, marking one of the slowest spring and summer periods in many years. In constant dollars you have to go back to the recession of 2000-2002 to find lower contracting volume. Adjusted for inflation the activity falls short of those years. The data is in some way even better than the reality, unfortunately, since the contracting totals include nearly $500 million from the Tower at PNC Plaza, Cardinal Wuerl High School and Penn Hills Elementary alone.

Through the end of August the contracting volume for the seven county metropolitan area stood at $1.9 billion. Because of the general uncertainty about the economy and the government, projects went on the back burner after the first quarter that were slotted for starting in 2012. Since some of the region’s bigger projects were in that category, Tall Timber Group has altered its forecast for the full year down significantly, now expecting less than $2.9 billion for the full year after earlier forecasts of approximately $3.5 billion. And even that revised forecast includes a measure of optimism about the last months of 2012.

What is fueling the optimism at this point is a recent shift in the trend of deferred projects. At the base of Tall Timber’s more robust forecast for 2012 was the heightened level of corporate real estate activity coming into the year. Chevron, USSteel, Ansys, and Industrial Scientific were among dozens of corporate users looking for leases or building opportunities. While few of these have turned into projects yet, none have gone away, and feedback from real estate brokers and developers is that interest has picked back up as the summer winds down.

One development that is definitely picking up is Southpointe. The recent announcement by Burns & Scalo Real Estate that they are in the final stages of planning more than 400,000 square feet after landing the rumored Ansys deal is but a part of the action there. Horizon Properties is selecting their contractor for the first two Southpointe Town Center retail buildings and steel is being erected on their J. Barry Center, being built by Rycon Construction. Deals have been done or construction started on three separate independent parcels for new buildings, effectively closing out the development opportunities there. With the demand for space along the I-79 corridor still very high, interest should be building rapidly in the Cool Valley project across the interstate from Southpointe, although little progress on that development has been reported.

Activity has picked up in two other submarkets as the year has advanced.

Construction is progressing on the Cranberry Crossroads, being co-developed by Echo Real Estate for retail and Elmhurst Group for office. Elmhurst is also about to begin its Commons at Thorn Hill project, which ultimately will include two 48,000 square foot flex buildings. The excitement in the Cranberry market is more about the projects being planned. UPMC selected PJ Dick to be the construction manager on its $35 million sports medicine complex and Penguins practice facility, to be located at the top of the Village at Cranberry Woods property. There is also interest in the Cranberry Woods project. Developer Trammel Crow has been actively marketing a site for Building #9, which is planned to be roughly 180,000 square feet. At the northwest corner of the park, property has been sold to a company reportedly acting for Highmark as the site for a medical mall that would likely be in the $100 million range.

The other active submarket is the Parkway West/Airport Corridor. This corridor has become a new focus for the oil and gas industry players, with the Marcellus Shale Coalition even relocating their offices there. Chevron has been adding aggressively to space in the Cherrington Corporate Center. Construction is about to start on roughly 75,000 square feet for Williams Midstream in Park Place Corporate Center. That property has undergone a dramatic transformation since its acquisition by USAA. An owner with very deep reserves, USAA is reportedly searching for other acquisitions in the market. As leasing/drilling activity heats up in
Beaver County and the Shenango Valley, the airport area should become increasingly more active in 2013-2014.

Pittsburgh’s housing market is another that is bucking the slowdown. Residential sales fundamentals have been at unusually high benchmarks throughout 2012, with sales volume and average home price up over ten percent virtually the entire year. New construction volume is up by an even brisker pace, with new home permits up more than 12 percent through August and the growth trend accelerating.

Among the larger bidding opportunities in the market at present are the $50 million Weisberg Applied Engineering Center at Marshall University, bid packages for the Tower at PNC Plaza and some remaining bid packages at the Allegheny Ludlum Brackenridge mill.

Architects and engineers remain busy, although their activity can be less of an indicator in market conditions like have been experienced this year. The cost for owners to continue the design is relatively small compared to the overall project cost and keeping a design process alive can be valuable in uncertain markets. This is especially true for commercial projects, where success with a large tenant can move a project from cold to hot overnight.

The takeaway from the third quarter seems to be that there are at least short-term indications that owners have decided to look past the coming elections and the summer’s slowdown and are focusing on the region’s economy, which remains strong. Virtually all the regional developers that have projects on the boards are in the process of getting under construction with some portion of the plan. Perhaps that is an indication of the improved financing conditions but it may also be a signal that private money has grown tired of sitting on the sidelines. Of course the other alternative explanation could be that users have become decisive and the new construction is now necessary. Given the up-and-down nature of the past few years it may be better not to assume the latter.

Within six weeks we’ll know what the elections have wrought and a few weeks later there will be the first indication of how the consumer will react to the Holiday season of 2012. If recent history is any indication, neither result will be as indicative of the future direction of the economy. The real indicator will be decisive actions taken by local businesses.

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NATIONAL MARKET UPDATE

For the third consecutive year construction activity fell back to wipe out much of the expansion of spring as summer ended. Like in 2010 and 2011, the root of the problem lies with failing optimism about the direction of the national and global economy.

Both national construction reporting services showed significant decline in July – the most recent month measured – and their trending data showed a continuation of softer conditions in August. Although McGraw-Hill Construction and Reed Construction Data usually report diverging data, their research for July 2012 showed a decline of 10 percent and 12 percent respectively for non-residential starts, compared to June 2012. McGraw-Hill's year-to-date numbers reflect a four percent increase from January to July, while both Reed and the Census Bureau show slightly more than nine percent growth in activity. Census Bureau information on July construction spending showed a decline of 0.9 percent from June.

Some of the segment data released by McGraw-Hill showed, “Non-building construction in July dropped 18 percent. The electric utility category plunged 36 percent, falling for the third month in a row. The public works sector in July fell 16 percent, sliding back after a brief upturn in June. On the plus side, highway construction in July improved 6 percent from a lackluster June, although July's amount was still 8 percent below this category’s average pace during 2011. Nonresidential building decreased 7 percent in July, with weaker activity reported for the majority of the institutional categories. Educational facilities in July dropped 12 percent, after showing some improvement during the previous two months. The commercial categories in July were able to show modest growth. Hotel construction in July climbed 13 percent. Office construction in July grew 4 percent, following a steep 30 percent drop in June.”

Reed's research showed that commercial year-over-year starts were down 32 percent, while year-to-date starts climbed 13 percent. Industrial building starts were off 16 percent year-to-date, institutional building starts rose 7.6 percent, and heavy engineering starts increased 9.7 percent.

There are a couple of indicators that reinforce the notion that the lack of evidence of a renewed growth cycle is suppressing demand for new construction that will carry at least through the fall. One of them, the new orders for durable goods rose 4.2 percent in July but only because of a spike in orders of aircraft and other transportation equipment. After backing out the defense-related orders the net consumer durable goods orders declined 3.4 percent from June to July. Non-defense durable goods orders declined 14.4 percent on an annual basis during the three months of May-June-July, an indication that purchasing managers cooled their plans. That three-month decline was the largest since late 2007.

Another forward-looking indicator is FMI’s Non-residential Construction Index (NRCI), a survey of construction executive panelists from all over the country. FMI’s third quarter 2012 report shows that the optimism of earlier this year faded in the third quarter. The NRCI composite index was 54.8, down 5 full points from the second quarter reading. Some of the highlights of FMI’s survey were that one in three panelists reported that projects were being financed by contractor equity participation, while one in four was being self-funded by owners/developers. Panelists also saw a significant increase in contractor failures in 2012, mostly from poor management and declining margins.

Hiring in July showed some promise after several months of tepid new employment. The Bureau of Labor reported 163,000 new jobs in July after increases of less than 100,000 for the first six months of the year. August preliminary were more lackluster, adding 96,000 jobs.

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![S & P/Case Shiller Home Price Index for the period ended June 30 showed positive home prices in all 20 cities of its composite index.](image)
Gross domestic product growth in overseas markets remained a major source of concern for U.S. businesses in the summer. With major markets showing declines in GDP (most of Europe, Japan) and others showing sharp declines in the rate of growth (China, Russia, India), the prospects for exports of American-manufactured goods were dimming, even with a weak dollar. Here in the U.S. the Commerce Department reported GDP growth of only 1.5 percent in the second quarter following a tepid 2 percent growth in quarter one. Bucking the downward trend in GDP was U.S. housing construction, which was contributing to GDP after more than five years of being a drag on the economy. Continued growth in the number of new homes built will not only boost GDP but also make a dent in the unemployment rate.

The S&P/Case Shiller Home Price Index reported a national increase in housing prices of 1.2 percent in the second quarter of 2012 compared to the same period in 2011 and a 6.9 percent increase compared to the first quarter of 2012. Moreover, Case Shiller showed an increase in prices measured in both its 10-City and 20-City Composite Indexes, the first time all three indexes were positive in two years. The second quarter also marked two consecutive months that all 20 cities and the Composite Index were positive, with the 20-City Index up six percent from the first quarter.

The improved home values are a reflection of long and precipitous decline in many markets rather than greatly improved conditions; however, the return to appreciation was necessary before prospective home buyers would venture into the market. At the same time values are firming the lending conditions are normalizing. The biggest stumbling block to a return to a mortgage market in line with historical conditions continues to be the loan-to-value ratios, which remain low enough to make saving a sufficient down payment a daunting task. Indications are that these conditions too are beginning to relax but until higher loan-to-value ratios return, lending conditions will remain a drag on new construction and home sales.

Even with the less than favorable financing environment, new home construction is on a steadily-improving arc. Starts in July reached a seasonally-adjusted annual rate of 812,000. While that volume remains at least several hundred thousand units below the household formation rate, July’s home construction was 6.8 percent above June’s volume and 29.5 percent above the level of July 2011.

The combination of rising values and available inventory of new homes should fuel the upward trend in new home construction, perhaps reaching the one million unit milestone as early as late 2012. That volume would be an important psychological point for the housing industry. It is equally important that the million unit level also supports several mil-

THE SECOND QUARTER ALSO MARKED TWO CONSECUTIVE MONTHS THAT ALL 20 CITIES AND THE COMPOSITE INDEX WERE POSITIVE, WITH THE 20-CITY INDEX UP SIX PERCENT FROM THE FIRST QUARTER.
lion more jobs, bringing the unemployment level down by as much as two full points from the bottom of the housing market. Given the current trend in the labor markets, such growth in new construction would bring the unemployment rate down to the seven percent range.

Apartments remain a hot property type. There were 36,000 units delivered in the top 54 U. S. markets in 2011 but over 100,000 units are expected in the same markets this year according to CoStar’s early August online newsletter. Multi-family REIT’s are reporting approximately $7 billion in apartment projects in their pipelines.

“We don’t believe it is because we’re in the middle of the Echo Boom, which is entering the prime renting cohort, and we expect around 7,000,000 new households to be formed over the next four years—the strongest young household growth since the Baby Boom years—producing the biggest demand boost in 40 years. There’s enough demand to meet that supply wave,” CoStar economist Erica Champion said.
WHAT’S IT COST?

The mid-August inflation report from the Bureau of Labor Statistics showed an extension of the trend that has been in place for most of 2012, with a continuation of the declining trend in prices associated with non-residential and increasing prices for those driven by residential construction.

Some of the highlights of the data include a modest rise in the producer price index (PPI) for finished goods of 0.2 percent in July over June and 0.5 percent year-over-year; for construction industry materials the PPI declined 0.7 percent for the month and 0.6 percent for the year. The falling PPI was the first since November 2009 for construction inputs. The decline in PPI inputs for construction came principally from declines in diesel fuel – down 9.3 percent for the year, aluminum – down 9.4 percent, copper – down 16 percent and steel mill products – which slumped 5.9 percent since last July. While these materials aren’t exclusively used in non-residential construction projects, they have higher usage rates in non-residential construction and therefore are being negatively affected by the sluggish demand for those building types.

Producer prices for materials with high usage rates in residential construction have conversely seen demand rise and pricing go with it. Double digit increases were seen year-over-year in gypsum products and architectural coatings – 15.7 percent and 11.7 percent respectively, while prices for lumber rose 5.4 percent and insulation 8 percent.

The new home construction market remains well below normal levels but the increase of several hundred thousand units overall means that housing will be up more than 20 percent in 2012. Because the housing decline was so steep and extended, manufacturers of products used heavily in residential construction have battled market forces by cutting production and
shuttering plants. Prior to 2012, however, demand was so low that the reduced supply didn’t put upward pressure on prices. Combining the modest boost in demand with a constrained supply chain has given makers of drywall and paint, for example, the favorable dynamics they need to get price increases to stick at last.

Oriented strand board is an example of how the improved residential demand is squeezing prices. According to the Engineered Wood Association the market for OSB will be 45 percent for new housing, 25 percent from residential remodeling and only 15 percent from non-residential construction.

These conditions are impacting costs for building types and specialty contractors as well. Prices for office, industrial, warehouse and school buildings were largely unchanged in July and show increases of three percent or less for the year. Specialty contractors have seen even smaller increases, with the exception of roofing contractors, where a 4.5 percent increase has been driven by the residential market.

One commodity that has seen increases in recent weeks and could pose an inflation threat for all types of construction is diesel fuel. Through September 10 the price of diesel had risen twelve straight weeks, reaching $4.13 per gallon on August 20. While demand for diesel has remained moderately good, pricing has been influenced greatly by factors affecting supply. An August 6 fire at Chevron’s Richmond CA refinery pinched West Coast capacity and the start of hurricane season in the Gulf of Mexico caused rigs and refineries to close there. U. S. refining capacity is already a tenuous line of supply so serious disruptions from weather – which haven’t occurred in a few years – will push diesel prices well above four dollars.

Aside from the diesel supply, the market conditions going forward should remain consistent through year end. As the evidence of a recovering housing market mounts, it is likely that the increases in prices for items used heavily in that sector will continue. The nonresidential construction market will be the wild card in forecasting inflation past the end of 2012. Even with a sluggish U. S. economy the outlook for non-residential construction is for continued improvement in 2013. A stronger U. S. economy will drive demand for construction inputs, however, the driver for any extraordinary inflation – meaning price increases of more than five or six percent – will be a resumption of growth in global markets. The prospects for such growth in 2013 are dim.
WHEN THE NATURAL GAS INDUSTRY LANDED IN WESTERN PA TO BEGIN EXPLORATION OF THE MARCELLUS SHALE FORMATION, ONE OF THE BIG WINNERS WAS THE SOUTHPOINTE OFFICE DEVELOPMENT. AS A GLOBAL RECESSION WAS ABOUT TO START THE MANY PLAYErs IN THE GAS INDUSTRY NEEDED SPACE AND MORE OF IT AS THE SHALE PLAY EXPANDED. VACANCY DISAPPEARED AND THE STAGE WAS SET FOR THE SUCCESS OF THE NEXT PHASES OF SOUTHPOINTE. HOWEVER, ONE LOCAL ECONOMIC DEVELOPMENT EXECUTIVE ISN’T WILLING TO CHALK THE CURRENT SUCCESS OF THE DEVELOPMENT UP TO A SINGLE INDUSTRY.
“Southpointe isn’t just about energy companies; it’s been a key driver for the economy for more than 20 years,” says Jeff Kotula, CEO of the Washington County Chamber Of Commerce.

Kotula is obviously happy that the gas industry landed squarely in northern Washington County but at the same time he reminds people that the county was already an economic success story prior to the Marcellus Shale exploration. “The growth in Washington County has come from an intentional strategy from the Commissioners and economic development agencies to take advantage of our attributes,” he says, “Those are the I-79/70 corridor, the proximity to Pittsburgh and the tax structure.”

Those key attributes were what the Commissioners and some regional leaders had in mind when the opportunity arose to buy land from the state that was part of the Western Center. The property was excess land that was used for fishing and farming to support the boys’ school and later, the psychiatric hospital that the Commonwealth operated.

Kerry Fox is a community development specialist for the Redevelopment Authority of the County of Washington (RACW). He was also working for the RACW in the 1980’s when the county and local politicians were looking for ways to create opportunities for new businesses to replace the employment lost when steel, coal and glass manufacturing jobs were lost.

“Keery McAmbley was the industrial development director for the Redevelopment Authority and the idea first came from him,” Fox remembers. “He brought it up to Roland Bourke, who was executive director and became the visionary about the possibilities for Southpointe. Bourke took it to Jack Piatt and the project became a kind of private/public partnership. Millcraft did renderings and took an option on five parcels and the politicians got involved from there.”

At the forefront were County Commissioner Frank Mascara (later a U. S. Congressman) and State Senator J. Barry Stout. The concept for Southpointe was a high tech research and industrial park, something akin to the Research Triangle Park in Raleigh, NC. The County had the wherewithal to acquire the 589 acres that the state was making available but didn’t have the resources to make the critically needed infrastructure improvements, let alone create the amenities a high-tech park would demand. Stout’s work yielded the approval of the General Assembly to sell the property and commit $30 million over the next decade for roads, sewers and an interchange. Mascara’s enthusiasm persuaded Washington County Commissioners to propose the construction of the first bridge across Chartiers Creek and to build the first building for Accutrex. Then-Governor Robert Casey formally presented the deed to the County Commissioners on May 8, 1987.
It would be wrong to say that the park was off and running from that point. County commissioners and civic leaders had created a lot of buzz to get the project approved but then the reality of development set in. The RACW hired Lorenzi Dodds & Gunnill to do the engineering for the infrastructure and to set design standards for the park. Millcraft commissioned a master plan for its part. Then the site and infrastructure preparation proceeded over a five-year period. When the first building opened in 1993, Southpointe was being viewed locally as more hype than substance. The project picked up the nickname, “Frank’s folly.” Even after the construction of the 66,600 square foot Accutrex facility and smaller buildings for Bailey Engineering, Stevens Painton and Mictec in the first year, the public reception was muted.

“At the time [Southpointe] was very controversial,” recalls Fox. “I still have a newspaper article from some writer who drove through and said the silence was deafening. He wrote something like there were more rabbits and deer running across the park than people.”

The turning point for Southpointe’s development came in 1994. During that year the second interchange at I-79 opened to serve the northern entrance to the park. The golf course, Southpointe Country Club also opened, giving a lifestyle amenity to the residents in the park and some extra cache for the businesses there. And Bayside Automation opened a $22 million, 208,000 square foot building in 1994. That project gave the development the extra boost that comes from landing a large user, the kind that the Commissioners envisioned occupying the park at the outset.

Of the milestones that year, none were as important as the completion of the interchange, which not only gave a second, more convenient entrance but also gave Southpointe its own exit identity. That convenience helped tip the property type mix towards office.

“The vision for Southpointe I was high tech industrial, not so much office but when the robust 1990’s happened, companies found out it was convenient to work in Washington County,” say Michael Swisher, vice president and principal at Horizon Properties. Swisher helped develop the master plan for Millcraft while he was at Team Plan Inc. in North Palm Beach. Team Plan had worked with Millcraft in Florida on The Reserve prior to Southpointe. “When the interchange opened in 1994 it kind of opened the door.”

The completed interchange opened the door for Burns & Scalo Real Estate as well. The firm was in its early years and was looking to develop in Southpointe as a partner in Scalo Case.

“We watched the park from the beginning but didn’t go into Southpointe until the interchange opened in 1994,” explains Jim Scalo. “When that happened we entered and built our
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first building (121 Hillpointe Drive). It was so successful that we stayed there for a run of 700,000 square feet.”

During the next half decade, Scalo Case developed eight projects, including two of the first multi-tenant buildings that were more than 100,000 square feet, the Stealth I and Stealth II buildings.

Kelley Hoover is Burns & Scalo's director, brokerage services and was the leasing agent for the firm in 1995 when they developed 121 Hillpointe Drive. She says the interchange was the key element to the park’s expansion but also credits the amenities.

“Southpointe was appealing because it was a mixed-use park. It had everything,” she explains. “The golf course was one of the big attractions. Tenants could look out onto the course from their offices or rent an apartment on the golf course – it’s the only course in Pittsburgh where you can rent an apartment. It’s a great atmosphere and we relocated a lot of companies from Downtown and the Parkway West because they wanted their clients to know they had ‘made it’ and they wanted their employees to think so too.”

The years immediately following the interchange completion were the ‘golden era’ for Southpointe I. Between 1995 and 1998 there were 19 more buildings opened from other developers like Gustine Co., Hershey Leasing, The Alter Group and Millcraft. A number of the parcels were also sold off directly to end users like Heeter Printing, Champion Moving, Centimark and Crown Castle. By the time Southpointe I was completed in 2002, nearly 2.5 million square feet of commercial space had been completed and the businesses located at Southpointe were employing over 5,000 people. Much of what the County Commissioners had intended was coming true and no one was calling the park “Frank’s folly” any longer.

“SOUTHPOINTE WAS APPEALING BECAUSE IT WAS A MIXED-USE PARK. IT HAD EVERYTHING,” SHE EXPLAINS. “THE GOLF COURSE WAS ONE OF THE BIG ATTRACTIONS. TENANTS COULD LOOK OUT ONTO THE COURSE FROM THEIR OFFICES OR RENT AN APARTMENT ON THE GOLF COURSE – IT’S THE ONLY COURSE IN PITTSBURGH WHERE YOU CAN RENT AN APARTMENT.
Southpointe’s impact reached beyond the real estate and employment. The location of the development along the interstate highway at the border of Washington and Allegheny Counties made Southpointe a catalyst for new housing and retail. From the mid-1990’s until today, the communities that are along the I-79 corridor have seen steady and strong growth. Year in and year out the municipalities of Peters Township, North Strabane Township, Cecil Township and South Fayette Township are in the top ten for new home starts and commercial construction. The gap that used to exist along Route 19 between Upper St. Clair and Donaldson’s Crossroads has been filled with millions of square feet of retail shops, medical offices and service businesses.

The development also provides approximately $4.4 million in real estate taxes to the various taxing bodies each year: $3.1 million to the Canon McMillan School District, $617,000 to Cecil Township, and $720,000 to the County of Washington.

Southpointe’s location played an important role in the development but so did some of the key elements of the planning, says Kerry Fox. “The cheap land drove the development. Back in the early days the land was sold for $15,000 to $24,000 per acre. That allowed developers to put the money into the buildings,” he says. The master plan for Southpointe also included architectural standards that were meant to protect property values. “Bill Durkee [of Lorenzi Dodds & Gunnill] did a great job of designing the early buildings,” Fox says. “Those barrel-vaulted roofs and creative designs set the tone for the architecture.”

Those design standards were carried forward when the county had the chance to move on the second phase of Southpointe. The Commonwealth had begun discussions about closing down the Western Center in 1998 and was prepared to sell the remaining 217 acres. This time the purchase was done through the Washington County Authority, which paid $2 million for the property in December 2003. According to William Sember, the director of operations for the Authority, the county wanted to make sure it repeated the recipe for success used in Southpointe I.

“We set out to create a development plan and implement it. The intent was to maintain or exceed the standards of its neighbor at the first Southpointe, so there are covenants about what kinds of buildings and materials can be used” Sember says.
One change that was made was the selection of a master developer for the second phase. While the Washington Authority reserved the right to sell land parcels individually, they sought development proposals from private companies for a master developer entity. Responses came from the two most active developers in the first phase, Millcraft Industries and Burns & Scalo, plus a third, Horizon Properties. Horizon had been founded in 2000 by Rodney Piatt after several years of doing development independently as a partner in a number of projects, including four buildings in Southpointe I.
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Joining Piatt at Horizon was Mike Swisher. In response to the Washington Authority, Horizon laid out a vision for the next phase of Southpointe that was even more expansive than Southpointe I. With the country still mired in a recession, there were concerns in a number of corners that the first phase had hit the saturation point for a suburban office/industrial park. Horizon proposed a development that planned for more large development projects, rather than fewer and Swisher thinks that may have been the deciding factor in their selection.

“We had a lot of faith in what was going to occur in Washington County,” says Swisher. “There were the same advantages as Southpointe I – the cheap land and the LERTA – and we believed Southpointe II could stay more competitive than other suburban sites. We knew if we could submit offices, plus mixed-use retail and residential that it would be appealing. Our belief was that Southpointe II would be a headquar-
ters location.”

Rod Piatt agrees. “I really felt there was an opportunity to create something that was unique from Southpointe I. There was a critical mass of employment during daytime that worked in our favor,” he says. “We were very bullish about Pittsburgh’s growth and knew there were corporate users looking for space. We felt if we could get one of them it could start the ball rolling.”

The strategy Horizon was proposing also had a practical side. Parks that develop projects for large corporate users are more sustainable than those that rely on attracting a lot of smaller tenants. As it happened, that one corporate user Rod Piatt was planning for was ready to take action.

“We had been courting CONSOL for a couple of years and when Southpointe II opened up they jumped at it,” says Swisher. “[CONSOL CEO] Brett Harvey saw the chance to take the company to another level and he wanted a head-
quarters that reflected that.”

CONSOL acquired 34 acres within sight of Interstate 79 and retained Horizon as its developer. The project involved new construction of a 300,000 square foot headquarters building, as well as a 75,000 square foot facility for its Fairmont Supply unit. The headquarters building, designed by Designstream LLC, is clad in black glass and panels to mimic coal and the building is shaped in the form of the CONSOL logo.

The CONSOL project was a catalyst for the kind of park Piatt and Swisher planned. As that building was wrapping up, a new office building for USG Insurance started. A Homewood Suites Hotel was built in 2008, along with a 125,000 square foot multi-tenant office building. At roughly the same time two conflicting events worked to influence the next phase of development. The first was the financial crisis, which assured that the pace of activity for any commercial real estate development would slow. The second was the progressively more obvious need that the oil and gas industry was developing. Those companies pushed occupancy well into the 90th percentile and were key tenants for the multi-tenant buildings Horizon developed.

As economic conditions began to improve in 2010, construction and planning began to pick up at Southpointe II. Another multi-tenant building was started and in November the construction got underway for one of the fastest-growing natural gas players, Range Resources, which built a 180,000 square foot headquarters for their Marcellus operations. And last year, the announcements began to come almost monthly.
Mylan Labs decided to build a new 250,000 square foot headquarters, which is now under construction. Horizon Properties revised its dormant Town Center plans to increase the share of office buildings in the mix. Burns & Scalo announced plans to build two new 125,000 square foot offices. In less than a year, however, even these plans have proven to be too conservative, as an economy filled with uncertainty elsewhere seems to have no effect on the demand for real estate in Southpointe.

“I think tenants are recognizing now that development in the park is almost over and they are scrambling to find space before it runs out,” says Jim Scalo.

Whether or not the scarcity mentality is the driver, the plans for the remaining properties are firming up fast.

For Burns & Scalo their two-lot project swelled to 416,000 square feet with the rumored signing of Ansys for a five-story 186,000 square foot build-to-suit headquarters. According to Scalo, his plans are to market a second 230,000 square foot building immediately and start construction within a few months of commencing on the Ansys building. That development will be located on 23 acres that is the final available parcel in Southpointe. Scalo is optimistic that he can find still another headquarters tenant.

“Pittsburgh has become a big deal town,” he says. “We’re now regularly hearing about 100,000 and 200,000 square foot deals.”

Horizon Properties has started a 150,000 square foot multi-tenant building called the J. Barry Center in honor of Sen. Stout and has been bidding two retail buildings in the Town Center totaling 130,000 square feet. Their Town Center plans also call for a 180,000 square foot office and 30,000 square foot medical office/fitness center on Main Street, as well as another 13 acres for development of the Neighborhood South retail.

Coming full circle with a residential project, Newtown Square-based GMH Capital Partners is planning a $40 million, 360-unit apartment project that will bring more full-time residents to Southpointe II.

While all these higher profile projects have been moving through the planning stages, a number of smaller projects have been getting underway that will consume the remaining parcels in Southpointe II. According to Bill Sember, Crossgates Inc. is about to move on a 45,000 square foot office; Advanced Orthopedic plans to build a 35,000 square foot medical building and construction has begun on a 20,000 square foot building for Fletcher Industries.

Rod Piatt feels the space that is yet to be developed will not stay vacant long. Several million square feet into Southpointe II, he still believes that more deals are out there.

“Your never know what’s going to pan out,” he says. “Think of all the opportunities to bring natural gas into this region that have occurred. I’m not sure if we hadn’t developed Southpointe II that we’d have these gas companies with as big a presence as we do.”

Mike Swisher is even more emphatic as he lists Southpointe’s plusses. “Look at the location. It’s on I-79, not far from I-70. It’s 17 minutes to Downtown, even quicker to the airport,” he says. “If we had another 500 acres I think we would continue to attract corporate headquarters.”
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Construction projects are notoriously contentious situations, particularly as there are more parties involved in them. Multiplying the participants usually multiplies the misunderstandings and miscommunication. When the Range Resources headquarters was being done, however, not only did the various parties get through the process amicably but they are in unanimous agreement about what the toughest parts of the process were and how they worked through the challenges.

To complete the design and construction of a 180,000 square foot new building in less than 15 months, with construction done in 11 months, the project’s schedule was the unanimous choice for the biggest challenge facing the team.

The participants are equally unanimous in their assessment of what made the project work: a project team that communicated clearly and an owner who understood that decisions needed to be made.

“Range was really good to work for because they were not afraid of making decisions about what to do,” says Matt Wetzel, the project manager for contractor PJ Dick Inc. “The only thing worse than making a bad decision is being afraid to make a decision. Range wasn’t afraid to make decisions.”

“The important thing is that we had a really strong team from top to bottom and had a client who delivered their program expectations clearly and in a timely manner,” says Kevin Turkall, owner and project architect for Designstream LLC. “The developer understood the marketplace and how to deliver the program.”

“Range Resources was at the table daily,” chimes in Brandon Miles, who was project manager for developer Horizon Properties. “They had top executives at every meeting and that’s what made the project work and come in on budget.”

“With such an aggressive schedule, if the team was not in synch it just wouldn’t get done,” observes Jim DiGregory of Hawk Development, the owner’s representative for Range. “The team really worked at being on the same page. The other thing was Range was a decision-oriented client. We had a weekly team meeting and if there was a decision to be made, they made it in a thoughtful and timely manner. We couldn’t have met the schedule without that.”
You would be forgiven if you find this mutual admiration society to be a bit much for the construction industry but the realities of the project suggest that the difficult schedule – along with a handful of other challenges – could not have been managed without the suspension of the finger pointing that attends many project teams. And as far as the decisive client goes, it appears that choosing carpets and deciding space plans aren’t as intimidating when your business involves exploring thousands of feet below the earth’s surface on the belief that there is gas or oil there.

“If we waited until we had perfect results on everything, we wouldn’t have drilled the test wells and discovered the Marcellus in the first place,” says John Applegath, the vice president for Range’s Southern Marcellus Shale Division.

Range Resources was an early explorer of the Marcellus. The company had come to the area ahead of the main industry push and had been growing steadily throughout the second half of the last decade. At the time Applegath came into the picture as vice president of operations in May 2008, Range was leasing two-and-a-half floors with empty offices. By the time of the construction of the new headquarters, Applegath says they occupied seven floors in two different buildings.

“People were doubled up. The offices were cubicle farms,” he recalls. “Being in two buildings there were communications and logistics inefficiencies. We had outgrown the space and knew we needed additional space. There was a push to build something new in short order, a year or so. From the start of negotiations it may have been 18 months but once things got serious we had about a year.”

“Range was already in the market, leasing space in Southpointe. They had reached the point of 50,000 or 60,000 square feet and realized they needed an Appalachian headquarters,” explains Mike Swisher, Horizon vice president and principal.

Range decided to pursue a long-term lease arrangement and a broker from Range Resources’ home town of Fort Worth was engaged to help them select a site. The broker reached out to the local brokerage community, asking who they would recommend working with if Range was building a headquarters. The name that kept coming up was Horizon Properties, which had recently completed large headquarters projects for CONSOL and Dick’s Sporting Goods. Swisher feels that another big factor was Horizon’s ability to get such a project financed.
“IF WE WAITED UNTIL WE HAD PERFECT RESULTS ON EVERYTHING, WE WOULDN’T HAVE DRILLED THE TEST WELLS AND DISCOVERED THE MARCELLUS IN THE FIRST PLACE,” SAYS JOHN APPLEGATH, THE VICE PRESIDENT FOR RANGE’S SOUTHERN MARCELLUS SHALE DIVISION.

"At the time this was planned the [financing] rules had changed. Lenders wanted much higher equity participation than a few years before," Swisher says. "Because of our local banking relationships we could put together a financing deal on their schedule."

The project also gave Horizon an opportunity to modify the plans for their Town Center, which had been stalled by the slower economy for a couple of years. The developer took a portion of the retail site and re-purposed it for corporate office, giving Range Resources a site and making use of land that was earmarked for a slow end use.

As Horizon was working to get the deal finalized they were able to move the process along some by working with Designstream. Turkall had worked in the past with Horizon and was willing to do some of the early design work on speculation. "We got the job in part by putting the preliminary design together on faith before Horizon got the job," he remembers. "Because we had done a few projects together we had a sense of how the building should look and how it needed to work to meet the pro forma."
Once Horizon was certain it had the deal they began to look at bringing a contractor on board. They asked several contractors to put together preliminary budgets and then issued a request for proposal. The RFP asked for qualifications and fees and was a qualification-based selection. In late spring 2010, Horizon selected PJ Dick to be the contractor and began the process of racing to get into the ground. Range Resources left the selection of the architect and contractor up to Horizon but once the team was put together they came off the sidelines.

“Once PJ Dick was chosen, our role totally changed and we became heavily involved with the planning,” says Applegath. “We looked at plans and schedule to see how we could meet our timetable. At that point we decided, ‘let’s not be the one to hold this up.’ The project was like drilling a well – everything has to happen in sequence. There are milestones to be hit or there’s no recovery for the schedule.”

The planning was driven by two main factors. One was obviously the schedule, which meant that decisions about certain aspects of the project would be made before other related aspects were fully designed. The more important factor can be described as Range’s culture. The company made clear that their first programmatic concern was to have a comfortable environment that they could be proud to call home for the Appalachian unit and could accommodate future expansion.

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the offices be functional and unpretentious. That imperative showed up in the design in two key areas.

"I designed the building with a ‘headband’ to serve as a mechanical screen but with the opportunity to put the Range Resources name on the building as a sign," says Turkall. "But Range declined, saying that wasn’t their style. They are very conservative in that regard.” Turkall says that their conservative nature showed up in other design decisions as well.

The more challenging decision that resulted from Range’s functional imperative was the choice of hard offices rather than open floor plan for the main space. This decision rippled into all areas and influenced many parts of the critical path, even creating the need for a separate designer for the interior space. John Applegath explains that because the staff in headquarters is largely professionals - project managers and engineers – Range felt that they would be most effective in private offices instead of cubicles. What that meant for the design was a shift from perimeter offices to over 400 hard offices throughout the building. It also meant that the space planning would run concurrent to the start of construction for the shell. The move away from open plan would also make the task of LEED certification that much more difficult. None of these design/construction headaches outweighed the clients’ concerns about their staff’s performance after they occupied, so the team moved ahead on two tracks.

"There was a lot of time spent planning and doing analysis to see where all the Range people would be located," says DiGregory. "That planning was absolutely necessary but it meant that they were doing drywall and metal studs before we had the building buttoned up!"

The decision to run the interior and core/shell on parallel tracks allowed for the extra planning needed but it also necessitated the need for a separate interior designer. “The overlap in schedule with the tenant improvements and the core and shell would create so many submittals that we were concerned it could bury one firm,” explains Swisher. “We decided that Horizon would manage the submittal schedule and match it up to the critical path. We recognized that we could have 100 submittals and RFI’s in at the same time.”

Kernick Architects was chosen to do the interiors and the LEED consulting on the project. Rock Kernick explains that solving the design issues of the hard offices also helped solve some of the LEED challenges, particularly with regard to lighting.

“We took what I called the ‘big giant grid’ approach, laying out the ceiling grid first and building the walls and windows for the offices to meet the grid,” he says. “We used creative lighting – downlighting and specialty sconces – to break up the institutional look of the long hallways and the spots where the ceiling and walls didn’t line up well.”
Kernick’s strategy for daylighting required getting as much light as possible from the common purpose areas and in the corridors and then using side lites in all the office entrances. “There is a nice lobby and public space in the building and common areas like the copier room and lunch room,” he says. “We took the light from the beautiful barrel vault that Kevin Turkall designed looking south to flood those areas with light.”

Getting to the solutions for some of the interior design and space planning issues required solving a few challenges with the building shell itself, not the least of which was the seasonal and unfortunate weather issues. Waiting for spring 2011 wasn’t an option so the work commenced in November, not exactly an excavator’s dream. To add insult to injury, the following spring turned out to be one of the wettest in memory.

“We started earthwork in the fall and had deep foundations,” recalls Miles. “PJ had to start that without the full design in order to meet the schedule.”

“November is a bad time of year to be doing deep foundations but it had to be if Range was going to move in the following year,” Wetzel explains. “November is generally a wet month. Once it gets cold you can’t do any backfilling while it’s freezing or you’ll have to redo it. The concrete work requires extra measures as well. The winter wasn’t very good to us.”

When asked about the spring of 2011, Wetzel chuckles. “Luckily we had dozers on the site because we were pulling equipment out of the mud with them all the time. We had a full-time operator on the site all the time for that. We anticipated losing five or six days a month to weather but for two months there were only a handful of days when it didn’t rain.” Wetzel says that once the weather firmed up, however, their luck changed as well and the balance of the project was able to accelerate.

The building itself is a five-story structure with a 36,000 square foot footprint. “There are prominent entries on the north and south face with a connecting lobby and a solid exterior that is in the vernacular of the neighborhood – brick, aluminum and glass,” Turkall explains. “It has contemporary lines but is rooted in traditional materials and geometry. We put up-lighting on the exterior. I like my buildings to have a night-time personality as well.”

Even with the significant obstacles at the outset, the project was substantially completed before the end of October 2011 and Range moved in November as planned. The schedule proved to be a source of stress for everyone involved but the constant communication and quick response allowed for an unusually smooth delivery. Jim DiGregory notes that once construction commenced, there were only 36 change orders on the project, most of which were enhancements to the building, like a porte
cochere in the rear, a concrete pad for motorcycle parking and extra conduit for future communications equipment.

The developer was notified recently that the Range Resources building had achieved LEED certification, a result that wasn’t easy to reach but that the client required. Like with the rest of the project, some additional planning went a long way, especially on a conservative budget. “If you’re a reasonably smart designer and not careless, you can make LEED work on almost any project,” says Kernick.

In the end, the participants point to the teamwork as the key to bringing the project in successfully. “The whole collaborative team environment was what made it work,” says Brandon Miles.

“There is potential on this kind of project for a lot of miscommunication but the Range job was the kind that everyone worked hard to get done, satisfy the client and walk away happy making a little money,” says Turkall.

Nearly one year out, John Applegath reports that the building is performing as expected. He notes that the private offices have been appreciated by the staff and feels that they are more productive as a result. “It was a real joy to work with Horizon and PJ Dick,” he says. “They knew exactly what they were doing and how to optimize the choices we made. They knew we needed good information to make decisions and never failed to get us what we needed.”
NIGHT AT THE FIGHTS

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Since almost the first stages of the shale gas play, MarkWest Energy Partners has been involved in bringing an infrastructure to the gas fields in the Marcellus and Utica shale formations. During the first couple years of the Marcellus play, most of the publicity revolved around the early exploration companies, like Chesapeake, Range, Cabot and Atlas, but MarkWest was quietly developing some of the largest construction projects in the region as early as 2008.
Over the past year or so, the expansion of the industry has made more people aware of MarkWest and its role in southwestern PA, northern WV and eastern OH, but the company's chief commercial officer, Randy Nickerson wants you to understand that MarkWest has deeper roots in the region.

“It’s important to remember that MarkWest didn’t just come up here in the shale play. We’ve been in Appalachia since the 1990’s,” he says. “My first assignment when I joined the company in 1995 was in operations at the Siloam plant in South Shore, KY. That was the largest natural gas liquids (NGL) fractionation facility in the Northeast and it was one of the first assets MarkWest had.”

MarkWest develops gathering, processing, fractionation, storage and transportation facilities for the natural gas and oil industries. The company is based in Denver and operates in the gas fields of the southwestern U. S. – primarily in Texas and Oklahoma – as well as in Michigan and the Appalachian Basin, including the Marcellus and Utica Shale areas. Its activities serve what is called the midstream gas industry, which bridges the gap between the wells and the ultimate users of the gas and its byproducts. For nearly five years Pennsylvanians have been hearing about drilling and in another five we’ll be hearing about ethane cracking and downstream plants. MarkWest operates in the space between those two.

For a company that is below the radar of the mainstream – even the mainstream construction industry – MarkWest has had an enormous impact on the market. In their public disclosures, the company’s estimate of its total investment in the shale play is between $2.5 and $3 billion during the last five years. That volume of construction tops any other firm, including UPMC – with two new hospitals – and Pennsylvania’s Department of General Services. What is more, the processing plant projects MarkWest has delivered typically cost in excess of $100 million and their current pipeline of work is larger. For 2012, MarkWest has a capital expenditure budget for the shale play of between $1.1 and $1.5 billion.

Among the projects completed was an initial distribution system that covered much of western Washington County to the Ohio River. That system linked the first large processing plant in Chartiers Township – called the Houston plant – to the company's second major project, which was a processing and distribution facility in Majorsville, WV. MarkWest is also developing two large processing complexes in Sherwood and Mobley, WV. The plants use a cryogenic process to separate the liquids from the gas and allow for easier transportation. Nickerson explains that the plants are built in stages, with individual processing plants linked together as capacity expands. Much of MarkWest’s capital expenditures are earmarked for adding capacity at the plants that have been built recently.

“We’ve built the largest NGL infrastructure and we see continued growth at almost every one of our facilities,” he says. “We are working on 13 de-ethanizer processing plants – including four more at Majorsville and two each at Sherwood and Mobley. There may only be one other basin that has more growth than here. Just getting through all that will take two years or so.”

Along with their investment in processing plants, MarkWest has also been involved in construction in gathering infrastructure, including dozens of compressor stations throughout the southwestern corner of the state. With spending expected to continue at what Nickerson calls a ‘robust pace’ through 2013, the firm expects to continue to add to its employment base in the region. By mid-2012 MarkWest’s staffing has risen to approximately 50 people in its Southpointe and Morganna Road engineering and operations offices. Hundreds more work in the field operations. MarkWest refers to its operations in the Marcellus and Utica Shale formations as its Liberty Segment. In addition to these offices and the plant sites MarkWest also has an office in Cadiz OH within the Liberty Segment. In all of those locations opportunities for additional employment exist.

MarkWest’s origins date back to the late 1980’s when its principals formed MarkWest Hydrocarbon, operating in essentially the same business as today. In 1997 the company went public as a
“WE DIDN’T THINK THAT PARTNERSHIP STRUCTURE WAS SUSTAINABLE. WE BOUGHT OUT THE GENERAL PARTNER AND ALL OF THE CASH IS NOW USED TO PAY OUT THE LIMITED OWNERS SO THAT WE CAN RAISE CAPITAL MORE EFFICIENTLY FOR ACQUISITIONS AND ORGANIC GROWTH PROJECTS,” EXPLAINS NICKERSON.

‘C’ corporation that became the general partner of MarkWest Energy Partners – the current company – in 2002.

The corporate organization of MarkWest is an important factor in how the company operates today. Oil and gas companies are most commonly master limited partnerships that raise capital for exploration by selling shares to limited partners, who are then paid back proportionally out of the cash from the operations at the end of every quarter. General partners typically get progressively higher percentages of the distributions as the partnerships mature. While the partners still earn solid returns, the general partner’s portion can begin to limit growth because the cost of capital increases. MarkWest’s management recognized that the limitations of the traditional limited partnership could be a drag on the business at a time when the Marcellus play was heating up and in 2007 bought out the general partner – which was in this case MarkWest Hydrocarbon Inc.

“We didn’t think that partnership structure was sustainable. We bought out the general partner and all of the cash is now used to pay out the limited owners so that we can raise capital more efficiently for acquisitions and organic growth projects,” explains Nickerson.

One recent acquisition has expanded the firm’s footprint into a key area in the current state of the market. On May 29, 2012 they closed the purchase of Keystone Midstream, a competitor in the development of midstream infrastructure. Keystone had been active in the area more recently, building the Sarsen compressor station in Forward Township outside Evans City and the Bluestone plant in Jackson Township, just north and west of the Seneca Valley High School complex. The acquisition puts MarkWest in the position of serving another of the multinational energy companies and more importantly, gives it access to the Utica and Point Pleasant shale formations to the north and west of Pittsburgh.

In addition to Keystone, MarkWest’s capital plans in the Utica Shale include roughly $900 million in plant construction in Harrison and Noble Counties in Ohio. The company’s projects require construction of roads, concrete pads and structures, extensive site work and excavation, metal buildings, mechanical and electrical work. According to Nickerson, virtually all of that work is subcontracted to local firms, especially at this stage of development in the shale plays.

“We like to source the work to local contractors whenever possible,” he says. “By the time you have spent a few years in a community it’s natural to do so because you’re part of the community as well.”

Nickerson says MarkWest is proud of its performance in the Liberty Segment and believes that the company’s track record in the region is why MarkWest has had a dominant role in the shale plays.

“Every two years a company called Energy Point surveys customers – primarily independents not multinationals – and two of the last three surveys dating back to 2006 we’ve been number one,” he says. “MarkWest provides great customer service and the Appalachian basin has been our home. We’re not learning about it; we’ve been up here a long time.”

**COMPANY FACTS**

MarkWest Energy Partners LP (NYSE: MWE)

1515 Arapahoe Street
Tower 1, Suite 1600
Denver, CO 80202-2126
303-925-9200
Randy Nickerson, Sr. Vice President & Chief Commercial Officer
rnickerson@markwest.com

Southpointe Corporate Office
601 Technology Drive, Suite 130
Canonsburg, PA 15317
Rob McHale
724-416-0135
rmchale@markwest.com
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Another high quality MICA project

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The Pennsylvania Superior Court, in Commerce Bank/Harrisburg, N.A. v. Kessler, recently interpreted language in the Pennsylvania Mechanics Lien Law (the “Law”) in a manner that is very troublesome for construction lenders. The Law had been amended in 2006 (effective January 1, 2007) in a manner presumably intended by the legislature to afford protection to construction mortgage lenders vis-à-vis holders of mechanics liens. The Superior Court’s decision in Kessler narrowly interpreted the protection afforded by the amendment to the Law.

An understanding of the priority afforded to mechanics liens under the Law is a prerequisite to understanding the impact of Kessler. Most liens have a priority, vis-à-vis other liens, based on their time of filing or recording. This is generally true of mortgage liens and it is true of mechanics liens which relate to the “alteration or repair” of an improvement. Mechanics liens relating to the “erection or construction” of an improvement, however, date back and are assigned priority “as of the date of the visible commencement upon the ground of the work of erecting or constructing the improvements.”

The 2006 amendment to the Law provided an exception (the “Exception”) to the rule for assigning a priority for mechanics liens relating to the erection or construction of an improvement as of the date of the visible commencement of the work upon the ground. The 2006 amendment provided:

“(c) Any lien obtained under this act by a contractor or subcontractor shall be subordinate to the following:

(2) An open-end mortgage as defined in 42 Pa.C.S. § 8143(f) (relating to open-end mortgages), the proceeds of which are used to pay all or part of the cost of completing erection, construction, alteration or repair of the mortgaged premises provided by the Exception. This boiled down to whether the “proceeds” of the loan were used to pay all or part of the cost of the erection, construction, alteration or repair of the mortgaged premises.

The contractor argued that all (100%) of the loan proceeds had to be used for construction in order for the Exception to be applicable. There was no dispute in Kessler that a portion of the construction loan proceeds were used for non-construction purposes (e.g. tax claims, closing costs and the satisfaction and payment of an existing mortgage and other liens). Therefore, if the Exception required that all of the loan proceeds be used for construction costs, the Exception would not have been applicable and the contractor’s lien would be senior to the lien of the mortgage. The Kessler court agreed with the contractor and held that all (100%) of the proceeds of the loan had to be used for construction purposes in order for the Exception to be applicable. The Kessler court was persuaded by the contractor’s argument that holding otherwise would invite manipulation of the Exception. The Kessler court sought to avoid an interpretation that would allow a million dollar loan with only a one dollar construction component to qualify for the Exception. Interestingly, the Kessler court failed to mention the reverse situation of a million dollar mortgage loan having only a one dollar non-construction component, a situation which, under the Kessler holding, will result in the mortgage not qualifying for the Exception.
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Many, if not most, loans which most people would consider to be “construction loans” involve one or more budgeted items for something other than construction costs (e.g. closing costs, lenders attorneys fees, interest reserves, etc.). It is questionable whether the legislature intended that a loan with any non-construction component, no matter how small, should not qualify for the Exception. Until Kessler is overruled judicially or legislatively, however, lenders and title insurers must contend with such a construction of the Exception.

AT THE VERY LEAST, CONSTRUCTION LENDERS INVOLVED IN ERECTION OR CONSTRUCTION PROJECTS MUST NOW PAY CLOSER ATTENTION TO WHETHER WORK VISIBLY COMMENCED ON THE GROUND PRIOR TO THE MAKING OF THE LOAN.

At the very least, construction lenders involved in erection or construction projects must now pay closer attention to whether work visibly commenced on the ground prior to the making of the loan. These construction lenders can no longer assume that the Exception will automatically allow their mortgage to trump mechanics liens which date back to a time prior to the recording of their mortgages. It may not be practical, however, for lenders to only make construction loans where work has not visibly commenced, since work on a construction project typically commences prior to the lender’s mortgage being filed. Additionally, there may be uncertainty as to whether work has visibly commenced within the meaning of the Law.

As a result, the upshot for the construction contractor is that most construction projects, including the way they are started and financed, may make the Exception practically inapplicable, maintaining the primary position of the construction contractor’s lien.

In order to avail themselves of the protection of the Exception, lenders may elect, at least where the economics allow it, to only fund construction costs and refrain from funding the myriad of non-construction costs which, under Kessler, would make the Exception inapplicable. Even then, there is a question as to what construction costs are consistent with the Exception. Does the cost of “completing erection, construction, alteration or repair of the mortgaged premises” include only so-called “hard” construction costs, or does it also include “soft” construction costs such as architects and engineers fees? This question was not addressed by Kessler.

Other ways that lenders can protect themselves when commencement of the work has occurred prior to the mortgage loan include the following:

1. Where funding of non-construction items is required, at least one commentator has suggested bifurcating the loan into two separate mortgage loans with one of them funding only construction costs to insure the applicability of the Exception to at least the construction portion of the aggregate loan.

2. The lender can require payment bonding which would make up-front lien waivers of subcontractors possible but this would increase the cost of the loan (and, therefore, will be resisted by borrowers) and will only provide protection with respect to subcontractors, not contractors.

3. Most importantly, lenders can monitor the construction loan draw process more closely and make sure that the contractor and subcontractors are being paid as the work progresses. Lien releases can be obtained from the contractor and the subcontractor(s), to the extent the work is performed and paid for. Lenders, if possible, should be provided the right to issue checks directly to the contractor and subcontractors. Title bringdowns should be required with draws.

4. Lenders should, of course, try to have the mechanics lien exception removed from their loan title policies but, after Kessler, this has become extremely difficult where the work has already commenced on the ground. Even when the loan budget calls for all loan proceeds to be used for construction costs (a prerequisite, under Kessler for the applicability of the Exception), a title company will have no way of knowing what the proceeds will actually be used for and will be hesitant to rely on the Exception in removing the mechanics lien exception from the loan policy. As long as the specter of Kessler looms, it will be very hard to convince the title company to insure the full amount of the loan up-front where the work has commenced prior to the loan. Title companies are likely to turn to insuring incremental amounts of the loan, as the work progresses, so they can better control the risks. Even then, title companies will negotiate harder for meaningful indemnifications and other protections than they did in the pre-Kessler days. In summation, there will no longer be a cookie cutter approach and the lender and the title company will need to negotiate a mechanics lien coverage package that they can both live with.

Tim Grieco and Gary Lewis are members of the construction practice at Eckert Seams Cherin & Mellott, LLC. They can be reached at tgrieco@eckertseams.com or GLewis@eckertseams.com.
Owners of construction projects face many risk management challenges – whether building new, adding on to existing facilities, or performing rehabilitations. For a project owner, managing construction risk is significantly different from managing the risks inherent in their daily operations. One difference of particular concern is professional liability risk associated with execution of design and other professional services.

Construction-related professional liability insurance is rapidly changing and has often been underinsured relative to the exposures created when commencing a new project. Even on a modestly sized project, an owner can have significant exposure to cost overruns, time delays, and re-work from faulty design, negligent construction management, or errors from other disciplines performing professional services on the project. Losses suffered by project owners can prove to be very costly, confusing to litigate, and difficult to calculate. The following example illustrates the complex nature of these exposures.

**EXPANSION PROJECT SHRINKS HOSPITAL’S BOTTOM LINE**

A city medical center and its board of trustees issued separate contracts for the design and construction of a two-year, $150 million expansion to its children’s hospital wing. The architect was responsible for procuring all design services and was required by the owner to evidence $5 million in professional liability insurance limits from their annual practice professional liability insurance program. The project took three months longer than anticipated and went over budget by $10 million. Along with the delay and cost overruns, numerous other problems were discovered in the HVAC and electrical systems – all attributable to the design team.

The total damages alleged by the owner were $17.5 million. During discovery it was found that the prime architect only had $4 million remaining in its practice professional liability program because of defense and claim payments from the firm’s engagement on other projects during the policy period. The other liable members of the design team (the mechanical and electrical engineers) each had their full professional liability limits of $1 million available. However, after defense costs eroded the remaining limits during litigation, only $5 million in combined policy limits were available from the architect’s and the design firm’s insurance policies. Furthermore, the firms had little or no assets to collect beyond their professional liability policies. The medical center settled immediately for the $5 million in remaining policy limits and incurred a $12.5 million loss to its bottom line.

This not uncommon scenario raises some questions: Are insurance solutions available that offer construction owners better control over the cost, scope and security of professional liability coverage? Could the medical facility have financed this exposure with an insurance product and collected its own insurance proceeds rather than incur this loss? The answer is ‘yes,’ and the following information outlines these solutions.

**TRADITIONAL SOLUTIONS**

Most projects constructed in the U.S. use some form of the design-bid-build delivery system. In that type of scenario, the owner assumes a central role by virtue of contracting separately with design entities and contractors. The owner first hires a designer to provide the design and later the general contractor is hired to build the project. The illustration on page 41 depicts this standard relationship.

Since the design-bid-build delivery system separates the design contract from the construction contract, the owner serves as an intermediary between the design and construction entities and takes on significant risk by contracting directly with the architect. Other delivery systems, such as design-build (D/B) or engineer-procure-construct (EPC) and emerging methods such as integrated project delivery (IPD), public private partnerships (P3) and LEAN construction, also pose various professional liability challenges and exposures. This article focuses on the design-bid-build delivery.

The most common and simplest mechanism for an owner to mitigate the professional liability risk associated with its project is to contractually require the primary design professionals to maintain annual practice policies at prescribed limits. These policies provide professional liability coverage with limits that the owner deems adequate to cover claims that might arise from the design team’s work on the project. However, coverage under the design professional’s policy is in the name of the design professional and does not provide any protection directly to the owner, which cannot be named as an additional insured. Renewal of the annual practice policy by the design professional is not guaranteed and could be terminated prior to a contractually agreed post-completion insurance requirement. Claims made on projects unrelated to the owner’s project (as shown in the hospital project claim...
scenario) may erode or exhaust the limits of liability available under the design professional’s practice policy. This could leave the owner with an uninsured design professional and no source of recovery.

A second approach is for the owner to purchase a project specific professional liability policy (PSPL) that covers the prime architect and its sub-consultants for the specific job. This option provides dedicated limits to the project, includes an extended reporting period for post-project completion, and replaces the design professional’s annual practice policies, although the annual policies possibly could be excess of the PSPL for the designer’s interests. While a viable risk management solution, there are drawbacks in this approach.

The cost of PSPL programs is significant due to the insurance industry’s experience, which has historically been unprofitable. The cost can often be 1-1.25% of the construction value of a project. The policy does cover the design professionals for the specific job; however, it does not typically extend to construction management. The policy is purchased for the design team and therefore is defended by the insurance carrier for the design team and not the owner. Defense costs can often erode the limits of these policies rather quickly allowing for smaller-than-anticipated recoverable indemnification amounts for the owner.

THE OWNER’S PROTECTIVE ALTERNATIVE

A third option to mitigate project professional liability exposures is for the owner to purchase an owner’s protective policy. The policy appeals to owners that directly subcontract the design separately from the construction under the design-bid-build delivery system, as discussed earlier. The owner’s protective policy addresses financial risks associated with the performance of professional services through dedicated project-specific limits similar to the PSPL. However, this solution provides the project owner with protection when a subcontracted design professional or other project consultant’s professional liability coverage is insufficient or not available. The owner still requires the primary design firm to evidence its annual practice professional liability policy at minimum limits via the contract as outlined in the first option above, but the owner then purchases a protective policy for the project to sit excess over the design firm’s annual policy. The named insured on the policy is the project owner allowing control over the insurance acquisition and claim process.

The protective policy is a first-party indemnification policy and third-party professional liability policy intended to indemnify the owner for economic damages, bodily injury, and/or property damage due to the negligent performance of its subcontracted design professionals and provide coverage for the owner from third-party claims.

In a first-party loss scenario, the owner notifies its protective policy carrier at the same time that it brings a claim against its subcontracted design professional. The protective policy is then triggered when the design professional’s limits are exhausted.

For a third-party claim, the owner notifies the carrier when it receives notice of a claim from a third party which triggers coverage under the protective policy. As stated above for first-party losses, the policy sits in an excess position above the subcontracted design professional’s annual practice policy, and if there is no underlying insurance available at the time of a claim or the limits have been exhausted from claims on other projects (again, as seen in our previous example), the protective policy will drop down and pay on a first-dollar basis or excess of any self-insured retention specified on the policy. For third-party claims, the protective policy responds in excess of a self-insured retention.

The policy covers retroactively the design phase, runs through the construction period, and an extended reporting period (ERP) in which to report claims. The ERP is for work that was undertaken during the active policy period for any design or work performed to put the project to its intended use.

Owners also benefit by broadening the field of acceptable design firms as they can lower the required limits of insurance of their subcontractors/consultants knowing they have the
protective coverage in place. At the same time the owner can have confidence that the subcontractors/consultants are delivering the appropriate standard of care because their annual practice policies remain in place and are subject to first-dollar exposure.

The owner’s protective policy is often purchased for projects greater than $50M in hard construction costs. It can be put in place for a variety of projects, including commercial, institutional, schools and colleges, hospitals, airport expansions or renovations, rail, roads/highway transportation or other civil projects, correctional facilities, casinos, hotels and resorts, residential/commercial grade-construction, water, waste water and sewage, and municipal facilities.

This insurance approach, while dedicating broader limits to a specific project, is typically much more cost-effective than buying PSPL coverage due to the first-dollar nature of the PSPL vs. the excess approach used with an owner’s protective policy. The unique first-party and third-party coverage put the owner in a very favorable recovery position in the event of a loss and provides enhanced control over the claim process. With the current state of economic uncertainty and expense management protocols, the owner’s protective policy has quickly become the coverage of choice for managing owners’ professional liability exposures on construction projects.

A SUMMARY OF PROFESSIONAL LIABILITY RISK MANAGEMENT OPTIONS FOR A CONSTRUCTION PROJECT OWNER

While risk management challenges for the owner of a construction project can be significantly different from those encountered in daily operations, multiple solutions exist to manage professional liability exposures. Losses from the negligent performance of professional services are extremely costly, complex and can destroy the success of a construction project. Purchasing an owner’s protective policy or another risk transfer mechanism to protect your project – and your bottom line – is a viable solution that should be considered well in advance of contract development.

The content of the article was prepared by Michael Brodzinski and the Willis National Construction Practice. Brodzinski can be contacted at 412-586-6775 or michael.brodzinski@willis.com. For local market questions contact John Nissley at 412-586-6779 or john.nissley@willis.com.
In 1978, Mary Coffey started a maid service with her twin sister. By 1980, Mrs. Coffey had grown weary in the residential market and set her sights on entering the commercial sector. It was at this point that All Purpose Cleaning Services (APCS) was born from her West End home. New businesses can struggle early on and it was no different at APCS as they worked to get enough contracts to become bonded. However, the tide shifted for APCS when they were afforded an opportunity to shine in the construction industry by Mellon Stuart hiring them for the cleaning services project on the Crafton Senior Citizen high rise project in the early 1980s.

“At Mellon Stuart we used Mary's firm frequently and we were never let down,” said Dave Meuschke, then a project engineer at Mellon Stuart during the 1980s and now Vice President at Burchick Construction Company. “It was a pleasure dealing with Mary during the 1980s. She constantly wanted to learn how to improve her operations.”

Despite being in business for over three decades, Mrs. Coffey still remembers the early days and is quick to offer advice to entrepreneurs: “For any new company, no matter what line of business they are in, I would tell them that in order to succeed you have to stay on top of everything – technology, manpower, taxes, law changes – everything keeps changing.

APCS is a complete facility maintenance service to commercial and industrial clients. The list of services includes: complete facility maintenance services, janitorial services, carpet cleaning, window cleaning, fire restoration cleaning, pre/post construction cleaning services, maintenance and protection of traffic, snow removal services, pest control services and waste management services. They provide services to some of the largest general contractors in the region, professional sports teams, government entities and non-profit agencies.

A certified minority and woman owned business, APCS is a proud graduate of the US Small Business Administration 8(a) program and is certified by the following agencies: Pittsburgh Regional Minority Purchasing Council, Pennsylvania Department of General Services and the Pennsylvania Unified Certification Program.
The Industry Counts on these Numbers:

47 – The number of years that the AIA-MBA Joint Committee has existed. Chartered in 1965, the Joint Committee provides a unique forum for architects, general contractors and owners to meet and discuss current conditions of the construction industry.

40 – The number of recommendations that are contained in the Best Practices Guide.

4 – The number of industry stakeholders represented on the Joint Committee: Architects, General Contractors, Legal Community and Owners.

2 – The number of associations represented by the Joint Committee: AIA Pittsburgh and the Master Builders’ Association.

1 – The Joint Committee is the ONE collaborative voice of the construction industry that has passed the test of time by providing impartial recommendations for the benefit of the construction industry for nearly half a century.

For more information on the AIA-MBA Joint Committee, visit www.mbawpa.org/aia-mba/ or contact Jon O’Brien at 412.922.3912 or jobrien@mbawpa.org.
“And you have to stay current or you’ll drown,” said Mrs. Coffey. “I would also tell someone that wants to start a business that they need to get to know their clients. Communication with your clients is vital. You have to know what they expect of you, plus when issues arise you need to quickly resolve them. If you’re a good communicator with your clients you’ll hear of any problems quicker, which leads to problems being resolved faster.”

“Plus, while I’m on a roll offering advice, most importantly I would tell someone that they should constantly want to get better. There’s always room for improvement.” In APCS’s case, they strive at always getting better and that point is illustrated in their company headquarters, which has very little wall space available due to all the awards. Over the years, APCS has received accolades from KDKA, UPMC, the Small Business Administration, the Pittsburgh Regional Minority Purchasing Council and the Master Builders’ Association.

All of the awards are an indication that everyone at APCS – management and labor – take pride in their work. “A strong labor relationship is something that I preach to my kids for when they take over. Labor plays a large role in our success,” said Mrs. Coffey. “But I also stress that when it comes to labor you need to dot your ‘i’s and cross your ‘t’s. On the management side, you need to know your labor contracts and I advise my management team to study them, understand them and live by them.” APCS is signatory with the Laborers Local 373 and the Service Employees International Union.

All of Mrs. Coffey’s hard work over the years and mentoring of her children is a good sign that APCS will sustain its success into the future.

Note: For more information on All Purpose Cleaning Services, visit the MBA’s Facebook page to view a commercial produced by UPMC. To locate the MBA on Facebook, visit www.facebook.com and type in “Master Builders’ Association” in the search field.

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**Company Facts**

**All Purpose Cleaning Service, Inc**

920 Chartiers Ave.  
Pittsburgh, PA 15220  
412-922-6970  
info_apcs@comcast.net

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Aging infrastructure is all around us. Stormwater controls in the form of collection and conveyance systems that service local municipalities are a prime example. In addition, the lack of such systems, older design standards, the location of buildings in proximity to waterways and severe deficient maintenance can all lead up to encounters with stormwater that can be deadly as happened in the East Liberty section of Pittsburgh in August of 2011. Stormwater and the issues related to it have now come into focus due to flooding, property damage, loss of life, and a desire and requirement to be responsible to the environment.

If we own property, we contribute to the stormwater runoff which exists and must be conveyed downstream to streams and rivers. The form of contribution can be any construction or any impervious surface which allows rainfall to runoff instead of naturally trying to infiltrate back into the earth. In the case of our homes, the roof or driveways and walkways create runoff. For commercial properties, buildings and parking areas create runoff. Even golf courses can contribute additional runoff due to the loss of trees. The development of the world we know for the most part did not recognize the need for being responsible to stormwater until at least 1978 in Pennsylvania when ACT 167 was enacted requiring counties and municipalities to adopt ordinances to control the accelerated rate of runoff due to development.

Pennsylvania is one of the most flood-prone states in the nation. Only 186 of its 2,571 communities are regarded by the U.S. Geological Survey as safe from high water. The remaining 2,385 of them are in potentially dangerous situations. The state’s geography and its early settlers are responsible for the dilemma. Pennsylvania is home to a trio of major river basins, the Susquehanna, Delaware and Ohio. As a result, the state has more miles of running water (45,000) than it has of State Roads (43,000). These river basins drain land with narrow valleys and steep hills. Sitting downstream from those valleys and hills is much of the state’s population. The towns were settled long ago by people whose need for the waterways’ transportation and power was so great that they were willing to endure occasional high water. Protection from floods along major watercourses and rivers in our area was accomplished by way of locks and dams, levees and other gray infrastructure constructed in the 20th century which inevitably fails due to a storm exceeding the design capacity. Residents in the Chartiers Creek Valley felt protected by a flood control project completed in the 1970’s but the 2004 flood as a result of Hurricane Ivan proved that Mother Nature always prevails.

On a local level, Pittsburgh certainly has its share of hills from which runoff is collected and transported to the valleys which eventually lead to the larger streams and rivers; the condition of the environment and the performance of those systems also play a role in our quality of life. Local and state governments are responsible for the collection and conveyance of stormwater runoff through public systems. A service is provided, but no revenue is collected for the necessary maintenance of the systems. One could argue that municipal taxes should cover such expenses, but historically they do not cover the service levels required to properly operate the stormwater system. Capital budgets provide slugs of money from bond issues which are spent to correct specific problems, but they do not fund the ongoing necessary maintenance. There is a need for a level amount of funding which can be expected each year.

The level funding issue is addressed across the country in areas where the stormwater directly affects the way of life or the local economy such as a beach town. The practice of creating...
a stormwater utility has become a popular way to address the ongoing needs of the local stormwater systems. Is has been around since 1970 and as of 2009, it was estimated that over 600 stormwater utilities were in existence in the United States, and it is predicted that the number will rise exponentially in the next 10 years.

What is a stormwater utility? It is a funding mechanism, a program concept, and an organizational entity which manages the stormwater program for a municipality. It provides a stable funding source in adequate amounts and is flexible and equitable. The use charge is typically measured in ERU's or equivalent residential units. An equivalent residential unit is the median measurement of the amount of impervious area created by a select sample of residential dwellings in the community developing the utility. On average across the country, every $1 in ERU charge returns between $140,000 and $170,000.

Prior to setting up a stormwater utility due diligence must be performed that pays attention to five key areas:

- Governance and inter-municipal consensus; the elected officials that vote to create the utility must be on the same page with each other.
- The program concept must make a compelling case.
- Public and political education must be considered.
- Financial policies and documents must be discussed.
- A data base development to assure accurate billing must be addressed.
- Only after all of the above items are considered in the due diligence process can a “go/no go” decision be made on implementation of the utility.

If a decision is made to proceed with implementation, several tracks of development must occur simultaneously as follows: Public Track - a compelling case must be developed to support the utility along with development of materials and communication with the utilities largest stakeholders; Program Track - the needs of the program must be defined along with objectives, priorities, and policies the organizational structure which lead to the cost of service analysis; Funding Track - to address funding policy leading to rate analysis and ultimately adoption of a rate ordinance; and a, Data Track - to address data base and billing policies and leading to a billing system with trained customer service representatives.

Following this course of action will prepare the utility for the legal challenges that are expected. Programs that are developed which are fair and reasonable, not illegally discriminatory or confiscatory, costs are substantially related to the provision of services, individual rates are based upon use of the service and are supported by enabling legislation will be well prepared for any legal challenges which may arise.

In Pennsylvania, only two stormwater utilities exist, one in the City of Philadelphia and the other in the Municipality of Mt. Lebanon. I am fortunate enough to be a resident of Mt. Lebanon and their Municipal Engineer. Having been exposed to the concept of a stormwater utility in an American Society of Civil Engineer's conference in Chicago seven years ago, I returned and raised the concept to the Municipal Manager. We agreed that the concept was not warranted at the time, but in 2010, faced with a back log of complaints on flooding and a lack of funding, Mt. Lebanon authorized the necessary due diligence and ultimately, the development of the utility. Our firm, The Gateway Engineers, Inc., teamed with AMEC, a national engineering firm with experience in the development of utilities to set up a stormwater utility in Mt. Lebanon. Gateway's local knowledge of the system's needs and customer base along with AMEC's experience in setting rates and assuring a quality data base proved a good combination to aide in a quick turn around to have the program implemented and the first bills issued within nine months of the authorization to proceed.

The main components of the Mt. Lebanon program consisted of funding for the following:

- Operations to include storm sewer and culvert maintenance, remedial repairs and replacement of pipes found to be defective through video inspection, curb and gutter maintenance, emergency repairs and materials.
- Capital projects including upgrades to under designed or underserved parts of the system where flooding complaints exist.
- Water quality to address requirements under the municipalities’ NPDES Permit (a Federal permit for discharge of stormwater similar to any sewerage treatment plant or industrial discharge) as a MS-4 Community including street sweeping.
- Administration and planning to include the cost of operating the system and engineering services related to design, administration and inspection of capital projects.
- The fee for ERU is $8 per month which is paid by all single family homes. All commercial and institutional properties including the Municipality, the School District and other non profit agencies are all required to pay for the number of ERU's (based on 2,400 square feet of Impervious Area per ERU) generated by their property. One time rain barrel credits are available as are credits for peak flow attenuation. The fee generates approximately $1,200,000 per year. Prior funding in the operating budget was approximately $300,000 per year. Only one challenge to the fee has been brought forth and it was settled without issue. Overall, the program to date has achieved the desired goals, but continued action to show rate payers that the fee will improve the overall conditions of the community and help maintain property values will be necessary.
- Stormwater has now risen to a new level in terms of awareness on a local level and stormwater utilities are expected to increase in number to provide funding for municipalities to maintain, improve and enhance those systems. When this happens, the result will be a reduction in flooding, improved water quality and less risk of loss of life resulting in higher property values and an improvement in the quality of life.

Dan Deiseroth is executive vice president at The Gateway Engineers, Inc. and has served as engineer for a number of municipalities throughout Western PA.
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Pittsburgh 2030 Is Off to a Rousing Start

August 21 marked the official announcement of an initiative that has been underway below the surface for a number of months. Leaders from the Green Building Alliance (GBA) were joined by dozens of corporate and community partners to introduce the Pittsburgh 2030 District, an effort to get owners and property managers of all the buildings in the Central Business District to reach aggressive goals for building and transportation efficiency by the year 2030.

Pittsburgh joins Seattle and Cleveland as cities that have taken up the 2030 challenge to reduce energy and water consumption and CO\textsubscript{2} from transportation by 50 percent and improve indoor air quality by the year 2030.

The challenge has grown out of Architecture 2030, a non-profit organization founded by architect Edward Mazria in 2002 in response to his concerns about climate change. Mazria saw the built environment as a major contributor to what he felt was cataclysmic global climate change. He also saw buildings as one of the possible solutions to the problem and calculated an approach that could reduce greenhouse gas emissions to a level in 2030 that would arrest the warming effects and avert disaster. The science and politics of the global warming debate have proven difficult to navigate but in the years since the founding of Architecture 2030 sustainability in the design and operation of buildings has become an important industry value. What may not have taken hold as a remedy to preserve the planet’s climate is gaining momentum as an expansion of green building.

At the forefront of the effort to implement the Pittsburgh 2030 District was the GBA and two of its leaders, Aurora Sharrard and Mike Schiller. Since March, the two have been meeting with city and county leaders and private sector executives to recruit founding partners for the 2030 District. Schiller says that they were planning to launch the Pittsburgh District even if the commitment level was only 10 or 15 percent but the civic and business community responded much better than that. At the time of the announcement, property partners had committed to meet the challenge for 61 buildings, accounting for 23.5 million square feet or 38 percent of the space in the entire district. That total nearly equals the space committed in the Seattle District, where the effort is two years older in a district that is roughly triple the size of the Pittsburgh 2030 District. Schiller thinks that is a legacy of the green building leadership in Pittsburgh that goes back two decades.

“Having the track record that the GBA has certainly helped when we called on people but the region was primed for this,” he says. “They were thinking along these lines already.”

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

![Image](image.png)

The founding partners of the Pittsburgh 2030 District as of September 1.
Consumption Survey, a standard that a number of the buildings Downtown already surpass. The 2030 District will work with the Pittsburgh Water Sewer Authority to develop water usage standards and with the Southwestern PA Commission to determine transportation standards.

District partners are split into three categories: property, community and resource partners. Property partners are the owners and managers of the properties. Their commitment is to make the improvements necessary to meet the goals. Community partners are those related to the industry that will support the effort and resource partners are those that can provide non-financial assets to help the property partners achieve the reductions. Both community and resource partners agree to share expertise and networks to educate and raise awareness for the 2030 District.

The goals of the 2030 District are to reduce the carbon footprint required of the Central Business District and create healthier working environments but the most compelling aspects of the challenge are in the energy efficiency and water savings.

While Pittsburgh has earned its reputation as a green city, its buildings are not necessarily models of efficiency across the board. The largest pieces of the utility infrastructure involve inefficient technologies and the preponderance of older building stock means that the thermal envelopes of most CBD offices are less than tight. Water usage in older buildings is higher than in newer construction as well. The current inefficiency, of course, means that there is a greater opportunity for improvement and that many avenues for improved efficiency exist.

Changing the technologies in lighting and controls, for example, can have a disproportionate impact and small behavioral modifications can result in significant savings. Among the small things that can add up are:

- Converting to LED lighting
- Using controls to reduce lighting and heating/cooling in unoccupied spaces
- Sealing windows to tighten the building envelope
- Daylight cleaning
- Turning off PC’s after work

Just as important is to use the need to make renovations or do life-cycle systems replacement as opportunities to significantly improve efficiency. Replacement of HVAC system components
can be engineered to optimize energy usage. Roofing projects can be the impetus behind installing a vegetative or reflective roof system. Tenant improvements to portions of the building can precipitate a replacement of toilets with low-volume flush valves. Routine carpet replacements can make use of low- or no-VOC products. The list of improvements that can be made with sustainable choices is unlimited.

In any of these choices there is also the underlying assumption that the products or systems selected will have a return on investment. The returns will vary in length but Schiller expects that meeting the Pittsburgh 2030 District goals will also make practical sense.

“I don’t expect any of these people to make decisions out of the goodness of their hearts. All the decisions will have to make good financial sense for their businesses,” he explains. “We want to give property owners good information so that they can make good business decisions about improving the efficiency of their buildings. We want this to be front of mind so they make decisions to buy high-performance systems so that their investments begin to pay back.”

One 2030 Partner that made such a decision recently is the Pittsburgh Cultural Trust. Last year the Trust converted from steam absorption to electrically-driven chillers, a one million dollar project that is saving $65,000 annually in utility costs.

According to vice president of operations Gene Ciavarro, boilers are currently being replaced at the Benedum and Byham Theaters, switching from steam to domestic hot water. Ciavarro estimates that the projects will cost just under one million dollars and should reduce their costs further by $60,000 a year.

Part of information stream that the GBA and Architecture 2030 hope to provide includes creative ways to finance the improvements that require significant capital expense. Some of the Pittsburgh 2030 participants will have the wherewithal to make investments from capital budgets or from cash flow but many will not. The maturation of green building has yielded opportunities for financiers to create products that give investors solid returns while limiting the balance sheet exposure of the property owner.

AFL/CIO pension funds have begun providing financing for energy efficiency programs in Oregon public schools, for example. Like energy savings companies, the pension fund is repaid by the energy savings but their additional benefit is in the union jobs that will do the construction. Private equity and hedge funds are now working with both combined pension funds and private investment to finance energy efficiency projects that can offer ROI that beats the average return available in traditional investments.
Another alternative source of funding can be the utility companies themselves. Pennsylvania renewed Act 129 of 2008, which requires energy companies to reduce demand and consumption. The legislation has been an incentive for utility companies to provide reimbursements for businesses to implement efficiency improvements or operational modifications. Within the CBD for example, Winthrop Management was paid an incentive to cut peak consumption in the USS Tower. The building was cooled overnight and electricity was turned off where not needed and Winthrop received payment.

A further facet of the financial side of the effort is the opportunity financing that arises from the energy savings for owners that undertake efficiency projects. One of the most well-known of these projects is the Empire State Building window replacement, a $13 million investment that returns a surprising $4 million annually. While the unexpected payback could accelerate the ROI for the project the higher energy savings is used to fund other projects. An office building in Pittsburgh that generates $1 million in annual savings from an LED lighting replacement, for example, can use the savings to lower rents or common area maintenance charges, fund other capital projects or increase the owner’s operating profit and the building’s market value.

Pittsburgh 2030 District is being supported by some of the best known and more private of the downtown property owners and managers. Businesses like Oxford Development, BNY/Mellon, and CBRE plus institutions like the city and county and the Pittsburgh Cultural Trust have pledged to meet the challenge with their buildings.

The effort also received enthusiastic support from the regional chapters of the professional associations like the American Institute of Architects and the Master Builders’ Association.

“As an association that’s committed to green construction, the MBA was all in when we were approached by the GBA with an idea to make Pittsburgh a healthier and more sustainable community to live in by reducing energy and water use, lowering transportation emissions and improving our indoor air quality,” said Jack Ramage, executive director of the MBA.

Also on board is the company that has made operating “green” part of its corporate culture and its marketing. PNC Financial Services may need to make fewer improvements than any of the property partners – its newer buildings may already meet the 2030 standards in fact – but the company doesn’t see the partnership as redundant to its current culture.

“PNC is participating in the Pittsburgh 2030 District to further enhance its efficiency, to lessen its impact on local infrastructure and to help keep Pittsburgh competitive,” explains vice president of corporate real estate Gary Saulson. “We expect to achieve the 2030 District’s aggressive goals by building upon our current innovative strategies and implementing them in PNC’s committed properties.”

Schiller ultimately sees that the benefit of a 2030 District is in its reach. Since green building emerged, the emphasis has been on design and construction rather than operations. Although no advocate of green building would downplay the importance of sustainably operating a building, the standards and recognition have tilted towards new construction or major renovation. For Schiller, the fact that property owners who don’t do construction can participate in the 2030 District furthers the mission of sustainability and efficiency.

“[The response] demonstrates the vision and power of the 2030 Challenge,” he says. “GBA is a USBGC chapter so we are fully supportive of people getting projects LEED-certified but we know that just isn’t going to happen with a lot of buildings. This is making it easy for an owner to do small things that can make an impact.”

Also on board is the company that has made operating “green” part of its corporate culture and its marketing.
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The AIA-MBA Joint Committee selected Pasquale ‘Pat’ Navarro, formerly the owner of Navarro Construction as the 2012 recipient of the James Kling Fellowship Award for his contributions to the construction industry at a ceremony August 29 at Treesdale Country Club. The James Kling Fellowship Award was established by the AIA-MBA Joint Committee to recognize those individuals who best exemplify collaboration between the design and constructor professions.

(Left-to-right) George Ehringer, Tasso Katselas, Pat Navarro and Ray Volpatt Sr.

Burchick Construction’s Joe Burchick, formerly vice president for Navarro Construction presents the James Kling Award to Pat Navarro.
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(left-to-right) Seubert’s Brian Jeffe and Jay Black, with Mark Bronder of KFMR and Right Electric’s Jim Leary at the Builders Exchange golf outing at Cranberry Highlands.

(left-to-right) David and Dennis McKamish, Dave Casciani and John Jordan from McKamish Inc.
(left-to-right) Mosites’ Mark Edgar and Gary Kidd with Tom Ferrante of Ciminelli Development and J. R. Bittner.

Current MBA president Tom Landau (left) with Dean Mosites and Michael Kuhn of Jendoco Construction (right).

Colin Reilly and Tessa Berkebile from Rycon Construction, with Sherman Law’s Justin Ketchel (right) at the YC/YAF/Developing Leaders Pirates tailgate.
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The Easley & Rivers foursome included John Lane, Dick & Neal Rivers and Mike Nehnevajsa.

Greensburg Students Tour UPG’s Cassell Hall

Mike Penrod and Keith Manning of Rycon Construction, Inc. and Forty Eighty Architecture’s Kent Suhrbier hosted 25 high school students for an after hours tour through The University of Pittsburgh at Greensburg’s new Sustainable Office and Classroom Building - Cassell Hall. The Students, attendees of UPG’s Summer Career Camp, were interested in learning about Sustainable Building Practices and Green Building Technologies.

Architect Kent Suhrbier (holding hard hat in center) from Forty Eighty leads local high school students through the Cassell Hall jobsite. (Photo by Beth Tiedemann, University of Pittsburgh).
A team representing PJ Dick – Trumbull – Lindy Paving took part in the BIKE MS Western PA Escape to the Lake 2012 on June 9th and 10th. The team raised over $12,000 to support the National Multiple Sclerosis Society.

Front Row: Jill McMillan, Bob Salvatora, Dave Allen, Zack Deible Back Row: Brad Zukowski, Joanne McMillan, Bennett Salvatora, Bruce Ramsey Sr., Jeff Slezak, Bruce Ramsey Jr., Jason Ramsey

The MBA’s Jack Ramage and Anne Swager from AIA Pittsburgh at the Jim Kling Fellowship Award ceremony.

Nello’s Gino Torriero (left) with Jeff Picard of Linkrist Construction

Sharon Landau and Pentrust’s Tyler Noland at the Pirates tailgate event.
Simon Reichbaum (second from left) from Miller Electric with (from left) Lori Azzara, managing partner Jim O’Connor and Lisa Wampler from Cohen Seglias at the MBA golf outing.

The Schneider Downs team at the MBA outing includes (from left) Ted Pettko, Gennaro DiBello, Doug Morally and Joe Bruce.
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Duquesne University awarded Rycon Construction a contract for the $3.1 million renovation and expansion of the Hogan Dining Hall in the Duquesne Towers.

Rycon Construction is the successful contractor for the tenant improvements for the Federal Reserve Bank of Cleveland’s new space on the 30th floor of One Oxford Centre. The architect for the 11,200 square foot build-out is Radelet McCarthy Polletta Architects.

Kiski Area School District awarded Rycon Construction a $13.2 million contract for the general construction portion of its $19.9 million Upper Elementary School in Washington Township, Westmoreland County. Canzian Johnston & Associates is the architect for the project, which is a 72,000 square foot expansion and conversion of the former North Washington Elementary.

Rycon is responsible for building a new 14 acre shopping center located in East Stroudsburg, PA named The Crossings at Marshall’s Creek. This $15 million project includes site development and multiple retail stores.

Rycon’s Special Projects Group is renovating the Federal Reserve Bank of Cleveland offices within One Oxford Centre. This $725,000, 11,000 sq. ft. project was designed by Radelet McCarthy Polletta.

A 30,000 sq. ft. office renovation at Cigna Corporation is underway by Rycon’s Special Projects Group. The work on the 7th floor at 2000 Park Lane in Robinson is scheduled for completion in October.

Within Two Gateway Center, Rycon Special Projects Group is renovating an 8,700 sq. ft. café. Designed by DRS Architects, this project is valued at $200,000.

At MSA in Murrysville, Rycon’s Special Projects Group was awarded a $300,000 contract to renovate their locker rooms. Designed by Jeffrey Schroder, this project is scheduled for completion by November.

Highwoods Properties selected TEDCO Construction as the contractor for the tenant improvements for Janney Montgomery Scott in One PPG Place. The Design Alliance is the architect for the renovation to 22,500 square feet on the 22nd floor.

TEDCO Construction was awarded a $1.3 million contract by West Virginia University for the renovations to its Downtown Center in Parkersburg, WV. The architect is ZMM Inc.

TEDCO was the successful bidder on Doherty Hall Chem E and Chemistry Renovations at Carnegie Mellon University. EDGE studio is the architect.

Dick Building Co. was the successful contractor on the expansion of First National Bank’s corporate office space at Four North Shore Center. Design 3 Architecture is the architect.

Massaro Corporation has been selected to serve as the general contractor for the upcoming parking lot expansion project at Siemens. The project will be completed in late September 2012. CEC is the engineer serving on the project.

In addition to the work Massaro Corporation is currently doing for UPMC at the Clinical Lab building in the Oakland neighborhood of Pittsburgh, Massaro has been hired for the new underground utilities to be installed for the UPMC Magee pneumatic tube system from Clinical Lab Building to the Magee Womens garage. Perkins Eastman is the architect on the project.

McCaffery Interests has selected Massaro Corporation to do miscellaneous renovations at the Cork Factory garage in the Strip District neighborhood of Pittsburgh. Antunovich & Associates is the architect on the project.

On July 25th, Pittsburgh Botanic Garden commemorated the beginning of the renovation to the 1870’s era barn that will become the Bayer Welcome Center for the Garden. The project is currently in preconstruction and is slated to begin in the fall of this year. Massaro Corp. is the contractor. Indovina Associates Architects and MTR Landscape Architects will be serving on the design team.

Waynesburg University selected Volpatt Construction Co. as contractor for the addition and renovation to the Stewart Science Center. The $20 million project is a multi-phase renovation of most of the existing building, with the replacement of the complete exterior and the addition of stair and elevator towers. VEBH Architects is the architect.
dck pacific construction, a dck worldwide company, was awarded a $38 million contract for construction of a cooling station for Honolulu Seawater Air Conditioning, LLC (HSWAC). As part of HSWAC’s cooling system, the cooling station will supply commercial and residential buildings in downtown Honolulu with chilled water.

dck international, a dck worldwide company, was awarded an $18.6 million contract by DeVry Inc. to provide Construction Manager/General Contractor services for a 72,000 square foot Campus Center project at American University of the Caribbean (AUC) in St. Maarten, Dutch Antilles.

dck worldwide has announced it has awarded a contract, through its new dck/FWF entity, for the construction of the state-of-the-art, 880,000 square foot Mall at University Town Center in Sarasota, Florida. The two-level enclosed shopping center will feature a Saks Fifth Avenue, Macy’s, and Dillard’s, along with over 100 stores.

dck worldwide’s joint venture partnership, dck-ecc pacific guam, LLC has been awarded a $30 million contract to build an air freight terminal complex at Andersen Air Force Base in Guam. This design-bid-build contract, awarded by NAVFAC Marianas, is a firm-fixed-price task order under a previously awarded design-build multiple award construction contract.

Oakview dck, a dck worldwide company, has been awarded its 40th and 41st projects for Wal-Mart. One is a limited remodel of a 213,000 square foot store in Papillion, NE; the other is a new 132,000 square foot, $8 million Supercenter in Lincoln, NE.

A $1.8 million contract was awarded to Oakview dck, a dck worldwide company, for the rebuild of two dormitories at Southwest Community College in Creston, Iowa, damaged by a tornado in April 2012.

Landau Building Company was the low bidder on the West Virginia University $10.9 million Law School additions and renovations project.

Landau Building Company was recently awarded the Hazel Ruby McQuain Birthing Center project at Mon General Hospital in Morgantown, West Virginia. Projects recently completed at this facility include a Catheterization Laboratory, Oncology Department, and renovations of the Infusion, Endoscopy and Orthopedic Surgery departments.
Landau Building Company will be building an addition and renovating St. Ursula Church in Hampton Township. Work begins in September.

Landau Building Company is constructing a Physicians Practice and Diagnostic Center in Robinson Township for Heritage Valley Health Systems.

The University of Pittsburgh awarded a contract to Allegheny Construction Group for renovations to the Law Clinic in Sennott Square.

The CPM-PJ Dick MPA JV was awarded General Contracting services to build a $10 million Navy Operational Support Center located at the Armed Forces Reserve Center in Coraopolis.

PJ Dick Inc. was awarded Construction Management at Risk services for the new $35 million UPMC Sports Medicine North Facility in Cranberry Township. The project includes sports medicine space, a Pittsburgh Penguins practice ice rink and a high performance hockey training facility. The architect is BBH Design.

F. J. Busse Co. was the successful contractor for the $2 million renovation to the former Radisson for Doubletree Hotels in Green Tree. The architect for the project is Desmone & Associates Architects.

Oakmont Presbyterian Church selected F. J. Busse as construction manager for their elevator addition and renovation project. RSSC Architecture is the architect.

R. G. Johnson Co. selected Nello Construction as contractor for its new 38,000 square foot shop in the Evergreene Technology Center in Franklin Township, outside Waynesburg, PA. The architect is Source Architechnology Systems Inc.

Nello Construction was awarded a contract for a welcome center addition and façade renovation for St. John the Baptist Orthodox Church in Canonsburg. The architect is Pieper O’Brien Herr Architects.

Maverick Dental awarded a design/build contract to Jendoco Construction for renovations to its Golden Mile Highway facility in Monroeville. Desmone & Associates Architects will design the project.

Sewickley Presbyterian Church selected Jendoco Construction $1.2 million second phase of its renovation program. The architect is MacLachlan Cornelius & Filoni Architects.
Frank W. Falciani has joined dck worldwide. With nearly 40 years of construction experience, Falciani is a LEED® AP and a CMAA Certified Construction Manager. Falciani will be a Senior Vice President within the company at-large and will be the Managing Director of a new dck worldwide company, dck/FWF. Prior to joining dck, Falciani spent the last 20 years working with Skanska USA Building.

Rycon Construction, Inc. is pleased to welcome Brian Capone as Chief Estimator in the Special Projects Group. Brian received a B.S. in Business Administration from the University of Pittsburgh and has 11 years of construction industry experience.

Gretchen Gring has been hired by Rycon as an Accounting Manager. She has five years experience in the accounting industry and acquired a B.A. in Business & Political Science from the University of Pittsburgh with Certificates in Professional German & Global Studies.

Rycon Construction hired a new Estimator, Colin Reilly. Colin has four years construction industry experience and obtained a Mathematics Education Masters Certification from the University of Pittsburgh, a B.S. Environmental & Renewable Resource Economics from Penn State University and an A.A. in Construction Management from Community College of Baltimore County.

Nick Schafer joins Rycon as a Project Engineer. Nick received a Master of Arts in Economics from Cleveland State University and a B.A. in Economics from Washington & Jefferson College. He has over two years experience in the construction industry.

Nick Depperman joined Mascaro as a project engineer. Nick is a 2009 University of Cincinnati graduate with a degree in architectural engineering technology.

Todd DiBacco, a graduate of Bowling Green State University’s Construction Management program, joined Mascaro as a MEP Coordinator.

Felicia Kmetz is a new addition to Mascaro’s Burgess Energy Biomass project in New Hampshire. She has a Bachelor of Arts in economics from Pitt and an MBA from Point Park University.

Akwasi Kusi joined the Mascaro team in August as a project engineer. He received his degree in civil and environmental engineering from the University of Cincinnati.

Michele McCrea joined the Mascaro team in July as field administrator. She is a graduate of Sawyer School of Business and has a significant construction background.

Mark Pisarcik joined Mascaro as a full time employee in July, having worked part time for Mascaro since 2007. A recent graduate of California University of Pennsylvania, he has a degree in science and technology.

G.M. McCrossin (GMM) has named James B. Pease, P.E. as Regional Manager of their new southeastern office, located in Harrisburg, PA. His role will bring GMM’s Foundations services to commercial, institutional, and governmental clients in the eastern part of the state. Mr. Pease comes to GMM from Hayward Baker where he served as a Senior Project Manager. A graduate of the State University of New York at Syracuse University, he holds a BS in civil engineering, and is a licensed Professional Engineer.

The Construction Legislative Council of Western Pennsylvania (CLC) announced the election of its officers for the 2012/2013 calendar year: Chairman: Joseph Kirk, Constructors Association of Western PA; Vice-Chairman: Gregory Scott, American Society of Civil Engineers, Pittsburgh Section; Treasurer: Rich Barcaskey, Constructors Association of Western PA; Secretary: Jon O’Brien, Master Builders’ Association of Western PA.
Green Building Alliance is a non-profit organization devoted to helping Western Pennsylvania find smart solutions for the built environment. We believe that green building just makes sense and strive to integrate environmentally responsible, high-performance green building practices into the design, construction and operation of buildings in Western Pennsylvania.

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Southpointe – I really didn’t figure it was a big risk. We had just finished a similar project in Florida. We had a golf course there – we had commercial and residential. And at that time, as we exited Florida, we were looking for a project in the Pittsburgh area. Seeing and believing that things were moving south of Pittsburgh, we chose Southpointe as the location. Additionally it was a government project – land that was owned by the State of Pennsylvania that was vacant. We encouraged the local political team, Frank Mascara, Chairman of the County Commission at that time, and they participated along with Barry Stout and Governor Bob Casey.

There were some government subsidies involved. Those type of projects really don’t succeed unless you get subsidies from the government in some form whether it’s donation of the land, grants, low interest, and so forth. Having Mascara involved in the project meant the redevelopment authority was involved and they played a big role in it. You could say it was government and private interests working together for the betterment of the community, which is really how it got done. It’s also why we felt there wasn’t a lot of risk to it. Although it was a new concept for this area, I guess because we had just completed something similar in Florida, we knew it would be successful here.

Our motto in Florida was “Work, live & play”. Work first because that meant employment. It’s always important to create jobs for people. We used the same tagline for the Southpointe development. While we were confident the Southpointe vision would be a success, not everybody felt the same way. Sure we got some pushback. Whenever there’s a change you always get opposition. But we felt it was the right thing to do. We believed it would help the community, so we pressed on.

Southpointe today is probably the greatest commerce park in the State of Pennsylvania. Now they’re working on Southpointe II. We’re not involved with that because our focus is currently on downtown Pittsburgh. I always like to think about how to make things better and what comes next. Southpointe was our Crown Jewel, and we still own and manage five properties there, but we have branched out with several successful downtown Pittsburgh properties. We’ve really helped revitalize the Market Square area and are happy to be a part of the city’s renaissance over the past several years.

Dreams make realities. You start with a dream and then you make it a reality. You have a dream and then you convince other people that it can become a reality and you work together to that end. Sell the idea and then have a good team to help you do the work. I’ve always had dreams. I always think ahead – what can we do next? What can we do to make things better?

What can we do to make Washington, PA better? We’ve got two commercial office buildings downtown but we have a hard time getting people to come to the city of Washington. It’s not that much further than Southpointe, but whereas Southpointe continues to grow and expand, the city of Washington is shrinking. We’ve got to get off dead center and take steps to make things better. Washington, PA is the crossroads of America. You can go to LA, Canada and Miami without a stoplight. Why not take advantage of this great location?

We named the project and tried several years ago – The Crossroads: The Urban Revitalization of a Historical American City. We actually worked with Governor Rendell on an official plan for The Crossroads development. Our vision was to preserve the past and revitalize the future of the City of Washington. Proposed developments ranged from construction of office and retail space to renovating existing structures. Unfortunately, we didn’t get the ongoing support we needed and that project has been put on hold.

We’d like to get that started up again. Help create a tax base – bring businesses into the city. You have a wonderful little city here but the tax base is dissipating and we have to stop that. Washington is the county seat. Let’s make this the focal point for the next big redevelopment. How much better does it get than the Crossroads of America?

Jack Piatt is the founder and CEO of Millcraft Industries.
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